

MEMBERS PRESENT: Chairman Banner  
Vice Chairman Thompson  
Mr. Bennett  
Mrs. Cafferata  
Ms. Foley  
Mr. Hickey  
Mr. Jeffrey  
Mr. Rackley  
Mr. Rhoads

MEMBERS ABSENT: None

GUESTS PRESENT: See attached guest list.

WITNESSES TESTIFYING:

Ben Dasher, Chairman of the Advisory Board, NIC  
Joe Nusbaum, Chairman, NIC  
Joe Buckley, Summa Corporation  
Jack Kenney, Southern Nevada Homebuilders, Member  
of the Advisory Board of Review, NIC  
Richard Staub, Staff Counsel, Commissioner of  
Insurance  
Harvey Whittemore, Nevada Resort Association  
Claude Evans, Secretary Treasurer, AFL-CIO  
Chuck King, Nevada Self Insurers  
Tom Stuart, Gibbens Company

Chairman Banner called the meeting to order at 5:10 p.m. and directed the committee's attention to the meeting agenda. He wanted to hold AB 390 for a hearing at a later date and proceeded with AB 406 and AB 407. Mr. Banner explained to the committee that these bills were the end product of the studies and subsequent recommendations by the Advisory Board of Review for the Nevada Industrial Commission. This Board has been meeting for the two year interim period since its formation by the last Legislative Session. He introduced Mr. Ben Dasher, Chairman of the Advisory Board of Review and asked him to detail to the committee what the Advisory Board of Review has accomplished.

Mr. Ben Dasher, Chairman of the Advisory Board of Review for the NIC informed the committee that the Advisory Board was created by Assembly Bill 27 of the 1979 Legislative Session. The Governor appointed a nine member board consisting of three members representing organized labor and three members representing management. Mr. Dasher introduced to the committee John Flanigan, representing the public and Claude Evans, representing labor and said they would be available for any questions which the committee might have.

Mr. Dasher explained that the Advisory Board was directed to make recommendations to the NIC and to the Governor and the appropriate legislative bodies. The early recommendations

were sent in individually but as the recommendations increased toward the end of the two year interim period a report was prepared entitled "Report of the Advisory Board of Review for the Nevada Industrial Commission" which was sent to each member of the legislative body, the Governor and other interested persons. The majority of the Review Board's recommendations are contained therein.

The Advisory Board had a total of 126 agenda items and spent 25 days meeting. Many of the agenda items did not result in legislation but became recommendations to the NIC. The NIC adopted all of the recommendations and time will reflect the Advisory Board's affect on the NIC. Mr. Dasher listed the membership of the Advisory Board as follows:

<u>Public Members</u>	<u>Labor Members</u>	<u>Management Members</u>
Earl Gillett	Claude Evans	Benedict Dasher,
John Flanigan	Edmond McGoldrick,	Chairman
Elma Turner	Vice Chairman	J. E. Kenney, Jr.
	Dick Thomas	Joseph Buckley

Chairman Banner asked Mr. Dasher to proceed on the bills scheduled with the Advisory Board's recommendations and justifications for changes in the law.

Mr. Dasher presented to the committee a brochure outlining the prospective changes in the NIC laws as pertaining to AB 312, AB 406, AB 407, AB 408, AB 409, AB 433 and BDR 53-1198. The brochure is entitled "Workers' Compensation Legislation" and is attached hereto as EXHIBIT A.

AB 406: Amends provisions of industrial insurance law relating to rates, dividends and failure of coverage.

Mr. Dasher explained that this bill deals with payment of dividends. Dividends are to provide an incentive in the control of industrial injury and occupational disease:

1. Provides statutory authority for "experience dividends."
2. Requires that the method of distribution be set by regulation.
3. Distinguishes "rebate" and "experience dividend."

The experience dividends issue was a very heated item during the past year and the Advisory Board sought to eliminate future problems including litigation. Mr. Dasher stressed to the committee that AB 406 is in conflict with AB 49 which the committee had already amended and recommended a do pass on. The conflict exists in the area of reviewing individual claim reserves and rate settings.

The recommendation of the Advisory Board was that the NIC meet with the Advisory Board's actuary and establish by regulation a better way of looking at the individual claim reserves which

would satisfy the requirements of those employers who felt they were wronged in that regard. The NIC has complied by setting up Regulation No. 37 which sets forth a procedure which will be tried for one year and then adjusted by public hearing at such time that it proves to either be workable or not.

The contingency reserve was also studied by the Advisory Board and their recommendation was that a public hearing be set at each time that the contingency reserve was set up for a given year including methods of distributing the excess over and above the contingency reserve. These are the areas that this bill may be in conflict with AB 49.

In response to Mr. Banner's question as to whether the Advisory Board will continue in its present capacity, Mr. Dasher expressed that the majority opinion is that the Advisory Board should continue until a proposed Board of Directors for the insurance companies and an Advisory Board for the regulatory aspect actually materializes under the reorganization plan. At that time there would be no need for the Advisory Board in its present form, although there has always been an Advisory Committee in existence.

Mr. Joe Nusbaum, Chairman, NIC, presented to the committee a section by section analysis of AB 406, attached hereto as EXHIBIT B.

Section 1 of the bill attempts to clarify the past and present practice of distributing experience dividends in order to provide an incentive in the control of industrial injury and occupational disease. Refer to EXHIBIT B.

Section 2 of the bill clarifies the fact that matters concerning increase or reduction of premium rate or additional charge or rebate of premium contributions are subject to a hearing before the Commissioner of Insurance. Refer to EXHIBIT B.

Mr. Joe Buckley, Director of Industrial Relations, Summa Corporation and a member of the Advisory Board, pointed out to the committee that the handout referred to herein as EXHIBIT A, entitled "Workers' Compensation Legislation," was unfamiliar to him and he stated that by reference thereto there was an inference that members of the Advisory Board, either by majority or unanimous decision, support these bills. He said that was not his understanding as a member of that Board, and that the bills were not discussed line by line as to the language although some elements were discussed.

Chairman Banner expressed his displeasure at the fact that after two years of meetings and discussions the Advisory Board members are now displaying differences of opinions on a package of bills that were supposed to be thoroughly studied and approved so that the Labor and Management Committee could take action on them.

Date: April 6, 1981

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Mr. Jeffrey asked Mr. Buckley if a majority of the Advisory Board approved the concepts of these bills and he replied that some of the changes did not coincide with the problems and solutions discussed.

Mr. Jack Kenney, Southern Nevada Homebuilders, and a member of the Advisory Board, informed the committee that for the record he had researched the minutes of the Advisory Board's meetings and compared them with the Report of the Advisory Board of Review which had been previously referred to, and found many discrepancies.

Chairman Banner asked Mr. Kenney to address the committee only on the bills themselves and to eliminate expressing disagreements among the members of the Advisory Board.

When Mr. Jeffrey asked Mr. Kenney if the Report of the Advisory Board of Review was adopted by a majority of the group, he responded that it was but that he had voted against it.

Ms. Foley clarified the committee's concerns regarding Mr. Kenney's testimony when she asked him to express how he personally viewed AB 406. Mr. Kenney replied that he thought AB 49 covered the first page of AB 406 and that on the second page something must have been left out after line 46 because it did not make sense.

Mr. Kenney was opposed to the bill.

Mr. Harvey Whittemore, Nevada Resort Association, addressed the committee with reference to Section 1, subsections 1 through 3. He said it was clear that the NIC was attempting to deal in good faith with the employers regarding the return of the surplus funds. Mr. Whittemore stressed that on line 3 "the commission may return surplus funds" should be "the commission shall return surplus funds". The point is that it must be mandatory to return the surplus funds. This is a major point in AB 49. He told the committee that in lines 22 through 34 the NIC is taking away a hearing right which had been established in a court action last year. With respect to the definitional sections, lines 42 through 50, he expressed that they only make sense if there is a mechanism to force the return of surplus funds in the form of experience dividends. It was his opinion that the sum and substance of this bill has already been covered in AB 49.

Mr. Richard Staub, Staff Counsel and Hearings Officer with the Commissioner on Insurance, agreed with Mr. Whittemore's comments pertaining to this bill. He is in full support of legislation that will specifically clarify their hearings authority because in the past they have experienced jurisdictional problems on particular matters. He expressed that the legislation should clearly state what hearings are allowable and what hearings are not.

Mr. Dasher asked for the opportunity to express to the committee his defense of the people who served on the Advisory Board. He

said they saw weaknesses in the system pertaining to dividends and the reserving process and made recommendations that these be remedied as layman, not as attorneys or bill drafters.

Mr. Claude Evans, Secretary Treasurer, AFL-CIO, and a member of the Advisory Board wanted to express to the committee that a majority of the Board did agree on the recommendations contained in the report.

AB 407: Provides certain increases in compensation under industrial insurance for permanent partial disability.

Mr. Dasher explained to the committee that this bill deals with permanent partial disability awards and makes the following changes:

1. Increases permanent partial disability awards by one-third.
2. Allows for larger lump sum payments.
3. Permits the adoption of supplemental impairment rating guides.

Pertaining to the partial disability awards Mr. Dasher told the committee that the one-third increase would allow a change from 50 percent to 66 2/3 percent.

Larger lump sum payments have narrowed through the years due to inflation and the Advisory Board agreed that in some circumstances larger lump sum payments should be allowed.

Supplemental impairment rating guides pertain to guides which come along in the interim periods between Legislative Sessions and should be used because they deal with new medicine and new assessments of impairments. The Board felt that the injured worker should have the benefit of this updated current medical knowledge. The rating guides are publications of the American Medical Association.

Mr. Evans pointed out that a substantive change in the bill is eliminating the 12 percent compensation lump sum figure enabling the injured worker to elect to receive up to 25 percent or up to \$10,000, whichever is greater, as the lump sum.

Mr. Whittemore directed the committee's attention to a technical error in language on page 1, subsection 4, line 22. The bill reads "one one-half" and should read "one-half".

Mr. Nusbaum told the committee that the NIC is supporting the Advisory Board's position on this bill. He presented a section by section analysis of AB 407, attached hereto as EXHIBIT C.

His comments on the bill stressed that the Advisory Board looked at the present NIC system and concluded that basically it was sound but the Advisory Board found that the monthly payments

under permanent partial disability are a source of dissatisfaction. Monthly payments are usually in the range of \$130 to \$250 per month within the 50 percent factor. However, Nevada's total value of permanent partial disability payments is high. The apparent discrepancy in these two statements is that in Nevada the permanent partial disability begins at the time of injury and continues to age 65; in many states it is cut off either at a total dollar amount or at a number of years over which those payments can be made. Thus, Nevada has low monthly payments but they extend for much longer periods of time in comparison.

In comparing with other states, Nevada's percentage of disability averages lower because the system is fairly strict. For instance an injury in Nevada rated at 12 percent might be 15 percent in another state that has different factors.

In reference to lump sum payments, the change will allow the modification for an election of a lump sum of 25 percent of the award or up to \$10,000, whichever is greater, and to continue the present provision that permits a discretionary granting of a lump sum for the total amount of the award upon a showing by the claimant that it will contribute to his rehabilitation. Refer to EXHIBIT C.

Mr. Buckley inquired of the committee whether there was a fiscal note on this bill. He went on to express that the Advisory Board unanimously recommended legislation to permit the NIC and the Commissioner of Insurance to supplement the AMA Guides by adopting joint regulations for such supplemental guides. Refer to EXHIBIT C.

Mr. Chuck King, Nevada Self Insurers, spoke in opposition of the increase from .05 to 2/3 of 1 percent on the compensation awards for permanent partial disability. His contention was that as the employee's wages increase each year the awards increase also thus taking care of the inflationary problem.

Mr. Jeffrey asked for the background information of the members of the Advisory Board and Mr. Dasher gave this brief description :

Labor Members

Claude Evans, Secretary Treasurer, AFL-CIO  
Merle Snyder, Musicians Union  
Dick Thomas, Teamsters Union

Public Members

Earl Gillett, Reynolds Electric  
John Flanigan, Retired Businessman  
Elma Turner, Housewife (active politically)

Management Members

Ben Dasher, President and Chairman of the Board of  
Universe Life Insurance Company, also member of  
the Society of Actuaries  
Jack Kenney, Homebuilders Association  
Joe Buckley, Summa Corporation, Personnel Department

(Committee Minutes)

In addition to this information Mr. Dasher added that the makeup of this Advisory Board took the same order that previous Advisory Committees have taken in that Labor, Management and Public are represented. The recommendations contained in the report were done in extreme good faith and some of the problems that are arising in misintrepretation are somewhat beyond the Board's ability to stop because of the momentum that has gathered but the basic recommendations, either legislative or informal, are designed to improve the NIC. Mr. Dasher expressed to the committee that the intent of the Board has been accomplished.

Mr. Jeffrey noted to the committee that his observation was that the two groups of people who did most of the lobbying in the last session for the bill creating the Advisory Board are the ones who are unhappy with the recommendations of this very same Board.

Tom Stuart, Gibbens Company, Employers Representative to the NIC, addressed AB 407, page 1, line 15, pertaining to supplements to the guides for the evaluation of permanent partial impairment; he asked for the additional wording "of the guide to the evaluation of permanent impairment" instead of "guide". This would directly tie into the supplement that the AMA publishes and issues, not leaving the question for another type of guide to be introduced.

Chairman Banner adjourned the meeting at 6:35 p.m. and announced that the other bills scheduled for this hearing would be held over until the following night, April 7, 1981.

NOTE: Mr. John Crossley, CPA, Legislative Auditor, submitted to the committee a lengthy report entitled "State of Nevada Industrial Commission Compliance Review - 1980." Each member of the committee has a copy of this report and a copy is on file in the secretary's office.

Respectfully submitted,

  
Janice Fondi  
Committee Secretary

\*Attached to minutes

LABOR AND MANAGEMENT COMMITTEE

GUEST LIST

Date: \_\_\_\_\_

<u>PLEASE PRINT YOUR NAME</u>	<u>PLEASE PRINT WHO YOU REPRESENT</u>	<u>I WISH TO SPEAK</u>		
		<u>FOR</u>	<u>AGAINST</u>	<u>BILL NO</u>
JOHN FLANIGAN	ADVISORY BOARD N.I.C.			
Joe Mulvaney	NIC	✓		408, 407 408, 409
Ben Dasher	Adv. Board - NIC			
Joe Buckley	Lumina			
LEE HARVEY	J.C. PENNEY CO., INC.			
Pete Kelle	Gen Retail Ass'n			



LABOR AND MANAGEMENT COMMITTEE

GUEST LIST

Date: \_\_\_\_\_

PLEASE PRINT YOUR NAME	PLEASE PRINT WHO YOU REPRESENT	I WISH TO SPEAK		
		FOR	AGAINST	BILL
Harvey O'NAN	LCB - Audit	X		408
John Crossley	LCB - NWRB			408
Joe Gibb	NR			
McANTHONISEN	SUMMA CORP			
TOM STUART	THE GIBBENS Co, INC.		X	406 407 408
BLACK F. FEIN	AFC - C. 8	X		409 403
John G. Madell	AF L C I O			408 407
Ken Johnson	NDFAC			409 408 208
Bill Duggitt	L & H M... ..			
Wm O'Connor	Citizen Budget Advisory Com			
Wm J. K... ..	Kennett M... ..			
Wm J. ... ..	OPE SO			
Paul Jones	Peng Chamber		X	310
Alan Tragent	Dep of Occupational Safety & Health			

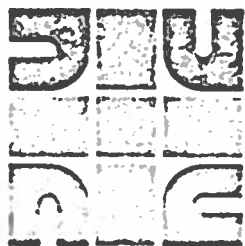
# WORKERS' COMPENSATION LEGISLATION

*Recommended by:*

The Advisory Board of Review for N.I.C. . . .

The Legislative Auditor . . .

The Nevada Industrial Commission



NEVADA INDUSTRIAL COMMISSION

515 East Musser Street

Carson City, Nevada 89714

The purpose of this document is to identify those bills that are based on the recommendations of the Advisory Board of Review for the Nevada Industrial Commission, the Legislative Auditor and the Nevada Industrial Commission and to give a brief description of each bill.

The Advisory Board was created by the 1979 Legislature to conduct a two-year review of NIC, its organization, policies and practices, and to make recommendations to NIC, the Governor and the Legislature. The Advisory Board issued a report in January 1981 that included a number of recommendations to NIC to draft legislation for statutory changes. The Nevada Industrial Commission concurred in all of these recommendations and they all have been included in the bills described herein.

The Legislative Auditor conducted a thorough compliance review of NIC in 1980. The Legislative Auditor's report to the Legislature issued late in 1980 included recommendations for a number of statutory changes. The Nevada Industrial Commission concurred in all of the recommendations for statutory changes and they are incorporated in the bills described herein.

The Nevada Industrial Commission recommends, in addition to the above matters, a few other statutory changes mainly related to investments which the Commission believes are not in conflict with any of the Advisory Board or Legislative Auditor recommendations. These changes are incorporated in the bills described herein.

## A. B. 312

### CLAIMS MANAGEMENT

This bill brings the letter of the law into line with the present application of the law and improves management of claims.

1. Clarifies definition of "injury."
2. Specifies lifetime reopening rights.
3. Requires casual connection between intoxication and an injury.
4. Requires definition of "average monthly wage."
5. Increases the medical review boards' fees.
6. Allows additional time for change of physicians.
7. Compensates physicians more adequately for testifying.
8. Allocates costs of uninsured employer claims.
9. Requires heart and lung physical exam at beginning of employment of policemen and firemen.

## A. B. 406

### EXPERIENCE DIVIDENDS

This bill deals with payment of dividends. Dividends are to provide an incentive in the control of industrial injury and occupational disease. The bill:

1. Provides statutory authority for "experience dividends."
2. Requires that the method of distribution be set by regulation.
3. Distinguishes "rebate" and "experience dividend."

## A. B. 407

### CLAIMS BENEFITS

This bill deals with permanent partial disability awards and makes the following changes:

1. Increases permanent partial disability awards by one-third.
2. Allows for larger lump sum payments.
3. Permits the adoption of supplemental impairment rating guides.

## A. B. 408

### ADMINISTRATIVE AND FINANCIAL MANAGEMENT

The Advisory Board of Review recommends changes concerning:

1. Security of deposits.
2. Purchase of stocks which have not paid dividends.
3. Investments in mortgages.

The Legislative Auditor recommends changes concerning:

1. Conflicts in definitions.
2. Travel expenses of commissioners.
3. Sole proprietor's physical exam requirements.
4. Mailings of delinquency notices.
5. Composition of the medical review board.

The Nevada Industrial Commission recommends changes concerning:

1. "Apprenticeship trainees" as deemed employees.
2. Securities lending and securities options.
3. Investments in commingled real estate funds.
4. Microphotographing and destruction of records.

### A. B. 409

#### OCCUPATIONAL SAFETY AND HEALTH

This bill involves three recommendations of the Advisory Board:

1. Protect the identity of employees who report safety violations.
2. Prevent *ex parte* variances from DOSH standards.
3. Allow DOSH to collect fines in small claims court.

### A. B. 433

#### PENSION IMPROVEMENT AND SOCIAL SECURITY OFFSET

This bill recommended by NIC and, in part, by the Advisory Board:

1. Supplements pensions of permanently and totally disabled persons and survivors, who do not receive social security supplements, to the 1980 wage level.
2. Allows Nevada to reverse the social security offset to fund a portion of the pension improvements from the offset savings without reducing total benefits of any pensioner.

### S. B. .... (BDR 53-1198)

#### REORGANIZATION

Due mainly to the need to restore state regulation of workers' compensation to one agency, the Advisory Board recommends a splitting of NIC's insurance functions and its regulatory functions. This bill:

1. Creates a successor to NIC's insurance operation called the State Industrial Insurance System, which is a public corporation run by a board of directors and a general manager providing:
  - (a) Workers' compensation insurance; and related
  - (b) Consulting safety services; and
  - (c) Rehabilitation services.
2. Provides that the regulatory functions of NIC, under an inter-agency plan approved by the Governor, be combined with the functions of the Labor Commissioner into a new Department of Industrial Relations similar to the organization in most states. This department would be responsible for:
  - (a) Workers' compensation compliance regulations of the State Industrial Insurance System and self-insured employers.
  - (b) Occupational Safety and Health.
  - (c) Mine Inspection.
  - (d) Employment standards.
3. Retains certification of self-insurers and rate review by the Commissioner of Insurance.
4. Has a July 1, 1982 effective date.

EXHIBIT B

COMMENTS ON A.B. 406

JOE E. NUSBAUM, CHAIRMAN

NEVADA INDUSTRIAL COMMISSION

A.B. 406 deals with the subject of payment of dividends based on the loss experience of employers.

Section 1 of the bill attempts to clarify past and present practice of distributing experience dividends in order to provide an incentive in the control of industrial injury and occupational disease. The Nevada Industrial Commission has for many years declared experience dividends on the basis of language found in NRS 616.380. The commission feels that it is desirable to continue distributing experience dividends but to do so under a new statutory section which grants specific authority and more clearly expresses the purpose of experience dividends.

Section 1 also provides for regulations which will be adopted in a public meeting pursuant to NRS Chapter 233 to cover the distribution of experience dividends. The Advisory Board unanimously recommended that NIC conduct a public hearing prior to any future distribution of dividends and the commission has incorporated the provision in its Regulation 37 on experience dividends.

Section 2 clarifies the fact that matters concerning increase or reduction of premium rate or additional charge or rebate of premium contributions are subject to a hearing before the Commissioner of Insurance.

This section also deals with an aspect of this subject which was addressed by the Advisory Board. The Advisory Board recommended that "any inconsistency found with respect to the use of the statutory term "rebates" be addressed in

proposed legislation." The amendment under subsection 5 of section 2 clarifies the definitions of "additional charge" and "rebate of premium" as such phrases are presently used in NRS 616.380, to conform to past and present NIC practice therein, and to differentiate these terms from the practice of declaring experience dividends.

COMMENTS ON A.B. 407

JOE E. NUSBAUM, CHAIRMAN

NEVADA INDUSTRIAL COMMISSION

A.B. 407 deals with the subject of permanent partial disability benefits. The Advisory Board of Review for NIC provided in its January, 1981 report to the Legislature an analysis of issues involved in this most difficult and controversial area of workers' compensation (see pages 32 through 38). The conclusion on Nevada's present system was:

"A majority of the Advisory Board recommends no change in the basic permanent partial disability system. We find that the impairment-rehabilitation system with lifetime reopening is a basically sound, efficient system that encourages the return to work of injured persons. (The Commission concurs.)"

However, the Advisory Board did make three recommendations for improvement in the present system which are contained in A.B. 407. Level of Permanent Partial Disability Awards.

The following is from the Advisory Boards' report, page 36:

"The Commission did comment that a major source of dissatisfaction with Nevada's PPD award system is the level of monthly payments. For example, assuming a \$1,000 monthly wage of the injured worker, a 10% impairment (a majority of ratings are 10% or less) produces an award of only \$50 per month. For more major impairments in the range of 11% to 25%, the monthly



benefit ranges from \$55 to \$125 per month. For very serious impairments in the range of 26% to 50% (almost all impairments over 50% become permanent total awards), the range of benefits is from \$130 to \$250 per month.

One reason for the relatively low monthly benefit is that the statutory formula provides for a factor of 50% times the monthly wage (up to the statewide average wage) times the percentage of impairment. The Commission recommended that the factor in the formula be increased from 50% to 66-2/3%. Many other states do use a 66-2/3% factor but they may also limit the duration of the benefit or the maximum amount of the benefit while Nevada pays PPD compensation to age 65. However, this may be offset by, on the average, higher disability ratings in states that take into account other factors in determining disability. A 66-2/3% factor in the PPD formula would have cost approximately \$6.5 million in fiscal year 1980."

The Advisory Board concluded with the following recommendation:

"Though the total value of Nevada's PPD awards are generally good, considering the longer duration of the awards compared to many other states, a majority of the Advisory Board does recommend a change in the formula to increase the factor applied to the wage and the percentage of disability from 50% to 66-2/3% in order to give claimants a more adequate level of monthly benefits. (The Commission concurs.)"

This recommendation is found in subsection 4 of section 1 of A.B. 407.

Lump Sum Awards

The following is from page 37 of the Advisory Board report:

"The concept of workers' compensation PPD awards in Nevada is to compensate, over the period of the claimant's normal working life, for the loss of physical capacity. The periodic income supplements what is often a reduced wage when the partially disabled claimant returns to work. To allow lump sum payments for disabilities of 25% or less would make 94% of Nevada PPD awards subject to lump sum payments, which could destroy the concept of periodic, insurance type supplements to income. The Advisory Board was aware that very often the allowing of a lump sum payment to an unsophisticated claimant may do him a disservice. Dissipation of a lump sum in an imprudent way serves neither the recipient nor society.

Nevertheless, strong arguments are made that the present restrictions (lump sum allowed to 12% disability and 25% lump sum for disabilities in excess of 12%) fail to recognize temporary financial hardships, the inflationary erosion of benefits, and require some monthly payments so small as to be of little value to the claimant."

The Advisory Board concluded with the following recommendation:

"In order to remove inconsistencies in the present law regarding lump-sum payments and to recognize the temporary

financial hardship that may occur following an injury, a majority of the Advisory Board recommends that the statutory provisions regarding lump sum payments be modified to allow an election of a lump sum of 25% of the award or up to \$10,000 whichever is greater and to continue the present provision that permits a discretionary granting of a lump sum for the total amount of the award upon a showing by the claimant that it will contribute to his rehabilitation. (The Commission concurs.)"

This recommendation is found in subsection 4 of section 1 of A.B. 407. (This language needs to be amended to clarify that if the present value of an award is less than \$10,000, only the present value may be awarded in lump sum.)

#### Supplements To The AMA Guides

The present law requires the use of the AMA "Guides to the Evaluation of Permanent Impairment" in rating impairment. The Advisory Board and the Commission support this requirement as one leg of Nevada's impairment/ rehabilitation/ lifetime reopening system but recommend the additional feature covered in the following Advisory Board recommendation:

"Recognizing that new medical procedures in the treatment of injured workers occur between publications of the American Medical Association "Guides to the Evaluation of Permanent Impairment", the Advisory Board unanimously recommends legislation to permit the Commission and the Commissioner of Insurance to supplement the AMA Guides by adopting

joint regulations for such supplemental guides. (The  
Commission concurs.)"

This recommendation is found in subsection 2 of section 1 of A.B. 407.

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STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW  
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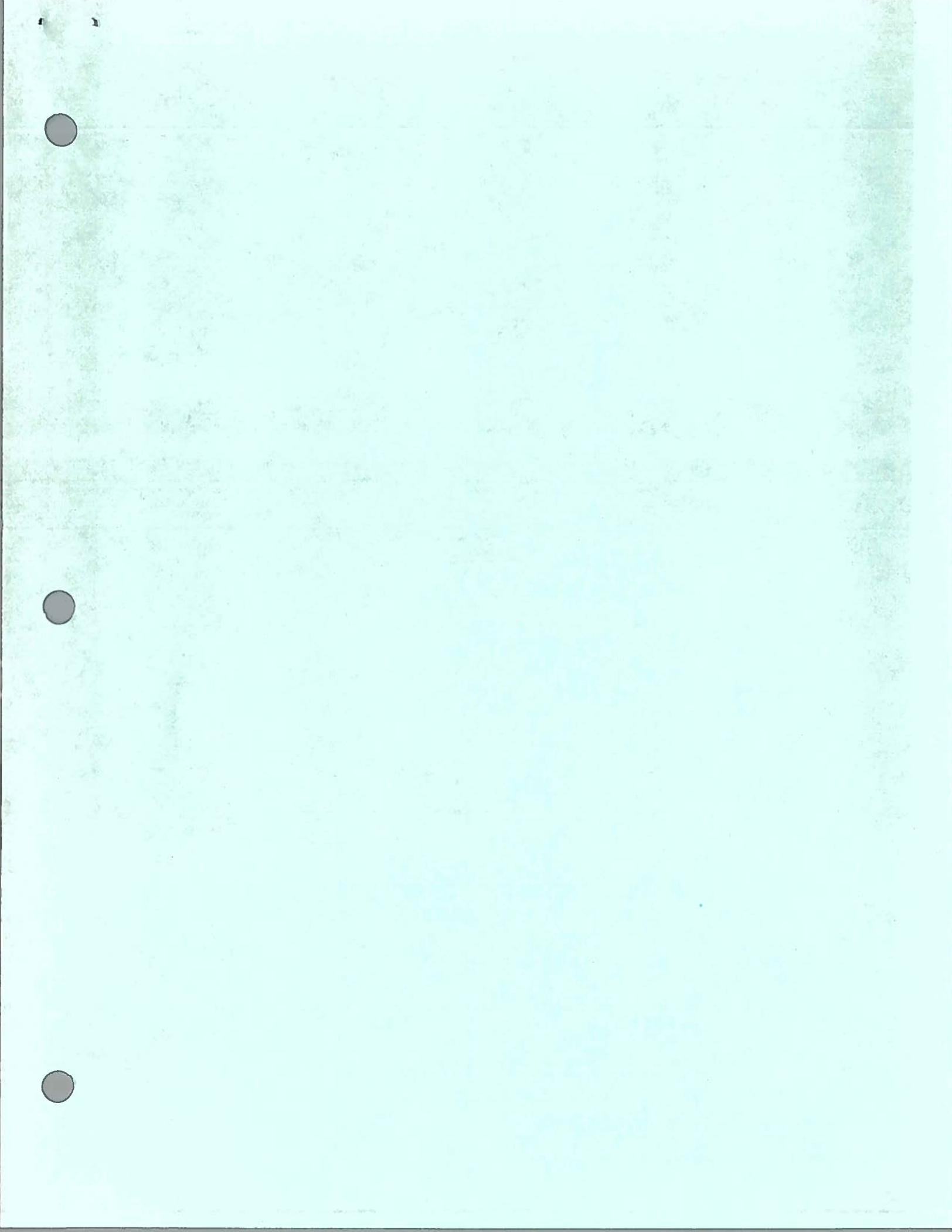
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The Legislature of the State of Nevada  
Carson City, Nevada

Chapter 533, Section 60, Statutes of Nevada, 1979, directed the Legislative Auditor to conduct an audit of the Nevada Industrial Commission during the interim between the 60th and 61st sessions of the Nevada Legislature to determine compliance with the law. The Legislative Auditor must report his findings and any recommendations to the 61st session of the Nevada Legislature.

Our review covered Chapter 616 (Industrial Insurance), Chapter 617 (Occupational Diseases) Chapter 618 (Occupational Safety and Health) of the Nevada Revised Statutes, the rules and regulations governing the practice and procedure before the Nevada Industrial Commission, and the elements of economy and efficiency as they relate to the Nevada Industrial Commission in complying with the law.

Our review included, and our report is based upon:

Reviewing the Nevada Revised Statutes

Reviewing the rules and regulations of the Nevada  
Industrial Commission

Interviewing of department chiefs and staff

Examining Commission minutes

Reviewing Commission policy

Examining Commission files, records, documents  
and correspondence

Visiting rehabilitation centers in Oregon and  
British Columbia

Our examination was made in accordance with the standards for audit of governmental organizations, programs, activities and functions as developed by the United States General Accounting Office.

The accompanying report presents our findings and recommendations concerning the operations and performance of the Nevada Industrial Commission in complying with the Nevada Revised Statutes, and Nevada Industrial Commission Rules and Regulations.

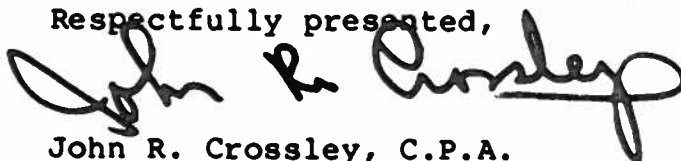
During the course of our audit the Nevada Industrial Commission was working with the Advisory Board, created by Chapter 675, Statutes of Nevada, 1979, and private contractors on many of the problems we identified in this report. In many cases, their solutions were similar to ours. The Nevada Industrial Commission is in the process of implementing some of their recommendations as well as ours.

While we point out many problems in this report, we were also able to determine that the Nevada Industrial Commission is complying with many of the statutes and regulations that govern their operations.

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We wish to express our appreciation to the Nevada Industrial Commission and staff for the assistance they provided during our review.

Respectfully presented,



John R. Crossley, C.P.A.  
Legislative Auditor

Harry E. O'Nan  
Deputy Legislative Auditor

August 15, 1980  
Carson City, Nevada

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<u>JEAN HANNA CLARK REHABILITATION CENTER</u>					
<u>Options</u>					
53.41	1. Sell the Center or contract with a private firm for its operation.....			Only if actions are not not adequate	
53.41	2. Open the Center to other states and non-industrial accident patients with similar traumatic injuries with Nevada Industrial Commission patients having top priority.	X	Legislation Prepared	X	
53.41	3. Establish public relations program to inform medical communities of the services and treatments available at the Center.....			X	
<u>Additional recommendations if either option 2 or 3 set forth above are implemented</u>					
53.41	Hire an administrator to operate the Center who has an administrative background in the medical field.....			Under active consideration	
53.41	Update and implement standard operating policy and procedures.....			X	

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53.42	Place patient scheduling and medical records organizationally under the medical director....	_____	_____	_____	Question whether additional administrative tasks should be under Medical Director	_____
53.42	Combine physical and remedial therapy into one department.	_____	_____	_____	Will review	_____
53.42	Combine occupational and industrial therapy into one department.....	_____	_____	_____	Will review	_____
3.42	Change the title of Industrial Therapist.....	_____	_____	_____	Will review	_____
53.42	Request legislation to make therapists unclassified employees or to allow them to be hired on a professional contract basis.....	_____ X	_____	_____ X		_____
53.42	Contract for a review of staffing requirements of the Rehabilitation Center....	_____	_____	_____ X		_____
53.42	Inform medical communities of need for early referrals.....	_____	_____	_____ X		_____
53.43	Open better lines of communication between the Rehabilitation Center and the Nevada Industrial Commission.....	_____	_____	_____ X		_____

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53.43	Review feasibility of constructing in-patient facilities for the Center.....			Critical question		
53.43	Evaluate the need for keeping the Center open longer hours...		X	Will re-assess		
53.43	Determine what financial information is necessary and have it furnished by Fiscal Office Services.....			X		
53.43	Comply with NRS 284.173 in regards to contracts with independent contractors....			X		
53.43	Define interview and moving expense for physiatrists in contracts as required by NRS 284.173.....			X		
<u>PUBLIC RELATIONS</u>						
53.45	Develop a strong public relations program...		Budgeted but not in place	X		
<u>OPERATIONS</u>						
53.48	Review and evaluate the Data Processing Department with data processing experts..			X		



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53.48	Review purpose, use and accuracy of all data processing reports.....			X		
53.48	Discontinue unneeded data processing reports.....			X		
53.48	Develop procedures to ensure that appropriate records are reconciled.....			X		
53.48	Incorporate check writing into the central computer system.....			X		
53.49	Maintain a listing of all data processing reports with a brief description and the distribution.....			X		
53.49	Request legislation to amend NRS 616.150 so that Commissioners shall receive the per diem and travel expenses provided by law.....	X		X		
53.51	Request legislation to amend 616.190 to create medical panels.....	X	Drafted	X		

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53.51	Request legislation to amend NRS 616.190(5) to remove the \$50 limitation and to allow the medical board members to be paid on a consultation basis.....	<u>X</u>	<u>Drafted</u>	<u>X</u>		
53.52	Request legislation to amend NRS 616.226 to grant the Commission the authority to issue subpoenas.....	<u>X</u>		<u>X</u>		
53.52	Define what an examination of the heart should consist of....			<u>By regulation</u>		
53.53	Pay witness fees in accordance with the provisions of NRS 616.235(2).....	<u>X</u>	<u>Drafted</u>	<u>Allow consulting fees for doctors</u>		
53.53	Comply with NRS 616.180 and have the title of real property examined and approved by the Attorney General.....			<u>X</u>		
53.54	Comply with NRS 239.080 and NRS 616.195 in regards to records retention.....			<u>X</u>		

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53.55	Review and request legislation to amend Chapters 616 and 617 of NRS to eliminate conflicts.....	X	Drafted	X		
53.56	Establish an in-house subrogation desk to pursue subrogation claims of less than \$3,000.				Will study need	
53.58	Continue recruiting for internal audit staff.....		X			
53.58	Require the internal audit function to answer directly to the Nevada Industrial Commission.....				Will be done in reorganization	
53.59	Establish a policy in regards to length of time professional service contracts shall remain in effect before they are reviewed and put to bid.....		Done in part	X		
<u>MEDICAL AND COMPENSATION CLAIMS</u>						
53.64	Develop lines of communication between claims examiners and benefits control....			X		

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53.64	Update written policies and procedures to include benefits control duties and responsibilities....	_____	_____	X	_____	_____
53.64	Review the function of benefits control periodically to ensure that the written policies are followed.....	_____	X	X	_____	_____
53.67	Review and revise procedures to eliminate inconsistent policies with respect to medical payments....	_____	_____	X	_____	_____
53.68	Revise procedures so that the claims examiner is not bypassed on payment of medical bills....	_____	_____	_____	_____	Delay in routine payments
53.68	Train the staff in the procedures and principles in the computation of medical bills.....	_____	_____	X	_____	_____
53.68	Update the medical fee procedures manual...	_____	_____	X	_____	_____
53.69	Maintain medical fee procedures manual on a current basis.....	_____	_____	X	_____	_____

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			<u>Accom- plished</u>	<u>To Be</u>	<u>Deferred</u>	<u>Rejected</u>
53.74	Create a benefits department.....			For reorganization		
53.76	Institute a program that will provide for compliance with NRS 616.340(2) regarding filing of C-3 report.....			X		
53.76	Enforce NRS 616.340(4) for non-compliance with NRS 616.340(2).			X		
53.77	Comply with NRS 616.345 and Nevada Industrial Commission regulation 5 in regards to employers and physicians reports..			X		
53.78	Comply with NRS 616.426 and establish the subsequent injury account within the Insurance Fund.....			X		
53.79	Comply with NRS 616.525(2) which requires a release of liability.....		X	Will check compliance		
53.81	Request legislation to clarify the intent of NRS 616.567 regarding the 30 day closing notice.....	X		X		

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53.82	Review the application of their policy to initially pay only 75% of the 66 2/3% average monthly wage.....	_____	_____	X	_____	_____
53.82	Require adequate wage information with the C-3 report.....	_____	_____	X	_____	_____
53.82	Request legislation to amend NRS 617.410 to allow payment of occupational disease compensation out of the State Insurance Fund.....	X	_____	X	_____	_____
53.83	Request legislation to amend NRS 616.545 to allow for full reimbursement of the medical examination.	X	_____	X	_____	_____
53.84	Establish standard file control procedures.....	_____	_____	X	_____	_____
53.84	Continue use of hard copy original working files in the claims division.....	_____	_____	_____	Discontinued conversion until computer program is completed	_____
53.85	Update all claims division's policy and procedure manuals.....	_____	_____	X	_____	_____

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53.85	Maintain claims division manuals on a current basis..		X		
53.86	Develop and use standardized training for claims division personnel.....		X		
<u>INDUSTRIAL REHABILITATION DEPARTMENT</u>					
53.91	Institute procedures to ensure that rehabilitation expenditures do not exceed the autho- rized program budget.....		X		
53.91	Discontinue payment of rehabilitation expenditures prior to approval of rehabilitation budgets.....	Present policy X	Will check compliance		
	Develop and implement written procedures in the Industrial Rehabilitation De- partment that:				
53.95	Provide for consis- tent case file review.....		X		

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53.95	Provide for consistent case file acceptance.....	_____	_____	X	_____	_____
53.95	Require review and initials on all medical correspondence.....	_____	_____	_____	Will review policy	_____
53.95	Require all correspondence and medical reports to be date stamped as to when received.....	_____	X	_____	_____	_____
53.95	Provide for supervisory case file reviews.....	_____	_____	X	_____	_____
53.96	Consult with pre-accident employer prior to retraining injured workmen in another vocation in accordance with NRS 616.222(2).....	_____	present policy	_____	_____	_____
53.98	Comply with 616.223(3) and regulation 14.090 regarding compensation benefits for unexcused absences in rehabilitation programs.....	_____	_____	X	_____	_____



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53.99	Adopt a written policy concerning the official work stations of Nevada Industrial Commission staff.....			Will be accomplished in reorganization	
<u>EMPLOYER ACCOUNTS DEPARTMENT</u>					
53.104	Request the Data Processing Department to modify the program used to calculate the experience ratings..			X	
53.105	Provide at least 5 days from date of stop work order to date of hearing in accordance with NRS 616.629(2)(b) unless requested by the employer.....		Present policy X	Will check compliance	
53.106	Require "Grand-fathered" employers to submit their annual certified disability and death benefit plans in accordance with NRS 616.256(2)(a)...		X		
53.108	Obtain and approve the detailed arrangements to provide accident benefits for "ex-medical" employers.....			X	

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53.108	Require "ex-medical" employers to render financial statements as outlined in NRS 616.415(3).....		X		
53.109	Request legislation to eliminate the requirement for yearly physical examinations for sole proprietors as required by NRS 616.317(2).....	X	X		
53.109	Request legislation to amend NRS 616.400(6) to allow for other suitable means other than certified mail to notify employers of delinquent accounts..	X	Drafted	X	
53.111	Require financial reports to be submitted to the Commission in accordance with Nevada Industrial Commission regulations 31.305, 33.220, and 32.040(4b).....			X	

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53.112	Account for all un- insured employer expenses on its' annual financial statements in accordance with Nevada Industrial Commission regu- lation 27.040(1).....	_____	_____	X	_____
53.112	Enforce the provisions of NRS 616.630 when employers fail to provide and secure compensation.....	_____	_____	X	_____
<u>FIELD AUDIT DEPARTMENT</u>					
53.114	Refuse to accept audit protests after 30 day acceptance period has elapsed in accordance with Nevada Industrial Commission regula- tion 7.004(2).....	_____	X	_____	_____
53.115	Update field auditor's handbook.....	_____	_____	X	_____
53.115	Maintain field auditor's handbook on a current basis.....	_____	_____	X	_____

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GENERAL

The Nevada Industrial Commission (NIC) is a quasi-state agency. Its operation is supported by workers' compensation insurance premium income.

The Nevada Workmen's Compensation Act, Chapter 111, Statutes of Nevada, 1913, created an Industrial Commission and provided for the creation and disbursement of funds for the compensation and care of workmen injured in the course of employment. The act was elective to all employers in the State of Nevada. Employers who rejected the provisions of the act were liable for personal injury of their employees when the injury was sustained during the usual course of employment.

Chapter 168, Statutes of Nevada, 1947, made workers' compensation insurance mandatory for all employers with four or more employees. This insurance was later made mandatory for all employers.

The Nevada Industrial Commission is a state fund directed by three commissioners, each appointed for a term of four years. One commissioner is a representative of labor, one commissioner is a representative of management, and the other is the chairman of the Commission. The commissioners are responsible for the administration of the Nevada Industrial Insurance Act, Chapter 616 of NRS, the Nevada Occupational Diseases Act, Chapter 617 of NRS and the Nevada Occupational Safety and Health Act, Chapter 618 of NRS.

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GENERAL  
(continued)

The Commission is also responsible for the investment of Nevada Industrial Commission funds, establishment of premium rates, and the payment of benefits to insured workers.

Workers' compensation insurance is a state administered insurance program defined by statute (NRS, Chapters 616, 617) which provides medical care, disability compensation and rehabilitation services to workers who are injured or who contract occupational diseases in the course of their employment.

Chapter 533, Statutes of Nevada, 1979, (AB 84), permitted employers who meet specific requirements to self insure against liability for industrial accidents and occupational diseases. Prior to the passage of AB 84, all employers in the State were required to carry industrial insurance coverage which was provided by the Nevada Industrial Commission.

The self insurance program is to be subject to regulations established by the Commissioner of Insurance. The Governor signed an emergency order July 1, 1980, allowing self-insurance regulations to go into effect for 120 days until the final regulations are approved. Accordingly, we were unable to review or evaluate the effects of self insurance as it relates to the Nevada Industrial Commission.

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JEAN HANNA CLARK REHABILITATION CENTER

Chapter 614, Statutes of Nevada 1971, directed the Legislative Commission to make an interim study of the Nevada Industrial Commission. One of the recommendations from this study was that the Nevada Industrial Commission provide rehabilitation services to injured workmen.

Chapter 292, Statutes of Nevada 1973, empowered the Nevada Industrial Commission to provide rehabilitation services to injured workers, and that such expenditures be made from the State Insurance Fund. In cooperation with the staff at Southern Nevada Memorial Hospital, the Commission established a small scale comprehensive rehabilitation operation for injured workers. Because the facilities and equipment were inadequate, the Commission, with the approval of the Nevada Industrial Commission Labor Management Advisory Board and the Governor, decided to construct their own rehabilitation facility.

Commission staff made trips to Oregon and British Columbia to review and discuss the respective rehabilitation centers. The Jean Hanna Clark Rehabilitation Center was designed architecturally and operationally after the British Columbia Worker's Compensation Board Rehabilitation Center in Richmond, British Columbia. The administrator hired to develop the rehabilitation center's programs and operations also came from the British Columbia rehabilitation center.

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JEAN HANNA CLARK REHABILITATION CENTER  
(continued)

Construction of the Jean Hanna Clark Rehabilitation Center was completed in the spring of 1978, and it became operational in the summer of 1978.

The Rehabilitation Center was designed to provide medical and therapeutic programs to reduce the physical and emotional effects of disabling occupational injuries. The Rehabilitation Center provides a wide range of services to an industrially injured worker on an outpatient basis only. The Center is not designed for in-patient care. If the injured worker is from out of town, accommodations must be arranged for the individual to stay in a local motel; per diem and travel expenses for the injured worker are paid by the Nevada Industrial Commission.

The types of services provided at the Rehabilitation Center include physical therapy, remedial therapy, occupational therapy, industrial therapy and psychological services. The Center was designed, based on the British Columbia centers, to handle 250 patients with a staff of 4 doctors (physiatrists) in addition to therapists and support personnel. This original concept has not worked and is being revised based on United States medical practices.

Our findings in regards to the Rehabilitation Center are set forth on the following pages. All of our recommendations in regards to the Rehabilitation Center start on page 53.4.

REHABILITATION CENTER ADMINISTRATION

The current organizational structure of the Rehabilitation Center has an administrator as the chief executive officer, with

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JEAN HANNA CLARK REHABILITATION CENTER  
(continued)

REHABILITATION CENTER ADMINISTRATION (continued)

the medical director of the Center reporting directly to the administrator for his job functions.

The Rehabilitation Center is a medical facility first and foremost, and should be under the direction and administrative control of an administrator who has both an administrative and medical background and who has been responsible for the administration of a medical facility or rehabilitation center. The combined background should include both educational and practical experience. The current administrator and medical director have done an adequate job administratively in running the operations of the Center, but the basic problem still remains, the Center is not being fully utilized. Underutilization can be caused by many factors such as availability of medical staff, inadequate public relations with the medical profession and lack of referrals. One of the main reasons the Center is not being fully utilized is the lack of referrals. In addition to the problem of underutilization of the Center, we identified problems when we tried to determine who runs the Center and who sets policy. We believe someone has to take charge of the Center, establish goals and objectives, set policy and see that it is carried out. Someone must also go into the medical communities in the State to inform the doctors of the services that are available at the Center.



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JEAN HANNA CLARK REHABILITATION CENTER  
(continued)

REHABILITATION CENTER ADMINISTRATION (continued)

We realize that an administrator with the background we have suggested will be costly, but an empty medical facility is more expensive. Studies of the Rehabilitation Center have all stated that the Center has lacked the strong administrative leadership necessary to make the Center successful.

STANDARD OPERATING AND PROCEDURE MANUALS

During our review of the Rehabilitation Center, one of the first things we requested was policy and operating procedure manuals for all areas of the Center. We were informed by Center personnel that the Center had no policy and procedure manuals, or if they did, they were outdated and would be revised in the future.

We made repeated requests for the same material from various therapists, nurses, medical office assistants and other staff to determine if the Center had any standard operating and procedure manuals for the different functions within the Center.

In discussions with various personnel, we asked:

- Is there a basic center philosophy
- Have goals and objectives of the Rehabilitation Center been established
- Who sets policy in the Center
- If there are policy and procedure manuals

The results of these interviews indicated that the staff were not aware of any basic center philosophy or goals and objectives of the Center. In response to who sets policy for the Center, the responses ranged from the commissioners, the administrator, the

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JEAN HANNA CLARK REHABILITATION CENTER  
(continued)

STANDARD OPERATING AND PROCEDURE MANUALS (continued)

assistant administrator, the medical director, the job placement specialist, the medical advisors, the senior management team, or the department chiefs. Regarding policy and procedures manuals, comments indicated no standard operating and procedure manuals were in use, or that they were in the process of developing the manuals.

Upon completion of our review of the Center, we were informed that the Center was in the process of completing and updating their policy and procedures manuals so that the Center could obtain accreditation from the Commission on Accreditation of Rehabilitation Facilities (CARF).

We had a meeting with Nevada Industrial Commission personnel in Carson City to discuss our review of the Rehabilitation Center in Las Vegas. When the discussion came to the subject of no policy or procedure manuals for the Center, we were shown that there was a complete set of procedure manuals for the Center.

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JEAN HANNA CLARK REHABILITATION CENTER  
(continued)

EARLY REFERRALS

One of the compliants heard from the doctors at the Center is that the injured workers are not referred to the Center soon enough. According to doctors, the sooner an injured worker is referred to the Center, the better his chances for successful treatment and recovery. The doctors stated that if an injured worker is referred to the Center as early as possible after injury, the patient has the best chance for rehabilitation. If a patient is not referred for more than a year after the injury, the chances for complete rehabilitation are estimated to be from 30 to 40%.

One of the main reasons that the Rehabilitation Centers in Canada are so successful is that they get most of their patients within three weeks of injury. In addition, they are in-patient facilities with hospital care.

A doctor at the Rehabilitation Center has compiled statistics on the patients he has treated at the Center. They are summarized as follows:

September 1, 1978 through September 1, 1979

Average days elapsed from date of injury to date of admission	498 days
---	----------

Average number of doctors seen prior to admission	4
---	---

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JEAN HANNA CLARK REHABILITATION CENTER  
(continued)

EARLY REFERRALS (continued)

September 1, 1979 through May 30, 1980

Average days elapsed from date of injury to date of admission 396 days

Average number of doctors seen prior to admission 4

During our review of the Center, we also developed the following statistics showing the average time lapse from date of injury to date of admission for each doctor.

<u>Doctor</u>	<u>Period</u>	<u>Days from Injury to Admission</u>
A	7/79 - 5/80	359 Days
B	8/70 - 5/80	412 Days
C	10/77 - 5/80	406 Days
D	10/79 - 5/80	343 Days
E	8/79 - 5/80	531 Days

We noted during our review that the time lapse from the date of injury to the date of admission has been declining since the Center opened.

NORTHERN NEVADA REFERRALS

The Rehabilitation Center has treated 1,105 injured workers between November 1, 1978 and June 18, 1980. Out of this total, 84 of the patients were from Northern Nevada. Getting more injured workers from Northern Nevada into the Rehabilitation Center for treatment is a major problem that the Nevada Industrial Commission

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NORTHERN NEVADA REFERRALS (continued)

has been faced with. When the Center first opened, some injured workers from Northern Nevada were sent to the Center for treatment. These were individuals with chronic back injuries who had been in the Nevada Industrial Commission system for a long time and had been sent to many different medical facilities for treatment with little or no success. We were informed that the Center was not able to rehabilitate these individuals either.

The Nevada Industrial Commission and the administration of the Rehabilitation Center have been fully aware of the lack of referrals from Northern Nevada. The Center was built to treat all industrially injured workers, not just those from Southern Nevada. The Center will never be fully utilized and operational if the Nevada Industrial Commission does not inform the medical profession in the State of Nevada about the Rehabilitation Center.

One of the major drawbacks for referring Northern Nevada injured workers to the Rehabilitation Center is that the Center has no in-patient facilities.

PATIENT SCHEDULING - REFERRAL TO ADMISSION

Disability prevention teams are responsible for referring many patients to the Rehabilitation Center for treatment. One of their biggest complaints is the length of time it takes to get a patient into the Center for treatment once he has been referred. Our review of the time from referral to admission revealed that it takes from two to three weeks from referral to admission.

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PATIENT SCHEDULING - REFERRAL TO ADMISSION (continued)

We discussed this problem with the medical director at the Center. He stated that two to three weeks from date of referral to date of admission is not out of line. He stated that before a new patient sees a doctor, his medical file has to be summarized by the medical records section. When a doctor sees a patient for the first time, he will spend from one to three hours with the patient. The medical director felt that most of the doctors could see only two new patients each day in addition to his regular patients and duties. He stated that the average number of new patients for a doctor each week is between six and ten.

THERAPY DEPARTMENTS

The Rehabilitation Center therapy departments were organizationally structured along the lines of the Canadian rehabilitation centers. There are four therapy departments:

- Physical therapy
- Remedial therapy
- Occupational therapy
- Industrial therapy

This type of organizational structure results in fragmentation of the medical department. Physical therapy and remedial therapy are very closely related. Remedial therapy is an extension of physical therapy. Physical therapists are required to be licensed to practice physical therapy in the State of Nevada. Many of the remedial therapists have degrees in physical therapy as well as

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THERAPY DEPARTMENTS (continued)

being registered physical therapists. The physical therapists' and remedial therapists' qualifications are so similar in educational requirements and training that the therapists activities should be combined into one department.

Occupational therapy and industrial therapy should also be combined into one department. Occupational therapists are required to have a degree in occupational therapy, and be registered by the American Occupational Therapy Association. The term industrial therapist is a misnomer. The industrial therapist is more of an industrial evaluator. The backgrounds of the industrial therapist consists of degrees in industrial arts and education. Many industrial therapists have industrial trade backgrounds, i.e. welding, electrical, millwright, and other trades. The industrial therapist evaluates the patients to see how they stand up to normal eight hour working conditions. In addition, there are no licensing requirements for industrial therapists.

BUDGET AND FINANCIAL INFORMATION

Detailed budget and financial information is not being provided to administrative and accounting personnel at the Rehabilitation Center. Financial information is a must if the Rehabilitation Center is to be operated efficiently and effectively. Manual financial records have been maintained by the Rehabilitation Center so that they have some idea as to where they stand in relation to the budget at a given time. The Fiscal Office Services

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BUDGET AND FINANCIAL INFORMATION (continued)

Department located in Carson City maintains all the financial data for the Rehabilitation Center. The problem is that Fiscal Office Services hasn't made the information readily available to the Rehabilitation Center, nor has the Rehabilitation Center adequately informed Fiscal Office Services of their needs.

PATIENT SCHEDULING AND MEDICAL RECORDS

The current organizational structure of the Rehabilitation Center has the patient scheduling and medical records sections organizationally reporting to the accountant in administration. These two sections work with the medical functions of the Center very closely.

Patient scheduling works directly with the Center's psychiatrists in the scheduling of their patients for appointments and therapy treatments. The scheduling section keeps track of each patient's appointments and where each patient is to be within the Center at all times. Patient scheduling also has the responsibility for coordinating and arranging transportation for patients who don't have a way to get to the Center.

The medical records section is entirely a medical function. They maintain all the medical records for the Rehabilitation Center. Before a doctor will see a new patient, medical records is required to take the patient's file and summarize all the significant medical information.



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STATISTICAL INFORMATION

We found errors in the statistics prepared for the Rehabilitation Center. Data collection procedures for the Rehabilitation Center have not been fully developed. The majority of the automated programs for the Center were developed before the Center became operational. The procedures developed for data collection were instituted with no input from the Center personnel.

In discussions with personnel at the Center, they indicated they don't use many of the reports because they have no need for them. Some of these individuals stated that if they need statistical data, they prepare it manually.

Nevada Industrial Commission personnel in Carson City stated that all the reports are necessary and accurate; one just has to know how to read them.

The Center should have input into what reports they require and the types of statistical information they need. A closer working relationship between the Nevada Industrial Commission and the Rehabilitation Center should be developed.

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SECURITY CONTRACT

The Rehabilitation Center contracted with a private security firm to provide 24 hour security beginning August 1, 1978. The agreement was for month to month service, and if the services were satisfactory, there was to be a formal contract for a year to year basis beginning January 1, 1979.

The Rehabilitation Center incurred \$81,895 for contract services with the private security firm between August 1, 1978 and May 1, 1980, before any contract was submitted to the Board of Examiners for approval, as required by NRS 284.173(5)(6).

REHABILITATION FACILITY ADMINISTRATOR EXPENSES

The Nevada Industrial Commission contracted with an individual from British Columbia, for the position of the rehabilitation facility administrator. The contract stated that the agreement was an employment contract establishing an employer - employee relationship, and did not come within the purview of the state classified service, but was entitled to the same benefits, rights and privileges of other state hired personnel.

Expenses incurred by the Nevada Industrial Commission in hiring the individual for the position of rehabilitation administrator included:

1. \$2,700 for moving expenses from Coquitlam, British Columbia to Las Vegas.

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REHABILITATION FACILITY ADMINISTRATOR EXPENSES (continued)

2. \$792 for immigration and attorney fees.
3. \$290 in per diem prior to employment.
4. \$666 in per diem while living in Las Vegas.

PHYSIATRIST EXPENSES

Physiatrists (doctors) are employed at the Rehabilitation Center as independent contractors. The Nevada Industrial Commission has been paying travel and per diem costs for the applicants and their wives when they come to Las Vegas for interviews. If the applicant is hired at the Rehabilitation Center, the Nevada Industrial Commission then pays for the physiatrist's moving expenses. The Commission has been approving the interview expenses and moving expenses by memorandum.

The contracts executed between the physiatrists and the Nevada Industrial Commission do not specifically address these expenses. The contracts state that the physiatrists shall be entitled to reimbursement for travel or any other expenses necessarily incurred in connection with services to be performed.

NRS 284.173(3a) states travel, subsistence, and other personnel expenses may be paid to an independent contractor if provided for in the contract, in such amounts as provided for in the contract.

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THERAPIST RECRUITMENT

The Rehabilitation Center has had an extremely difficult time since it opened in regards to recruitment of physical, remedial and occupational therapists. The majority of the therapists have to be recruited from out of state, since there are no physical or occupational therapy schools in the state at the present time. Most of the therapists come from schools in the midwest which requires out of state recruitment. Physical, remedial and occupational therapists are at a premium as there are not enough therapists to fill the job market. This has resulted in a very competitive market for the recruitment of therapists.

One of the major problems that confronts the Rehabilitation Center in the recruitment of therapists is that the therapists have to be hired through State Personnel. The Rehabilitation Center does most of the advertising for therapists in trade journals and newspapers. In addition, the interviewing of applicants is done at the Rehabilitation Center or at the schools the therapists are graduating from. The rest of the hiring process goes through State Personnel. There is sometimes a lengthy delay in getting the therapists hired when their application has to go through the State Personnel System. Many times this delay has resulted in the therapist accepting another position because of the waiting period.

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REHABILITATION CENTER STAFFING

The current staff level at the Rehabilitation Center is 130 employees. There are currently about 100 patients being treated at the center per day. Between 50 and 70 of these are regular patients and approximately 30 of them are singular service patients per day. We feel there are areas that the Commission should review and justify in regards to the staff patient ratio.

Job Placement Specialist - There are 19 rehabilitation counselors employed by the Nevada Industrial Commission whose responsibilities include finding employment for the injured worker. In discussions with Nevada Industrial Commission and Rehabilitation Center management, we were unable to determine why the Center has a Job Placement Specialist with an administrative aid when there are 19 rehabilitation counselors who also have the responsibility for job placement.

Another area of staffing that should be reviewed is the medical area. Each physiatrist is assigned a nurse and two medical office assistants. In addition, each physiatrist has a psychologist assigned to his team. One physiatrist works two weeks a month at the Center, while another works from 8:00 a.m. to 3:00 p.m. daily. Our review of the number of patients seen by the physiatrist for the months of March and April of 1980 averaged between 3.4 and 5.6 patients per day.

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UTILIZATION OF THE CENTER

We believe the administrative and operational functions must be reviewed and restructured before the Center can achieve the goals and objectives that it was built for.

The original concept was for the Center to treat 250 patients per day within five years. The Center has been in operation for over two years and is currently at about 35% of its intended capacity.

As was stated in the general section of this report, the Nevada Industrial Commission and members of the Nevada Industrial Commission Labor Management Advisory Board reviewed rehabilitation centers in Oregon and Canada. They noted that British Columbia was doing a much better job than Nevada in rehabilitating the injured workers and absorbing the cost of such within a much lower rate structure. There is a reason why the Rehabilitation Centers work so well in Canada, and the cost is much lower than those in Nevada - Canada has socialized medicine. When a worker is injured in Canada and the injured worker needs rehabilitation, the doctors refer the patient to the Rehabilitation Center within three weeks of the injury for treatment.

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UTILIZATION OF THE CENTER (continued)

For the period November 1, 1978 through June 18, 1980, the Rehabilitation Center treated 1,105 industrially injured workers. Out of this total, 84 patients were from Northern Nevada. Most of the injured workers who need rehabilitation and therapy from Northern Nevada are sent out of state for treatment.

The Nevada Industrial Commission and the Bureau of Vocational Rehabilitation entered into a cooperative agreement in February 1980, so that the Center could treat individuals from the Bureau of Vocational Rehabilitation. At the conclusion of our field work at the Center, the Center had treated two individuals from the Bureau of Vocational Rehabilitation. The biggest drawback to this agreement is that the Rehabilitation Center does not really offer the types of services and treatments that are necessary for the types of individuals referred to the Center by the Bureau of Vocational Rehabilitation.

There have been requests from other states to sent injured workmen to the Center for treatment. All of these requests have been denied by the Commission.

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UTILIZATION OF THE CENTER (continued)

The Governor's Nevada Industrial Commission Labor Management Advisory Board, who approved the concept and recommendation for the building of the Center, also established, in January 1979, the following policy:

"Nevada employers have funded the entire construction and operation cost of the Rehabilitation Center through insurance premiums paid to the Nevada Industrial Commission. Therefore, referrals to the Rehabilitation Center will be limited to industrially injured workers for whom this program has been designed.

The Commission and the Labor Management Advisory Board heartily endorse the concept of the construction of separate facilities; funded other than by workmen's compensation premiums, to meet the needs of the general population of the State of Nevada."

The current cost to operate the Center is approximately \$220,000 per month. The Rehabilitation Center is billing the Employer Accounts approximately about \$74,500 per month for services and treatments. The rest of the costs, approximately \$145,500 per month (\$1,750,000 annually) are being paid out of the Insurance Fund balance.



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UTILIZATION OF THE CENTER (continued)

	<u>Operating Expense</u>	<u>Billings(1)</u>	<u>(2) Difference</u>	<u>Percent of Billings To Expense</u>
July 1979	\$124,922	\$ 59,110	\$ 65,812	47.3%
August	245,848	67,134	178,714	27.3%
September	172,899	42,808	130,091	24.7%
October	223,667	69,082	154,585	30.8%
November	217,001	61,994	155,007	28.5%
December	206,431	70,497	135,934	34.1%
January 1980	280,286	88,196	192,090	31.4%
February	217,164	83,960	133,204	38.6%
March	248,479	100,457	148,022	40.4%
April	257,536	102,636	154,900	39.8%
Average Monthly Operating Expense	<u>\$219,423</u>			
Average Monthly NIC Billings		<u>\$ 74,587</u>		
Average Monthly Billings to Expenses				<u>33.9%</u>

(1) These totals are charged to individual employer accounts.

(2) These amounts are charged against the Insurance Fund.

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UTILIZATION OF THE CENTER (continued)

Another reason why the Center is not treating more patients is that the Center does not have the facilities for in-patient treatment and care. In addition, the Center is only open from 8:00 a.m. to 5:00 p.m. five days a week.

The Nevada Industrial Commission, the medical advisors of the Nevada Industrial Commission and the medical staff at the Rehabilitation Center are currently putting more effort into increasing the number of referrals into the Center. Many of the medical staff feel that they should not compete with private physicians for treatment of injured workers. Other medical staff feel that the Center must sell itself through the results it can accomplish when they treat the injured workers, although the results are never going to be that good if they have to wait a long time before the patient is referred to them. Still other medical staff feel it is not their responsibility to inform the medical profession in Nevada of the Center.

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RECOMMENDATIONS

The Nevada Industrial Commission consider the following alternatives:

1. Sell the Center or contract with a private firm for its operation.
2. Open the Center to other states and non-industrial accident patients with similar traumatic injuries with Nevada Industrial Commission patients having top priority.
3. Establish and pursue a strong public relations program to inform the medical communities in the State of the services and treatments available at the Center.

If the Nevada Industrial Commission implements alternative 2 or 3, the following recommendations apply.

4. Hire an administrator to operate the Rehabilitation Center who has an administrative background in the medical field.
5. Update and implement standard operating policy and procedures.

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RECOMMENDATIONS (continued)

6. Place patient scheduling and medical records organizationally under the control of the medical director.
7. Combine the physical therapy and remedial therapy departments into one department.
8. Combine the occupational therapy and industrial therapy departments into one department.
9. Change the title of Industrial Therapist to Industrial Evaluator or some similar title.
10. Request legislation that would make therapists at the Rehabilitation Center unclassified employees in the State service or allow them to be hired on a professional contract basis.
11. Contract with a medical facility or someone with a medical facility background to review the staffing of the Rehabilitation Center.
12. Inform the medical communities in Nevada of the importance and need for referring industrially injured workers to the Rehabilitation Center as soon as possible after the injury.

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RECOMMENDATIONS (continued)

13. Open better lines of communication between the Rehabilitation Center and the Nevada Industrial Commission.
14. Review the feasibility of constructing in-patient facilities for the Center.
15. Evaluate the need for keeping the Center open longer hours.
16. Determine what financial information is necessary and have it furnished by Fiscal Office Services.
17. Comply with NRS 284.173 in regards to contracts with independent contractors.
18. Define interview and moving expenses the Nevada Industrial Commission will pay psychiatrists more clearly in contracts, as required by NRS 284.173.

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PUBLIC RELATIONS

For years the Nevada Industrial Commission has operated without explaining what they are doing or why they are doing certain things. The Nevada Industrial Commission is a quasi-state agency that has responsibilities to employers and their employees, state agencies, the media, and the Nevada Medical Community to name a few.

The Nevada Industrial Commission is involved in many complex and highly technical areas that are of interest to various segments of the State. These areas include rate making, rating plans, reserves and reserving, dividends, the Rehabilitation Center, and many more.

The Nevada Industrial Commission in the past has been unresponsive to many of the questions and requests for information asked of them. This has caused a lack of understanding among the Nevada Industrial Commission, the State legislature, employers, employees, and the medical community.

The Nevada Industrial Commission has not adequately informed employers how their rates are determined, the various rating plans that are available, how their reserves are established, reasoning for the dividend distribution, and the services that are available at the Jean Hanna Clark Rehabilitation Center in Las Vegas.

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PUBLIC RELATIONS  
(continued)

The Nevada Industrial Commission would benefit greatly if they had a strong public relations program. A strong public relations program could keep the public, employers and their employees, the State Legislature, and the news media informed of what the Nevada Industrial Commission is doing. A good public relations program could only improve the image of the Nevada Industrial Commission and its operations.

RECOMMENDATION

The Nevada Industrial Commission develop a strong public relations program.

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OPERATIONS

DATA PROCESSING DEPARTMENT

Our review of the Nevada Industrial Commission did not include an in-depth review of the Data Processing Department as a whole, however, many of the area's that we did review such as the Jean Hanna Clark Rehabilitation Center, the Claims Department, the Industrial Rehabilitation Department, the Employer Services Department, and the Coordinator's Office all have a close working relationship with the Data Processing Department. Our review of the above areas revealed problem areas within the Data Processing Department.

Many of the problems we identified were not always the fault of the Data Processing Department. The majority of the faults were due to the operating departments not reviewing the data processing output and requiring the Data Processing Department to furnish the necessary information in a usable manner.

We detected errors in the statistics prepared for the Rehabilitation Center. Data collection procedures for the Rehabilitation Center have not been fully developed. The majority of the automated programs for the Center were developed before the Center became operational.

Some of the data processing programs only affect one portion or one area of the Nevada Industrial Commission records and if the other records are not changed by some manual input, differences are created in the various reports.



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DATA PROCESSING DEPARTMENT (continued)

Many transactions are processed and, for whatever reason, are not recorded in all of the other records. These may consist of refunds, rebates, payments received on subrogations, overpayment of compensation that is not recovered, and costs transferred from claims cost to Nevada Industrial Commission cost. Some of these which are done by journal entry do not update all the other records. In addition to the transactions noted above, there are times when a particular vendor may have a negative balance and no check will be issued to him, while at the same time a cost will be charged on a specific claim file. We noted refunds recorded in the claims files were not reflected in computer claims totals.

Our review of payments to the doctors revealed that sometimes the doctors were overpaid or underpaid and the charges against the particular claim were overstated or understated. Later, when the payments to the doctor were adjusted, the system failed to adjust the charges against the claim. The system is not designed to adjust the charges against the claim. This indicates there is no interfacing of the various data processing systems.

We were advised by the Data Processing Department that it is not possible to reconcile the computer records to the claims files. It has not been a standard practice to reconcile the different totals, therefore, many differences are noted between the financial

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DATA PROCESSING DEPARTMENT (continued)

records, employer accounts, terminal totals and the actual claim files. Check printing is also a separate operation, which does not update the computer totals.

The Data Processing Department is now making changes in their programs.

About 850 reports of various types are printed in the Data Processing Department. The listing, description, and the distribution of these reports is not available. For better efficiency and better use of these reports, it is imperative that a brief description be available about each of these reports.

RECOMMENDATIONS

The Nevada Industrial Commission:

1. Review and evaluate the Data Processing Department with data processing experts.
2. Review the purpose, use, and accuracy of all reports issued by the Data Processing Department.
3. Discontinue unneeded data processing reports.
4. Develop procedures to ensure that appropriate records are reconciled.
5. Incorporate check writing into the central computer system.

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OPERATIONS  
(continued)

DATA PROCESSING DEPARTMENT (continued)

RECOMMENDATIONS (continued)

6. Maintain a listing of all the data processing reports with a brief description and the distribution.

COMMISSIONERS' TRAVEL EXPENSE

NRS 616.150 states:

The commissioners shall be entitled to receive from the state treasury their actual and necessary expenses while traveling on the business of the commission. Expenses shall be itemized and sworn to by the commissioner who incurred the expense and allowed by the commission.

During our review of commissioners' travel expenses, in-state travel expense claims were noted which exceeded the stated per diem rate for state employees. In each case, when the per diem rate exceeded the allowed amount, there were memorandums signed by the commissioners authorizing the higher amounts.

RECOMMENDATION

The Nevada Industrial Commission request legislation to amend NRS 616.150 to provide that the Commissioners shall receive the per diem expense allowance and travel expenses as provided by law.

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MEDICAL BOARDS

NRS 616.190 creates two medical boards composed of three designated and three alternate licensed physicians for each board. Their sole purpose is the consideration and determination of medical questions and the extent of disability of injured workers referred to them by the Nevada Industrial Commission. The findings of the medical boards or a majority of the members of each board shall be final and binding on the Commission.

NRS 616.190(5) states:

Each member of the medical boards shall receive as full compensation for his services a sum not to exceed \$50 for each referred case, which sum shall represent compensation for the initial review of medical records, the meeting and the preparation of the report.

The medical boards are not being utilized by the Nevada Industrial Commission, the main reason being the \$50 limitation for each referred case. The cases referred are usually very complex and involve a great deal of time to review all the medical information before any decision can be made.

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MEDICAL BOARDS (continued)

RECOMMENDATION

The Nevada Industrial Commission request legis-  
lation to:

1. Amend NRS 616.190 to allow creation of medical panels that would consist of medical specialists. Specific medical questions would be submitted to the medical specialists in their particular medical area of treatment and expertise.
2. Amend NRS 616.190(5) to remove the \$50 limitation and allow the medical board physicians to be paid on a consultation basis.

SUBPOENAS

Chapter 533, Statutes of Nevada, 1979, made many changes in the statutes concerning the Nevada Industrial Commission. An amendment to NRS 616.226 relieved the Commission of the authority to issue subpoenas in proceedings pursuant to the provisions of Chapter 616 of NRS, or Nevada Industrial Commission regulations promulgated under Chapter 616.

The Nevada Industrial Commission needs the authority to issue subpoenas to enable it to fully carry out the provisions of NRS Chapter 616 and 617, and its regulations.

Specific authority must be granted by statute before an executive agency may have the power of subpoena.

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(continued)

SUBPOENAS (continued)

RECOMMENDATION

The Nevada Industrial Commission request legis-  
lation to amend NRS 616.226 to grant the  
Commission the authority to issue subpoenas.

HEART EXAMINATION

NRS 617.457(3) requires that each employee covered for diseases  
of the heart shall submit to an initial physical examination,  
including an examination of the heart.

The question is what does an examination of the heart consist  
of? One could ask three different physicians what an examination  
of the heart consists of and he would in all likelihood receive  
three different responses.

RECOMMENDATION

The Nevada Industrial Commission, in conjunction  
with the Nevada medical community, define and  
spell out what an examination of the heart  
should consist of in regard to diseases of the  
heart.

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(continued)

WITNESS FEES

According to NRS 616.235(2), the witness who appears in obedience to a subpoena before an appeals officer or the Commission is entitled to receive, for his attendance, the fees and the mileage provided for witnesses in civil cases in courts of record. Currently, it is \$15 a day and 15¢ a mile. Our review of the Nevada Industrial Commission records disclosed that in numerous cases the witnesses have been paid more than \$15 a day.

RECOMMENDATION

The Nevada Industrial Commission pay witness fees in accordance with the provisions of NRS 616.235(2).

EXAMINATION OF TITLE OF REAL PROPERTY

According to NRS 616.180, the title of any real property purchased by the Nevada Industrial Commission is to be examined and approved by the Attorney General. Our review disclosed that in many cases the title of property had been examined and approved by the Attorney General after the purchase of the property. And in a few instances, the approval letter from the Attorney General could not be found.

RECOMMENDATION

The Nevada Industrial Commission have the title of real property examined and approved by the Attorney General in accordance with NRS 616.180.

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RECORDS RETENTION SCHEDULE

According to NRS 239.080, each agency should develop a records retention schedule approved by the Board of Examiners. In addition, NRS 616.195 requires the Nevada Industrial Commission to keep a brief inventory of destroyed records and requires the commissioners to give a written approval as to retention and destruction of the records.

Our inquiry has disclosed that the Nevada Industrial Commission has no records retention schedule approved by the Board of Examiners and that a brief inventory of destroyed records is not being kept. There is no direction from the commissioners as to retention or destruction of records.

RECOMMENDATION

The Nevada Industrial Commission comply with NRS 239.080 and NRS 616.195 in regard to records retention.

CONFLICT BETWEEN NRS CHAPTERS 616 AND 617

Several sections of NRS, Chapter 616 and 617 conflict with each other. For example, Chapter 616 and 617 of Nevada Revised Statutes defines "casual" differently.

616.030 states:

"Casual" defined. "Casual" refers only to employments where the work contemplated is to be completed in 20 working days or parts thereof in a calendar quarter, without regard to the number of persons employed, and where the total labor cost of the work is less than \$500.



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CONFLICT BETWEEN NRS CHAPTERS 616 AND 617 (continued)

617.030 states:

"Casual" defined. "Casual" refers only to employments where the work contemplated is to be completed in not exceeding 10 working days, without regard to the number of men employed, and where the total labor cost of such work is less than \$100.

RECOMMENDATION

The Nevada Industrial Commission review Chapters 616 and 617 and request legislation to amend the statutes to eliminate all conflicts.

SUBROGATION CLAIMS

Claims examiners or investigators determine if a case should be subrogated when they have reason to believe that the case has some possibility of recovery from the third party. Nevada Industrial Commission policy is that all auto accidents automatically become subrogation cases.

The amount of subrogation is the cost to Nevada Industrial Commission for medical, compensation, and rehabilitation payments. In order to recover these costs from a third party, the Nevada Industrial Commission must have a valid claim against the third party after considering negligence and other circumstances. In addition, the third party has to have adequate financial resources.

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SUBROGATION CLAIMS (continued)

The Nevada Industrial Commission has a contract with a law firm that calls for exclusive assignment of all subrogation claims over \$3,000.

Subrogation claims of \$3,000 or less are the responsibility of Nevada Industrial Commission to try and collect. The responsibility for collection of these subrogation claims has been assigned to the claims examiners.

Our review of subrogation claims of less than \$3,000 revealed that these claims are not being vigorously pursued by the Nevada Industrial Commission. Claims examiners do not have the time to pursue subrogation claims, therefore they have placed a very low priority on attempting to pursue these subrogation claims.

RECOMMENDATION

The Nevada Industrial Commission establish an  
in-house subrogation desk to pursue  
subrogation claims of less than \$3,000.

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

OPERATIONS  
(continued)

BUDGET FORMAT

Prior to the sixtieth session of the Nevada Legislature, the Nevada Industrial Commission was not required to submit a budget to the Chief of the Department of Administration for his information in preparing the executive budgets which they propose to submit to the Legislature.

During the sixtieth session of the Nevada Legislature, the Nevada Industrial Commission was requested to submit a line item budget to the Assembly Ways and Means Committee. Chapter 474, Statutes of Nevada, 1979, now requires the Nevada Industrial Commission to submit a budget to the Chief of the Department of Administration.

The Nevada Industrial Commission is a quasi-state agency that functions and operates like an insurance company. The Nevada Industrial Commission has established their own general ledger accounts to record all their financial transactions. There is a definite difference between the State of Nevada's general ledger accounts and the Nevada Industrial Commission's general ledger accounts. In order for the Nevada Industrial Commission to prepare and submit a state line item budget, they have to redefine their general ledger accounts into the format used by State agencies.

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

OPERATIONS  
(continued)

INTERNAL AUDIT

The Nevada Industrial Commission is a multi-million dollar operation which receives and expends millions of dollars each year. A key function that has been missing in the Nevada Industrial Commission organizational structure for the last few years is an internal audit section.

During the course of our review, the Nevada Industrial Commission was in the process of recruiting for the internal audit position.

RECOMMENDATION

The Nevada Industrial Commission:

1. Continue recruiting for the internal audit position and internal audit staff.
2. Require the internal audit function to answer directly to the Nevada Industrial Commission.

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

OPERATIONS  
(continued)

PROFESSIONAL CONTRACT SERVICES

NRS 616.185 and 616.200 allows the Nevada Industrial Commission to contract for professional services. These contract services include investment counseling, actuarial review, and accounting and auditing services. These types of professional services provide the necessary expertise that the Nevada Industrial Commission requires in the areas of:

- Investment of Nevada Industrial Commission Funds
- Rate Making
- Evaluation of Reserves for Contingent Liabilities
- Evaluation of Investments Performance
- Management and Accounting Services
- Audited Financial Statements

In these areas of expertise, there are many qualified firms that can provide these services. The Nevada Industrial Commission has changed firms for some of their professional contract services, while others have been under contract with the Nevada Industrial Commission for many years. The Industrial Commission should review the performance of the professional firms frequently in regards to services provided and cost considerations.

RECOMMENDATION

The Nevada Industrial Commission establish a policy in regards to the length of time professional service contracts shall remain in effect before they are reviewed and put out to bid.

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS

CLAIMS PROCESSING AND MANAGEMENT

Before we started our examination of the claims, we discussed with claims management and staff the forms and information necessary for proper claims processing and management.

We then reviewed approximately 600 claims files for the period from July 1, 1978 to March 30, 1980, to determine if all the necessary information was recorded in the claims files, all exceptions were recorded and exceptions to mathematical computations were noted.

Examples of the exceptions attributable to the claims examiners are as follows:

- No employers reports
- No employers signatures
- No claims examiners signatures
- Payments after closing
- No doctors signature
- No wage verification
- Overpaid attendants care
- Overpaid compensation
- Order to pay not signed
- Claims denied not signed
- Compensation not in accordance with procedures
- No doctors report of initial treatment
- Underpaid compensation
- Compensation paid in error - no lost time

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS PROCESSING AND MANAGEMENT (continued)

Our review of the claims sample revealed the following exceptions on recorded claims:

- No C-3 (Employers Report of Injury)	7
- No employers signature on reports	14
- No claims examiner's signature	68
- Questionable payments made after claim closed	7
- No doctors signature on report of initial treatment	7
- No wage verification on file	69
- Errors in payment	47

Our review also noted that many of the employers reports were filed later than ten days after the employer was notified of the injury. According to the statistics of the Nevada Industrial Commission, this approximated 20%. NRS 616.340 requires that these reports be filed within six working days after the employer has been notified, and provides for up to \$250 fine for each instance of non-compliance.

BENEFITS CONTROL SECTION

The Benefits Control Section was created and instituted in response to an audit recommendation that the duties of computing compensation and providing compensation checks be separated. In addition, an internal study showed numerous errors and miscalculations in the computations and payment of compensation checks. These duties were taken from the Claims Division and set up in benefits

NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

BENEFITS CONTROL SECTION (continued)

control under supervision of Fiscal Office Services. It was thought that this new system would reduce the work load of the claims examiners and claims secretaries and at the same time comply with the audit recommendation of the separation of duties, and reduce the errors and miscalculations in compensation payments. This also allowed introduction of a System 6 word processor to produce the checks. This system produces the checks, but does not record the total amount of the checks written and has no link to the computer so that the check voucher must be sent to Carson City to be key punched for entry into the computer records.

Claims management is responsible for authorizing compensation payments. Although written guidelines exist for determining gross wages and computing compensation, deviations from these guidelines were identified in our sample. The benefits control section was set up in August of 1978. Our sample drawn from 1978, 1979 and 1980 showed errors existed in all three years, however, most of the errors occurred prior to the creation of the benefits control section.

Benefits control section works fairly well in Las Vegas and is responsive to the Claims Division, however, communications have broken down in Carson City. The claims personnel no longer try to communicate with benefits control section. Claims personnel receive all the calls from claimants regarding compensation but cannot readily answer the questions satisfactorily.



STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
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MEDICAL AND COMPENSATION CLAIMS  
(continued)

BENEFITS CONTROL SECTION (continued)

Prior to the creation of the benefits control section and the introduction of the System 6 word processor, the claims examiners computed compensation and the claims secretaries verified the calculations and typed the checks in addition to their other duties. The benefits control section's function is to compute and verify the compensation and produce the checks. The benefits control section has 7 people in Las Vegas and 6½ in Carson City for a total of 13½ people.

Our recommendation as to the location of benefits control, organizationally, is in the section of the report entitled "Claims Management".

Exceptions and payment errors noted in our review that were attributable to the benefits control section consist of the following:

- Wage verification form not used to establish gross wage
- Procedures not followed
- Gross wage establishment not consistent
- Compensation paid at 75% of gross wage (management policy)

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

BENEFITS CONTROL SECTION (continued)

RECOMMENDATION

The Nevada Industrial Commission:

1. Develop lines of communication between the claims examiners and benefits control.
2. Update the written policies and procedures manual to include benefits control duties and responsibilities.
3. Review the function of benefits control periodically to ensure that written policies are followed.

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
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MEDICAL AND COMPENSATION CLAIMS  
(continued)

MEDICAL CLAIMS

An eligible worker injured on the job is entitled to receive free medical care under the workmen's compensation law of the State of Nevada. First reports of treatment of an industrial injury are due within five days of the initial treatment of the injured workman. The report contains a complete, concise description of the injury and description of treatment rendered. Generally, there shall be one treating physician in any one case at one time. The transfer of a patient from one physician to another may be authorized by the Commission. In-state care is encouraged but with prior written authorization of the Commission, out-of-state consultation or treatment may be authorized for any patient. The Commission has been reasonably liberal in the interest of the patient to allow out-of-state medical care.

Under Nevada Industrial Commission regulation 23.020, all practitioners licensed to practice in Nevada and in good standing with their respective professional group and the particular state regulatory entity are on the panel of physicians and are authorized by law to treat injured workmen. The Commission is solely responsible for the cost and payment of physicians bills. The practitioner should not bill any patient for treatment for which the Commission has denied payment. The panel of physicians and the hospitals should bill the Commission within 90 days following the treatment of the patient. If the bill is not received within 90 days following treatment of the patient, the Commission is not

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

MEDICAL CLAIMS (continued)

obligated to pay the bill, however, they usually do.

The Commission has classified the panel of physicians into the following three categories of practitioners for the purpose of establishing a fee schedule.

- General Practitioners and Osteopaths.
- Board certified General, Orthopedic, Neurological and Plastic Surgeons.
- Board certified Internists, Dermatologists, Allergists, etc.

The practitioners have been further classified into profiled and non-profiled practitioners depending upon if adequate statistical data is available for an individual practitioner. A fee schedule has been developed for most of the individual practitioners for various medical procedures. The system is also in place for making payments to hospitals for various laboratory and hospital procedures. The fee schedule has been developed in such a way that it almost guarantees that the fees paid by the Nevada Industrial Commission do not exceed the level of fees paid by the general public or other insurance companies for like services or treatment.

A number of medical claims were selected for detailed review and examination. Our review disclosed numerous findings in the area of medical bill payments which are set forth in the following sections.

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

INCONSISTENCY BETWEEN CARSON CITY AND LAS VEGAS OFFICES

According to the instructions given to the medical bill paying personnel, certain laboratory tests performed along with other batteries of tests the same day will be paid if the bill is computed by the Carson City Office personnel and will not be paid if computed by the Las Vegas Office personnel. The combination of these laboratory tests is quite frequent whenever the patient is treated in the hospital.

For California Relative Value Study (CRVS) procedure listed as by report (BR) at the Las Vegas Office, the bill paying personnel can make the decision to pay up to \$25 maximum without doctor's approval, while at the Carson City Office the limit is \$300. The payment for procedures listed as BR in the CRVS book is quite frequent in the payment of medical claims.

RECOMMENDATION

The Nevada Industrial Commission review and revise their procedures so that there is no inconsistency in policies with respect to payment of medical bills in the Carson City and Las Vegas offices.

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

MEDICAL FEE SECTION

The medical fee section has been set up to code the medical, hospital and drug bills for input to the computer for payment. The coding and schedules used for the medical and hospital bills are very complicated and require extensive training, skill and technical knowledge.

Each medical claim examined contained errors. For example:

- Bills paid after claims were closed.
- Duplicate bills paid.
- Bills paid on claims not authorized.

It appears that the medical fee staff does not have the training or technical knowledge to code and screen the medical and hospital bills properly. In one instance the policy had been changed, but the medical fee staff was not made aware of the change.

The medical bills under present procedures go directly to the medical fee section for payment, the claims examiner does not see them.

RECOMMENDATIONS

The Nevada Industrial Commission:

1. Revise procedures so that the claims examiner is not bypassed on payment of medical bills.
2. Thoroughly train in the staff in the procedures and the basic principles involved in the computation of medical bill payments.
3. Update the written medical fee procedures manual.

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

MEDICAL FEE SECTION (continued)

RECOMMENDATIONS (continued)

4. Maintain the medical fee procedures manual on a current basis.

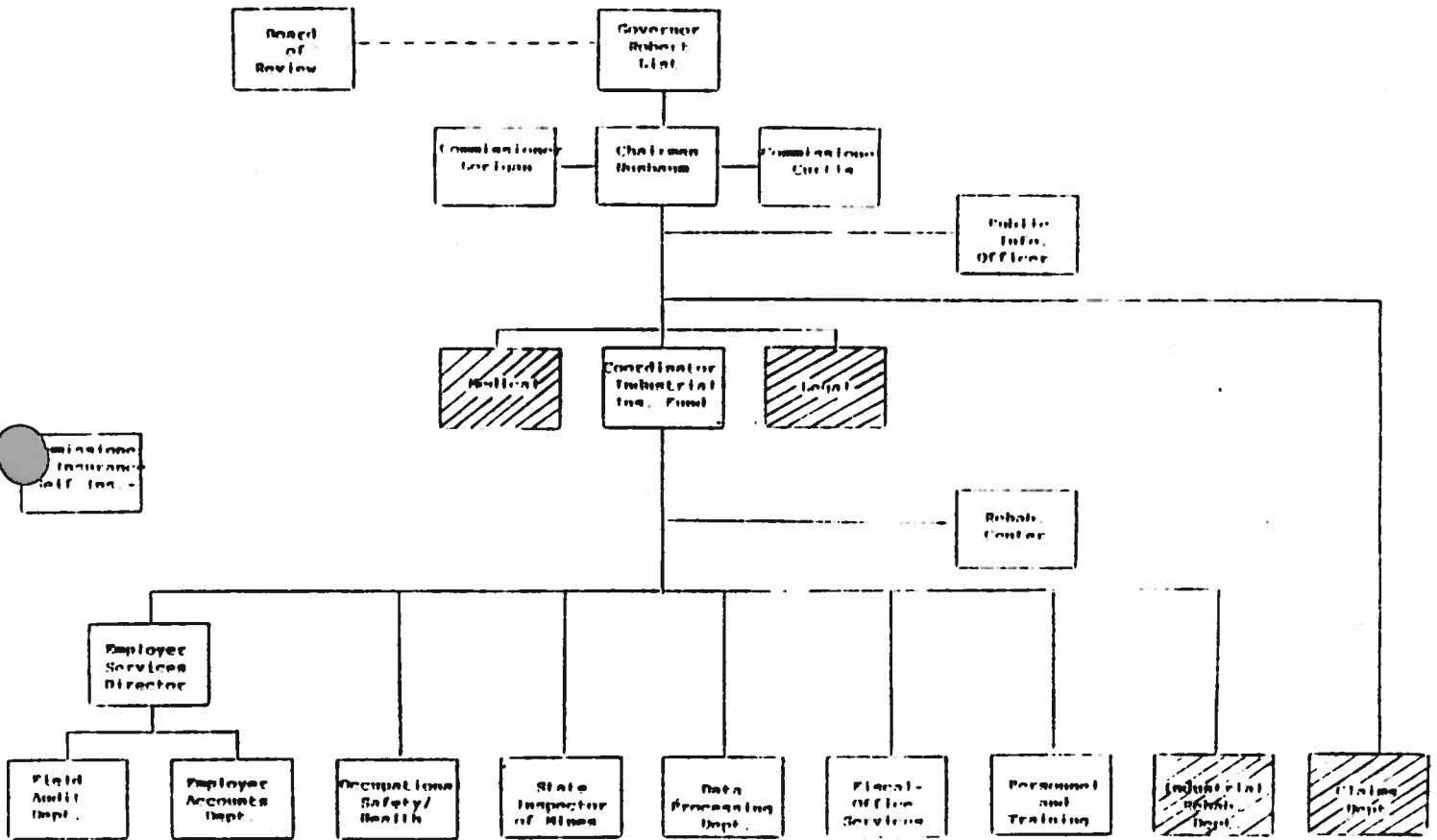
CLAIMS MANAGEMENT

The departments of the Nevada Industrial Commission that are directly involved in claims management and processing include the Medical and Legal advisors, Industrial Rehabilitation, and the Claims Department as shown on the organizational chart.

STATE OF NEVADA  
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MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS MANAGEMENT (continued)





STATE OF NEVADA  
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MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS MANAGEMENT (continued)

The Claims Department and the Industrial Rehabilitation Department currently operate in a highly autonomous manner rather than as a team. Major problems have developed between management personnel in the two departments that the Commission has either ignored or failed to resolve.

The Nevada Industrial Commission has instituted the disability prevention team approach in hopes of achieving better claims management, and the providing of services to the injured worker. The disability prevention team consists of a claims examiner, secretary, and records control clerk from the Claims Department, and a nurse and a rehabilitation counselor from the Industrial Rehabilitation Department.

As shown on the organizational chart the two departments are fragmented in relation to whom they are responsible. The Claims Department, Medical advisors, and Legal advisors report directly to the Commission while the Industrial Rehabilitation Department reports to the coordinator. This fragmentation between the two departments has an impact on the coordination and work responsibilities of the disability prevention teams. Interviews with the team members disclosed that they are all aware of friction and problems between the two departments. Since management of these

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS MANAGEMENT (continued)

two departments does not communicate, or help in problem solving, the team members must resolve the problems themselves.

If the Nevada Industrial Commission is going to provide services and benefits to the injured worker in a timely and effective manner, the poor working relationship between these two departments has to be resolved.

The medical and legal advisors are an integral part of the claims management function of the Nevada Industrial Commission. The medical advisors work very closely with claims management in regard to medical advice relating to treatment of injured workers and in the settlement of medical claims. The legal advisors are an important part of claims management in an advisory role in helping to determine legal liability in regard to industrial injuries.

The benefits control section, which currently is under the supervision of Fiscal Office Services, has the responsibility of computing compensation and providing compensation checks and is a vital part of claims services. The benefits control section should have the responsibility for determining compensation and answering questions relating to compensation paid to claimants. Once the compensation amounts have been determined and verified, the information should be given to the Fiscal Office Services for processing of the compensation checks.

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS MANAGEMENT (continued)

Claims management is responsible for authorization of compensation payments. Claims management should have control over the benefits control section regarding wage verification and determining the amount of compensation to be paid. The function of producing the checks should be transferred to the Fiscal Office Services.

By having one department that is responsible for claims management and processing that answers to one management authority, better coordination should be achieved, which should improve the services provided to the injured worker.

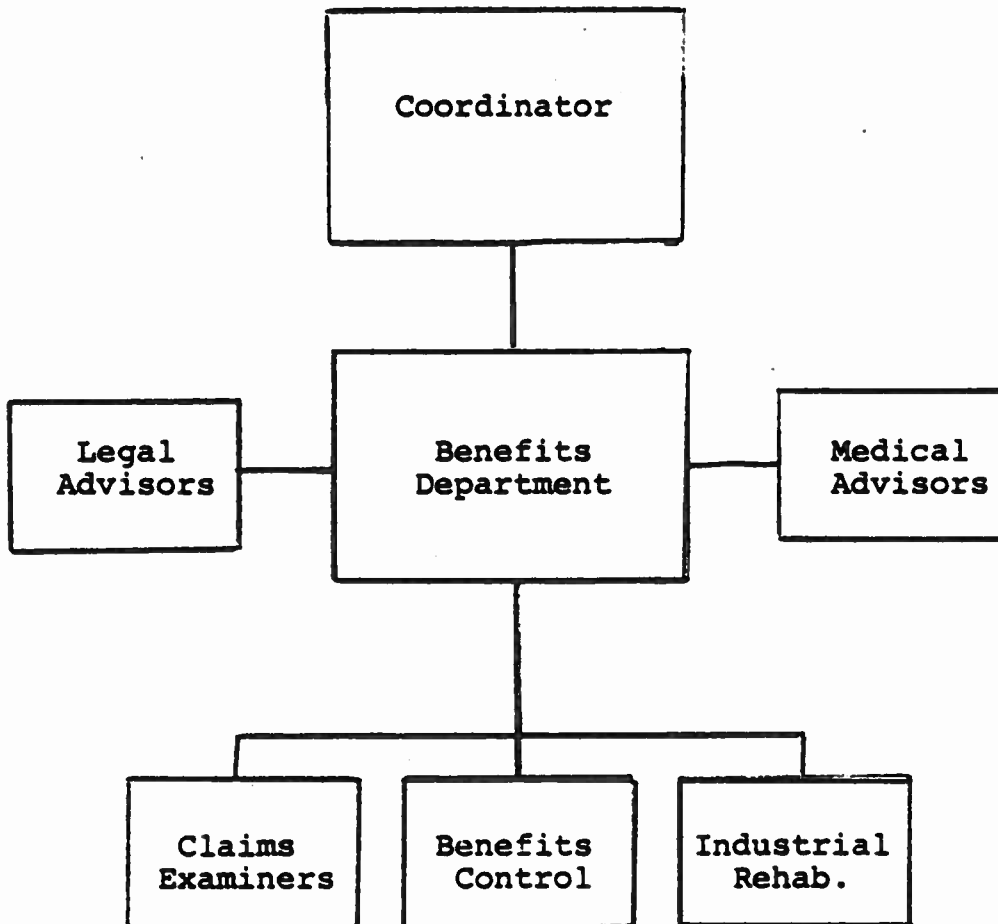
STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS MANAGEMENT (continued)

RECOMMENDATION

The Nevada Industrial Commission create a Benefits Department as illustrated by the following organizational chart:



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NEVADA INDUSTRIAL COMMISSION  
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MEDICAL AND COMPENSATION CLAIMS  
(continued)

LATE FILING OF C-3 REPORT

NRS 616.340(2) states:

The employer or his agent shall within 6 working days following receipt of knowledge of an injury to an employee, notify the commission in writing of the accident.

NRS 616.340(4) states:

Any employer who fails to comply with the provisions of subsection 2 may be fined not more than \$250 for each such failure.

The most important factor delaying early payment of initial compensation is the late filing of the C-3, Employers Report of Industrial Injury.

NRS 616.340(4) provides for imposition of up to \$250 fine for each late filing. Nevada Industrial Commission Regulation 5.032 provides a graduated scale of fines to be imposed for employers who file reports late. No fines have ever been imposed no matter how often reports are late.

Nevada Industrial Commission management has taken the position that nothing can be done until the new claims computer program is activated. The new computer program will become operational at some indefinite future date.

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

LATE FILING OF C-3 REPORT (continued)

RECOMMENDATION

The Nevada Industrial Commission:

1. Institute a program which will provide for compliance with NRS 616.340(2) regarding filing of C-3 report.
2. Enforce NRS 616.340(4) for non-compliance with NRS 616.340(2).

EMPLOYERS AND PHYSICIANS REPORTS

NRS 616.345 states:

1. Every employer within the provisions of this chapter, and every physician and surgeon who attends an injured employee with the provisions of this chapter, shall file with the commission, under rules and regulations as the commission may from time to time make, a full and complete report of every known injury to an employee arising out of and in the course of his employment and resulting in loss of life or injury to the person.
2. Reports shall be furnished to the commission in form and detail as the commission may from time to time prescribe, and shall contain special answers to all questions required by the commission under its rules and regulations.

Nevada Industrial Commission regulation 5 states:

5.035 PHYSICIAN'S REPORT OF INITIAL TREATMENT/EMPLOYEE'S CLAIM FOR COMPENSATION.

1. Every physician and surgeon who attends an injured employee shall file with the commission in form and detail prescribed by the commission a full and complete report of his initial treatment of every known injury or occupational disease to an employee arising out of and in the course of his employment.
2. (a) The physician shall use a Physician's Report of Initial Treatment/Employee's Claim for Compensation (NIC Form C-4) to report to the commission details of his first treatment of an industrial injury or occupational disease.

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

EMPLOYERS AND PHYSICIANS REPORTS (continued)

(b) The signed original and two copies of the report will be mailed or delivered to the commission within 5 days of the first treatment.

3. The postmarked date on the envelope in which the report is mailed will be used in gauging the timeliness of mailed reports.

5.036 LATE REPORTS AND FEE REDUCTION. The commission may reduce the usual fee of the physician for the initial treatment of an injured worker by \$5.00 for each initial report which is not submitted on a timely basis.

The regulations of the Commission appear to be in compliance with this statute. However, our review of the claims files reveals that in practice, regulations 5.035(2) and 5.036 are not enforced.

RECOMMENDATION

The Nevada Industrial Commission comply with  
NRS 616.345 and Commission Regulation 5 in  
regards to employers and physicians reports.

STATE OF NEVADA  
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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

SUBSEQUENT INJURY ACCOUNT

NRS 616.426 states:

There shall be a special account within the state insurance fund to be known and designated as the subsequent injury account, which shall be used only for the purpose of defraying charges against it as provided in NRS 616.427.

We examined the general ledger for the Nevada Industrial Commission and no subsequent injury account was found. We were informed that since the first of the year, they had not had time to set up the account, but were manually calculating what portion of the claims should be charged to this account when it is created.

RECOMMENDATION

The Nevada Industrial Commission comply with  
NRS 616.426 and establish the subsequent  
injury account within the Insurance Fund.

ACCEPTANCE OF COMPENSATION (OUT-OF-STATE WAIVER)

NRS 616.525 states:

1. Anything to the contrary in this chapter notwithstanding, if an employee who has been hired or is regularly employed in this state receives personal injury by accident arising out of and in the course of such employment outside this state, and he, or his dependents in case of his death, accepts any compensation or benefits under the provisions of this chapter, the acceptance of such compensation shall constitute a waiver by such employee or dependents of all rights and remedies against the employer at common law or given under the laws of any other state, and shall further constitute a full and complete release of such employer from any and all liability arising from such injury or death.



STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

ACCEPTANCE OF COMPENSATION (continued)

2. No compensation shall be paid to any such employee, or his dependents in case of death, until such employee, his personal or legal representatives, dependents or next of kin shall have executed and delivered to the employer a full and complete release of such employer from any and all liability arising from or growing out of such injury or death.

Commission stated policy is that no benefits be paid to a claimant until a signed release is received. A copy of the release is to be kept in the file.

We reviewed two files of claimants injured (fatally) out of State whose dependents are receiving pensions and whose medical and burial expenses were paid by the Nevada Industrial Commission. Neither of these files contained any release of liability. We were advised that claimants were only required to sign a release if there seemed to be a possibility that they might be covered in the state in which they were injured.

RECOMMENDATION

The Nevada Industrial Commission comply with  
NRS 616.525(2), which requires a release of  
liability.

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

30 DAY CLOSING NOTICE

NRS 616.567 states:

1. When the commission determines that a case should be closed before all benefits to which the claimant may be entitled have been paid, the commission shall send a written notice of its intention to close the case to the claimant by United States mail addressed to the last known address of the claimant. The notice must include a statement that the claimant has a right to appeal on the closing of his case, and that he may request a hearing, in writing on the form provided with the notice, within 30 days after the date on which the notice was mailed by the commission. A suitable form for requesting a hearing must be enclosed with the notice.

2. If the commission does not receive a request for a hearing before an appeals officer within 30 days after mailing the notice, it may close the case. Upon receiving a request for a hearing, the commission shall treat the case as a contested case for the purposes of the appeal.

The 30 day closing notice being sent to all claimants has increased the workloads tremendously in both Las Vegas and Carson City, and has required approximately five extra people to handle the paperflow. No attempt has been made at this time to determine the total cost of this process. The Nevada Industrial Commission is currently mailing between six and seven thousand closing notices each month.

Only 20% of all claims are lost time claims, the other 80% are medical only, usually one treatment. Thus 80% of the closing notices go to claimants who have not lost a day's work because of the injury and have no problems. Many of these claimants request a hearing merely because the notice contains a request for a hearing, not because they want or have cause for a hearing.

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

30 DAY CLOSING NOTICE (continued)

RECOMMENDATION

The Nevada Industrial Commission request legislation to clarify the intent of NRS 616.567 regarding the 30 day closing notice.

COMPENSATION

NRS 616.585 states:

Every employee in the employ of an employer, within the provisions of this chapter, who shall be injured by accident arising out of and in the course of employment, or his dependents as defined in this chapter, shall be entitled to receive the following compensation for temporary total disability:

1. During the period of temporary total disability, 66 2/3 percent of the average monthly wage.

2. Any increase in compensation and benefits effected by the amendment of subsection 1 shall not be retroactive.

3. For purposes of temporary total disability benefits under this section, the period of temporary total disability shall cease when any competent medical authority determines such employee is capable of any gainful employment.

Claimants eligible for compensation should be paid 66 2/3% of their gross salary (up to the maximum allowable) as of the date of the injury in accordance with statutes. Since the Nevada Industrial Commission cannot recover overpayments which are due to an error on their part, they have established a policy whereby they pay only 75% of the 66 2/3% computed for compensation on the first check, and then make an adjustment for the difference at some later date. We noted in our review instances in the building trades where claimants obviously were entitled to the 66 2/3% maximum

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

COMPENSATION (continued)

compensation, but were only paid 75% of the maximum, creating many complaints and undue hardships on the claimants.

RECOMMENDATION

The Nevada Industrial Commission:

1. Review the application of their policy to initially pay only 75% of the 66 2/3% average monthly wage.
2. Require adequate wage information with the C-3 report.

OCCUPATIONAL DISEASE FUND

NRS 617.410 states:

Compensation for disability sustained on account of occupational disease by an employee, or the dependents of such employee as defined in this chapter, shall be paid from the occupational diseases fund...

This statute provides for payment of occupational disease compensation from the occupational disease fund. Occupational disease compensation is paid out of the State Insurance Fund. There is no separate fund for occupational disease.

RECOMMENDATION

The Nevada Industrial Commission request legislation to amend NRS 617.410 to allow payment of occupational disease compensation out of the State Insurance Fund.

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MEDICAL AND COMPENSATION CLAIMS  
(continued)

REIMBURSEMENT OF CLAIMANTS

NRS 616.545 provides that the claimant will be reimbursed for the cost of the emergency treatment received to obtain an increase or rearrangement in the compensation.

Our review of the claims files indicates that claimants are not being reimbursed in FULL for the cost of the initial doctors examination for reopening a claim. The medical fee sections are paying only the amount they would pay the doctor under the medical fee schedule.

RECOMMENDATION

The Nevada Industrial Commission request legislation to amend NRS 616.545 to allow for the reimbursement of claimants for the full cost of the medical examination.

CLAIMS FILE CONTROL

There does not appear to be any standard procedures for claims file control. During our field work and review of the claims files, it was noted that files in most sections could be removed with no written record of where or when they were removed. Many claims department personnel indicate they spend a majority of their time tracking down files. We noted that some of the teams have good control procedures and could produce any file in five minutes or less. Claims management people state that since each team

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

CLAIMS FILE CONTROL (continued)

operates differently, it is not possible to standardize file control. It appears however, that standard control procedures would increase productivity.

RECOMMENDATION

The Nevada Industrial Commission review present methods and institute guidelines establishing standard file control procedures.

MICROFICHE WORKING FILES

A microfiche system has been instituted in Carson City to replace original documents for the claims department working files. This is a temporary system which will be replaced by the new computer claims system as soon as it is operational. The microfiche system is clumsy and slow for use as a working file and has increased the time each team member must spend on each file.

RECOMMENDATION

The Nevada Industrial Commission continue to use hard copy originals for working files in the claims division until the new computer claims system is operational.

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COMPLIANCE REVIEW

MEDICAL AND COMPENSATION CLAIMS  
(continued)

POLICY AND PROCEDURES MANUALS

During our review of the claims files, it was noted that all the written manuals of policies and procedures were outdated. In some instances memorandums relating to policy or procedure changes were inserted loosely in the back of the manuals, while in other instances they were filed at someone's desk. Claims division personnel and top management agree that a full time technical writer is needed to rewrite and update the manuals.

RECOMMENDATION

The Nevada Industrial Commission:

1. Update all claims division's policy and procedure manuals.
2. Maintain claims division's manuals on a current basis.

TRAINING

We noted during discussions and interviews with claims department personnel that there is a great diversity of procedures and practices in all areas of the claims division. Everyone agreed that this is due mainly to the fact that there are no training manuals or standardized training policies or procedures for training new hires or transfers. Each person who trained anyone followed their own training, taught their own methods and procedures and inserted some of their own philosophy. Many times these methods and procedures were not in accordance with current Nevada

STATE OF NEVADA  
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MEDICAL AND COMPENSATION CLAIMS  
(continued)

TRAINING (continued)

Industrial Commission policies and procedures, but many times were in accordance with the outdated manuals on hand.

RECOMMENDATION

The Nevada Industrial Commission develop and use standardized training methods for claims division personnel.



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INDUSTRIAL REHABILITATION DEPARTMENT

Prior to July 1, 1973, the Nevada Industrial Commission contracted with the Department of Human Resources, Bureau of Vocational Rehabilitation, to provide rehabilitation services to injured workmen.

Chapter 292, Statutes of Nevada, 1973, empowered the Nevada Industrial Commission to provide it's own rehabilitation services to injured workmen. The Industrial Rehabilitation Department was formed to carry out this act. The department employed several rehabilitation consultants to provide counseling and guidance to injured workmen in order to assist them in returning to employment.

In 1974, several nurses were transferred from the Medical Department of the Nevada Industrial Commission to the Industrial Rehabilitation Department in order to provide additional medical assistance to injured workmen.

In July of 1974, the disability prevention (DP) team concept was formalized. The team consists of the claims examiner, rehabilitation nurse, rehabilitation counselor, and two clerical assistants. The Commission felt that the DP teams would result in better claims management by allowing more individualized treatment of each injured claimant.

The Industrial Rehabilitation Department currently employs 51 people of which 22 are counselors, 20 are nurses, and 9 are support and clerical personnel.

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INDUSTRIAL REHABILITATION DEPARTMENT  
(continued)

STATISTICAL DATA

The following table shows the amount spent on rehabilitation expenses by the Industrial Rehabilitation Department for the last three fiscal years:

<u>Fiscal Year Ended</u>	<u>Rehabilitation Expenditures</u>	<u>% Increase Over Prior Year</u>
6/30/77	\$1,026,349	--
6/30/78	1,254,787	22.3%
6/30/79	2,162,654	72.4%

The amount spent for fiscal year 1980 is not yet available, however, the authorized program budgets through June 30, 1980, totaled \$2,874,973.

As of May 30, 1980, the reported caseloads for rehabilitation counselors and nurses is shown as:

	Counselors	Nurses
Carson City	530	793
Las Vegas	<u>506</u>	<u>1,302</u>
Total	<u>1,036</u>	<u>2,095</u>

The average caseload reported by the individual industrial rehabilitation counselors as of May 30, 1980, was 61 cases, and the average for the nurses was 123.

The active caseloads for counselors ranged from 39 to 124. The variances in active caseload sizes for counselors is attributed to the fact that no standardized methods have been instituted regarding case acceptance. The counselors with the largest

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STATISTICAL DATA (continued)

reported caseloads accept as rehabilitation cases all those claimants who have been off work more than 35 days whether they will need rehabilitation services or not. Because of this practice, the active caseloads reported by the rehabilitation department are questionable.

REHABILITATION BUDGETS

The industrial rehabilitation counselors are charged with the responsibility of developing a rehabilitation program for all injured workmen in need of services. Once the counselor and the claimant have agreed on the desired course of action, the counselor prepares a program budget. This budget details how much money will be spent on a rehabilitation program.

The following schedule indicates the budget authorization approval limits for rehabilitation programs.

	<u>Las Vegas Office</u>	<u>Carson City Office</u>
Counselor I	\$2,000	\$2,000
Counselor II	3,000	3,000
Senior Counselor	4,000	-- *
Supervising Counselor	6,000	6,000
Director	10,000	10,000
Commissioners	over 10,000	over 10,000

\* Senior Counselor only performs vocational testing functions in Reno.

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REHABILITATION BUDGETS (continued)

According to departmental procedures, a signed program budget must be placed in the claimant's folder before program monies can be spent. We noted several instances where rehabilitation expenditures were made prior to the submission and approval of the rehabilitation program budget. If the rehabilitation budget was subsequently denied, this could result in unauthorized expenditures.

In addition, some of the rehabilitation counselors require the claimant to complete a personal financial statement prior to the submission or approval of rehabilitation budgets. These financial statements detail sources of income and the total monthly obligations of the claimant. It is not clear what the financial statement is used for, or why only some of the counselors use it.

Our review also showed that no procedures exist to ensure that actual rehabilitation expenditures do not exceed the authorized or approved program budget. In one office, a form was developed to record all expenditures made, however, this was not used on a consistent basis.

Many of the counselors believed that the System 6 word processor, used to print all rehabilitation checks, controls the amount spent in accordance with the authorized program budget. This is not the case however, as the System 6 word processor does not have the capability of tabulating or controlling program monies.

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REHABILITATION BUDGETS (continued)

RECOMMENDATION

The Nevada Industrial Commission:

1. Institute procedures to ensure that rehabilitation expenditures do not exceed the authorized or approved program budget.
2. Discontinue paying rehabilitation expenditures prior to the adoption or approval of rehabilitation budgets.

INITIAL CASE REVIEW, ACCEPTANCE AND DOCUMENTATION

Current policy dictates that all lost time claims be reviewed by Industrial Rehabilitation Department team members when the third compensation check is issued (usually between 35-42 days). Upon review, casenotes are to be prepared and a determination made as to the need for rehabilitation services. It is felt that greater results can be achieved by early and complete involvement.

Our review showed that some cases are not being reviewed by the rehabilitation counselors for six to seven months. This results from the fact that each disability prevention team has it's own method of initial case file review procedures. In some teams the secretary may have the responsibility of identifying those

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INITIAL CASE REVIEW, ACCEPTANCE AND DOCUMENTATION (continued)

the secretary may have the responsibility of identifying those cases which may need rehabilitation services, while in other teams, it might be the nurse or the claims examiner.

In addition, the claimants who require hospitalization are being initially seen by a nurse in the Nevada Industrial Commission medical department in one office, while in the other office, that responsibility is charged to the Industrial Rehabilitation Department nurses.

Our review also showed that some of the counselors send an initial contact letter to claimants in need of their services, while others do not. While each counselor prepares his own letter, and each is different, most do indicate that rehabilitation services are being offered.

We also noted that upon acceptance of a case, many of the counselors have the claimant complete an "application for rehabilitation" form, however, its use is not mandatory. This form is designed to provide the counselor with pertinent information which may be relevant to the case. Information contained on this form includes personal, educational and vocational factors of the claimant.

In addition, some of the counselors require the claimant to sign an authorization for release of information form. This form allows the counselor to obtain medical, psychological and vocational

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INITIAL CASE REVIEW, ACCEPTANCE AND DOCUMENTATION (continued)

records pertaining to the claimant. We noted that several counselors have developed their own form; presently four different forms are being used.

This lack of consistent procedures does not provide each claimant with the same treatment and could result in legal problems since each form is different.

Many of the medical reports issued by the treating physician were found which had not been reviewed by the Industrial Rehabilitation Department. Industrial Rehabilitation Department policy dictates that all correspondence concerning rehabilitation cases be reviewed and initialed by the Industrial Rehabilitation Department team members.

Many of the decisions regarding rehabilitation involvement are based on the results of the treating physician's report. It is critical that these reports be reviewed and signed by the rehabilitation members on a timely basis. For example, a few cases were found in which the original medical reports were not seen for several months after they were received by the Industrial Rehabilitation Department.

Our review indicated that no procedures currently exist to ensure that all Industrial Rehabilitation Department correspondence is dated upon issuance or receipt. Some of the nurse and counselor

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INITIAL CASE REVIEW, ACCEPTANCE AND DOCUMENTATION (continued)

case notes were not dated when prepared, and many of the treating physicians' medical reports were not date stamped when received.

This leaves some question as to when events actually took place, and does not provide for the documentation necessary to ensure that department goals are effectively achieved.

While each rehabilitation case is different, and must be handled accordingly, effective guidelines and procedures should be developed to provide a more consistent handling of each case. We feel they could be developed while still maintaining the flexibility necessary for each individual case.

In addition, we noted that supervisory case reviews are not held on a regular basis. This does not provide management with the necessary data to determine if departmental policies are being adhered to, or if goals and objectives are being met.



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INDUSTRIAL REHABILITATION DEPARTMENT  
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INITIAL CASE REVIEW, ACCEPTANCE AND DOCUMENTATION (continued)

RECOMMENDATION

The Nevada Industrial Commission develop and implement written procedures that:

1. Provide for consistent case file review by all disability prevention teams, to ensure that initial case file reviews are done on a timely basis.
2. Provide for consistent case file acceptance.
3. Require review and initials on all medical correspondence.
4. Require that all correspondence and medical reports be date stamped as to when received.
5. Provide for supervisory case file reviews on a regular basis.

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(continued)

CONSULTATION WITH PRE-ACCIDENT EMPLOYER

Our review of the Industrial Rehabilitation Department revealed several cases where an injured workman was retrained in another vocation prior to a consultation with the pre-accident employer.

Nevada Revised Statute, 616.222(2) states:

Before ordering rehabilitation services for an injured worker there must first be a consultation with the injured worker and the treating physician or physicians with respect to whether the proposed rehabilitation program is compatible with the injured worker's age, sex, and physical condition. If the rehabilitation services will involve a change in vocation, the consultation must also include the employer and a rehabilitation counselor.

The purpose of this statute is to give the pre-accident employer the opportunity to re-hire the injured workman before retraining him in another vocation.

By returning the individual to work with the pre-accident employer, the cost of retraining him could be saved. This not only benefits the employer by saving him the cost of additional premiums, it also returns the individual to work in less time.

RECOMMENDATION

The Nevada Industrial Commission consult with pre-accident employers prior to retraining injured workmen in other vocations in accordance with NRS 616.222(2).

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INDUSTRIAL REHABILITATION DEPARTMENT  
(continued)

REHABILITATION COMPENSATION

During our review, we noted that claimant's compensation benefits are not being reduced for unexcused absences while involved in rehabilitation programs.

NRS 616.222(3) states:

Any workman eligible for compensation other than accident benefits may not be paid those benefits if he refuses counseling, training or other rehabilitation services offered by the commission or the self-insured employer.

NIC regulation 14.090 states:

14.090 FAILURE TO PARTICIPATE IN PLANNED REHABILITATION PROGRAM.

1. A claimant who has agreed to participate in a scheduled program of rehabilitation but who fails to report for scheduled periods of therapy, exercise, training or employment, or who reports but refuses to cooperate with the persons responsible for directing the program, and who fails to respond to counseling by a rehabilitation consultant will be reported to the commission with particulars of his behavior.

2. The commission may order the termination or adjustment of disability benefits upon the basis of the reports.

The purpose of these acts was to encourage claimants to fully participate in all phases of the rehabilitation program. If scheduled sessions of therapy, training, schooling or employment are missed without sufficient reason, the rehabilitation counselor is to deduct compensation payments for those days missed.

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(continued)

REDUCTION OF REHABILITATION COMPENSATION (continued)

RECOMMENDATION

The Nevada Industrial Commission comply with NRS 616.223(3), regulation 14.090, regarding compensation benefits for unexcused absences of claimants involved in rehabilitation programs.

OFFICIAL WORK STATION

During our review we noted that no written policy exists concerning the official work station of Industrial Rehabilitation Department staff members in Carson City and Reno.

While each rehabilitation counselor and nurse is required to work three days per week in the Carson City Office, and two days in Reno, their work stations differ. The current unwritten policy defines all Reno area residents as working from the Reno Office, and all Carson City area residents as working from the Carson City Office. In addition, there are supervisory personnel who work entirely in the Carson City Office, and are defined as Reno Office employees. These individuals arrive in Carson City at 9:00 a.m. and leave at 4:00 p.m. to return to Reno.

Our analysis showed that each rehabilitation counselor and supervisory personnel are assigned their own state car for use on all Nevada Industrial Commission business. Since the Reno area residents are required to work in Carson City, the cars are used as transportation to and from the Carson City Office. In addition, all

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OFFICIAL WORK STATION (continued)

Our analysis showed that each rehabilitation counselor and supervisory personnel are assigned their own state car for use on all Nevada Industrial Commission business. Since the Reno area residents are required to work in Carson City, the cars are used as transportation to and from the Carson City Office. In addition, all Reno area residents receive a per diem of \$4.50 for each day while in the Carson City Office.

We believe, in the interest of economy and fairness to all concerned, a justifiable official work station policy should be adopted. This policy should be based on where the majority of the work will be performed, not on where the people reside.

RECOMMENDATION

The Nevada Industrial Commission adopt a written policy concerning the official work stations of the Commission staff in accordance with the prescribed work duties.

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EMPLOYER ACCOUNTS DEPARTMENT

The Employer Accounts Department is responsible for establishing and maintaining workers' compensation insurance policies for all Nevada employers required to have such coverage. In addition, the Employer Accounts Department underwrites all policies, collects advance deposits, and administers all experience ratings and special plans. The department also makes field collections of delinquent accounts and uninsured claims, and has the authority to issue stop work orders to employers who fail to maintain insurance coverage.

STATISTICAL DATA

Premiums

The employer accounts department currently maintains about 24,000 accounts with a staff of 53.

The following schedule shows the premiums collected for the last three fiscal years.

<u>Fiscal Year Ended June 30</u>	<u>Dollars</u>
1977	\$ 72,752,000
1978	92,819,000
1979	<u>111,259,000</u>
Total	<u>\$276,830,000</u>

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EMPLOYER ACCOUNTS DEPARTMENT  
(continued)

STATISTICAL DATA (continued)

Uninsured Claims

NIC regulation 27.010 states:

An employee injured while working for an employer that has failed to provide mandatory worker's compensation coverage may elect to receive compensation under NRS 616 or 617...

These are known as uninsured claims. Expenses incurred in the settlement of uninsured claims are to be paid by the employer who failed to maintain workers' compensation coverage. In many instances however, the uninsured employer can not be located or does not have the financial resources with which to pay the expenses. In these cases, the State Insurance Fund must absorb the cost of the claims. Thus, all Nevada Industrial Commission covered employers share in the cost of uninsured claims through higher premiums.

The following table shows the expenses and recoveries of uninsured claims for the last three fiscal years, and the accounts written-off as uncollectible.

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(continued)

STATISTICAL DATA (continued)

Uninsured Claims (continued)

	<u>Fiscal Year Ended June 30</u>			<u>Total</u>
	<u>1977</u>	<u>1978</u>	<u>1979</u>	
Number of Uninsured Claims	42	37	40	119
Uninsured Claims Expenses	\$91,269	\$90,906	\$97,269	\$279,446
Uninsured Claims Recoveries	<u>15,268</u>	<u>21,129</u>	<u>21,651</u>	<u>58,049</u>
Net Cost of Uninsured Claims	<u>\$76,001</u>	<u>\$69,777</u>	<u>\$75,618</u>	<u>\$221,397</u>
Uninsured Claims Written-off	<u>\$40,531</u>	<u>\$20,999</u>	<u>\$46,776</u>	<u>\$108,305</u>

Payroll Reports

NIC regulation 16.050 states:

... the employer will be charged a penalty for delinquent [payroll] reports unless good cause for the delinquency is shown.

The following schedule shows the amounts collected from delinquent penalties for the past three fiscal years.

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
1977	\$146,724
1978	223,871
1979	<u>359,126</u>
Total	<u>\$729,721</u>



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(continued)

STATISTICAL DATA (continued)

Stop Work Orders

If an employer fails to maintain industrial insurance for his employees, NRS 616.629 empowers the Nevada Industrial Commission to cease the employer's operations by issuing a stop work order. The following schedule shows the number of stop work orders issued by the Employer Accounts Department during the last three fiscal years.

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Stop Work Orders</u> <u>Issued</u>
1977	68
1978	37
1979	<u>34</u>
Total	<u><u>139</u></u>

EXPERIENCE MODIFICATION RATINGS

NRS 616.380(1) and (2) state:

1. In addition to the authority given the commission to determine and fix premium rates of employers as provided in NRS 616.395 to 616.405 inclusive, the commission:

(a) Shall apply that form of rating system which, in its judgement, is best calculated to merit or rate individually the risk more equitably, predicated upon the basis of the employers individual experience;

(b) Shall adopt equitable regulations controlling the same, which regulations, however, must conserve to each risk the basic principles of industrial insurance; and

(c) May subscribe to a rating service of any rating organization for casualty, fidelity and surety insurance rating.

2. The rating system or any rating by a rating organization pursuant to this section is subject to the limitation that the amount of any increase or reduction of premium rate or additional charge or rebate of premium contributions shall be in the discretion of the commission.

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(continued)

EXPERIENCE MODIFICATION RATINGS (continued)

To carry out this chapter, Nevada Industrial Commission adopted Regulation 34 which states:

PURPOSE. The purpose of the experience rating plan is to promote accident prevention and safety consciousness among employers, and to establish equity between the premiums charged individual employers who qualify for rating. The plan equates individual employer incurred losses with the average losses for like employment.

During our review of the Employer Accounts Department, we noted that no system exists to ensure that subrogation collections or change orders are credited to an employer's experience rating.

Currently, if an employer's actual losses are reduced as a result of a subrogation collection or a change order, the account must be adjusted manually. We noted several cases where the adjustments were not made, resulting in over charges to employers.

The computer program designed to calculate the experience ratings could be modified to automatically reduce the employer's actual losses incurred in the event of a subrogation collection or change order.

RECOMMENDATION

The Nevada Industrial Commission request that the Data Processing Department modify the computer program used to calculate the experience ratings in order to avoid over charging employers.

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(continued)

NOTICE OF STOP WORK ORDER

The field representatives of the Employer Accounts Department issue stop work orders to employers who fail to provide industrial insurance for their employees.

NRS 616.629(2) states:

2. The order shall:  
(b) provide an opportunity for hearing to the employer on a date fixed in the order which shall not be less than 5 nor more than 15 days after the date of the order...

We found several cases where the Employer Accounts Department provided the employer only one day prior to conducting the hearing. This is in violation of NRS 616.629(2), and did not provide the employer adequate time to prepare for the hearing.

RECOMMENDATION

The Nevada Industrial Commission provide at least 5 days from the date of the stop work order for the hearing in accordance with NRS 616.629(2)(b) unless requested by the employer.

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(continued)

GRANDFATHERED EMPLOYER BENEFITS PLANS

NRS 616.256 allows employers who maintained private disability and death benefit plans prior to July 1, 1947, to continue to provide private coverage as long as the payment of compensation is equal to that provided by the Nevada Industrial Commission. There are currently seven such employers known as "grandfathered" accounts.

NRS 616.256(2) states that all "grandfathered" employers:

... shall annually:

(a) Submit to the commission for approval a certified copy of the disability and death benefit plans covering his employees.

We noted that the Employer Accounts Department has not been enforcing this statute. Two of the seven employers have not submitted their current annual disability and death benefit plans since 1976. This does not provide the Commission with the necessary information to determine if the compensation benefits are equal to those provided by the Nevada Industrial Commission.

RECOMMENDATION

The Nevada Industrial Commission require

"grandfathered" employers to submit their annual certified disability and death benefit plans in accordance with NRS 616.256(2)(a).

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PRIVATE MEDICAL COVERAGE PLANS

NRS 616.415(1) allows those employers electing to do so to "... make arrangements for the purpose of providing accident benefits as defined in this chapter for injured employees".

This means that the employers provide their own private medical coverage, but still maintain compensation coverage through the Nevada Industrial Commission.

This is known as "ex-medical" coverage.

NRS 616.415(2) states:

2. Employers electing to make such arrangements for providing accident benefits shall notify the commission of such election and render a detailed statement of the arrangements made, which arrangements shall not become effective until approved by the commission.

We noted one such benefit plan which had never been approved by the Commission.

In addition NRS 616.415(3) states:

3. Every employer who maintains a hospital of any kind for his employees, or who contracts with a physician for the hospital care of injured employees, shall, on or before January 30 of each year, make a written report to the commission for the preceding year, which report shall contain a statement showing:

(a) Total amount of hospital fees collected, showing separately the amount contributed by the employees and the amount contributed by the employers; and

(b) An itemized account of the expenditures, investments or other disposition of such fees; and

(c) What balance, if any, remains.

Such reports shall be verified by the employer, if an individual; by a member, if a partnership; by the secretary, president, general manager or other executive officer, if a corporation; by the physician, if contracted to a physician.

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(continued)

PRIVATE MEDICAL COVERAGE PLANS (continued)

We found several of the "ex-medical" employers who have contracted with either hospitals or physicians, but have not filed the annual financial reports, as required by NRS 616.415(3).

RECOMMENDATIONS

The Nevada Industrial Commission:

1. Obtain and approve the detailed arrangements to provide accident benefits for all "ex-medical" employers.
2. Require all "ex-medical" employers who maintain a hospital of any kind, or contract with a physician for injured employees to render the financial statements as outlined in NRS 616.415(3).

ANNUAL PHYSICAL EXAMINATIONS FOR SOLE PROPRIETORS

NRS 616.317(2) states:

2. A sole proprietor who elects to accept the terms, conditions and provisions of this chapter shall submit to a physical examination prior to the commencement of coverage and on a yearly basis thereafter. The commission shall prescribe the scope of the examination and shall consider it for rating purposes. The cost of the physical examination shall be paid by the sole proprietor.

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(continued)

ANNUAL PHYSICAL EXAMINATIONS FOR SOLE PROPRIETORS (continued)

We noted that yearly physical examinations are not being required by the Commission. They feel that the initial examination is necessary to determine the risk involved, however, yearly physicals are too frequent.

RECOMMENDATION

The Nevada Industrial Commission request legislation to eliminate the requirement for yearly physical examinations for sole proprietors as required by NRS 616.317(2).

NOTICE OF DELINQUENT ACCOUNTS

NRS 616.400, outline the method by which the payment of premiums is to be made. NRS 616.400(6) states:

The commission shall notify any employer or his representative by certified mail of any failure on his part to comply with the foregoing provisions;...

This causes much unnecessary time and cost since hundreds of delinquent account notices are sent each month.

RECOMMENDATION

The Nevada Industrial Commission request legislation to amend NRS 616.400(6), to allow suitable means other than certified mail to notify employers of delinquent accounts.

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(continued)

ANNUAL FINANCIAL REPORTS OF EMPLOYERS

Our review showed that many of the financial reports and other information specified in the Nevada Industrial Commission regulations have not been requested by the Employer Accounts Department.

Nevada Industrial Commission regulation 31.305 states:

**FINANCIAL RESPONSIBILITY.** Each participant in the self-insurance plan shall file with the Nevada Industrial Commission an annual, audited financial report of the corporation, plus any additional financial information required to establish the financial responsibility necessary to sustain a self-insurance plan status.

These audited financial reports have not been received for several years.

Nevada Industrial Commission regulation 33.220 states:

**FINANCIAL RESPONSIBILITY.** Each corporate employer who elects to provide accident benefits for his employees shall file with the Nevada Industrial Commission an annual, audited financial report of the corporation and such other financial information as may be required to establish the financial responsibility necessary to sustain the arrangement to provide accident benefits.

We could not find any evidence that these reports have ever been received by the Commission.

NIC regulation 32.040(4)b states:

(b) Annually, on July 1, a copy of the current document (e.g. the brochure or employee's handbook) which advises the employee of his rights to accident benefits as a result of industrial injury or occupational disease and the procedures which he is to follow in availing himself to those accident benefits. An initial report is required 30 days after the effective date of this regulation.



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EMPLOYER ACCOUNTS DEPARTMENT  
EMPLOYER SERVICES  
(continued)

ANNUAL FINANCIAL REPORTS OF EMPLOYERS (continued)

We noted that these employees' handbook of benefits have not been requested by the Employer Accounts Department as required by Nevada Industrial Commission regulation 32.040(4)b.

It is felt that these financial reports, and other pertinent data are necessary for the Commission to determine the solvency of the employers who are involved in special coverage plans. In addition, annual copies of the benefits brochures are needed to determine if the employees are providing adequate coverage for their employees.

RECOMMENDATION

The Nevada Industrial Commission require all necessary financial reports and other data be submitted to the Commission, in accordance with regulations 31.305, 33.220 and 32.040(4b).

UNINSURED EMPLOYER EXPENSES

NIC regulation 27.040 states:

ACCOUNTING FOR UNINSURED EMPLOYER CLAIMS EXPENSE.

1. All expenses associated with claims accepted under the uninsured employer provisions of NRS 616 or 617 will be segregated in a separate expense account and will be reported as a line item on the annual financial statement of the Nevada Industrial Commission.
2. Uninsured employer claims expense will be distributed as a general claims expense and will not be charged to the experience of any manual classification.

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EMPLOYER ACCOUNTS DEPARTMENT  
(continued)

UNINSURED EMPLOYER EXPENSES (continued)

We noted that the annual financial statement for the Nevada Industrial Commission contains only the uninsured expenses associated with accounts written-off during the year, not the entire uninsured claims expenses incurred.

RECOMMENDATION

The Nevada Industrial Commission account for all uninsured employer expenses on it's annual financial statement in accordance with it's regulation 27.040(1).

FAILURE TO PROVIDE AND SECURE COMPENSATION

NRS 616.630(1) states:

If any employer within the provisions of NRS 616.285 shall fail to provide and secure compensation under the terms of this chapter, he shall be fined not more than \$500 for each offense.

Uninsured claims are being processed by the Commission, however, we were informed that this fine is not being imposed. Generally, only a stop work order is issued.

RECOMMENDATION

Nevada Industrial Commission enforce the provisions of NRS 616.630(1) when employers fail to provide and secure compensation.

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FIELD AUDIT DEPARTMENT

The Field Audit Department is responsible for auditing the reported payroll of each employer insured by the Nevada Industrial Commission. Until July 1, 1980, they also were responsible for the reserving of all future claims expenses, however, this function has now been transferred to the Coordinator's Office.

STATISTICAL DATA

Data concerning the number of audits completed, and the resulting additional premium for the last three fiscal years is shown below.

<u>Fiscal Year Ended June 30</u>	<u>Audits Performed</u>	<u>Additional Premiums</u>
1977	5,081	\$1,121,895
1978	3,633	1,525,419
1979	<u>5,142</u>	<u>2,400,345</u>
Total	<u>13,856</u>	<u>\$5,047,659</u>

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FIELD AUDIT DEPARTMENT  
(continued)

AUDIT PROTESTS

During our review of the Field Audit Department, we noted that they are accepting audit protests long after the 30 days period of acceptance has expired.

Nevada Industrial Commission regulation 7.004(2) states:

A notice of appeal by an employer aggrieved by a determination of the employer accounts department must be given in writing within 30 days after the receipt of the determination.

Several audits were appealed to the Commission more than a year after the results were received by the employer.

RECOMMENDATION

The Nevada Industrial Commission refuse to accept audit protests after the 30 day acceptance period has elapsed in accordance with regulation 7.004(2).

FIELD AUDITOR'S HANDBOOK

During our review, we noted that the field auditor's handbook has not been updated since 1976. Many new laws and regulations have come into effect since the handbook was last updated. This does not provide the auditors with the necessary information with which to audit effectively.

STATE OF NEVADA  
NEVADA INDUSTRIAL COMMISSION  
COMPLIANCE REVIEW

FIELD AUDIT DEPARTMENT  
(continued)

FIELD AUDITOR'S HANDBOOK (continued)

RECOMMENDATIONS

The Nevada Industrial Commission:

1. Update its field auditor's handbook to contain current laws and regulations.
2. Maintain field auditor's handbook on a current basis.

ROBERT LIST  
GOVERNOR

STATE OF NEVADA

JOE E. NUSBAUM  
CHAIRMAN

NEVADA INDUSTRIAL COMMISSION

HAL G. CURTIS  
COMMISSIONER REPRESENTING LABOR  
JAMES S. LORIGAN  
COMMISSIONER REPRESENTING INDUSTRY



ADDRESS ALL CORRESPONDENCE TO  
NEVADA INDUSTRIAL COMMISSION

REPLY TO

November 25, 1980

515 East Musser Street  
Carson City, NV 89714

Mr. John R. Crossley  
Legislative Auditor  
Legislative Bldg. Rm. 327  
Carson City, NV. 89710

Dear Mr. Crossley:

We wish to compliment you and your staff on the thorough and professional work you have done in the compliance review of the Nevada Industrial Commission. Your auditors approached their assignments with a healthy, inquisitive attitude, attempted to gain an understanding of the many procedures involved in the handling of approximately 66,000 claims and approximately 24,000 policyholders in fiscal 1979, and prepared their recommendations with none of the hostility that sometimes accompanies such audits.

Many of the deficiencies you have pointed out are ones of which we are aware and a number of these are in the process of being corrected. We must admit there are others of which we were not fully aware. Still others we frankly consider insignificant because of their infrequency in a high volume operation. However, we will work towards full compliance with all statutory requirements.

With regard to your recommended statutory and policy changes, we agree with a vast majority of them, have qualified agreement with some others and disagree with very few.

As is required in a compliance review, you have noted only those areas of deficiency. The reader of your report may come away with the impression that there is a great deal wrong and little right about NIC's operations. In fact, we believe NIC handles the great bulk of our claims expeditiously with appropriate payment of compensation, medical bills and rehabilitation costs. Similarly, we believe our relationship with the majority of our policyholders is fully satisfactory.

However, we have recognized a number of problem areas. The Commission, in cooperation with the Advisory Board of Review for NIC, has spent most of 1980 in an intensive self analysis of our operations, organization and statutory policies. We have deliberately chosen to publicly identify and discuss what we believe are the critical issues surrounding NIC,

John R. Crossley

Nov. 25, 1980  
Page 2

including a number of subjects on which your agency has commented. We and the Advisory Board are creating a lengthy agenda of legislative and administrative actions to improve NIC's operations to better serve the workers and employers of Nevada. NIC is not standing still and is not resisting necessary changes.

Attached are some comments on a few of the statements in your report where we believe additional information is required to fully understand the issue.

Again, we wish to express our appreciation for the professional work your agency has done in identifying areas of deficiency in NIC's operations.

Sincerely yours,



Joe E. Nusbaum  
For the Nevada Industrial Commission

JEN:bwk  
Attachment

Nevada Industrial Commission Comment on Compliance Review  
On the Rehabilitation Center

Time lapse from date of injury to date of admission to the Rehabilitation Center.

The use of "average elapsed days" from date of injury to date of admission to the Rehabilitation Center as a means of evaluating promptness of referral can be misleading.

In evaluating the time lapse from date of injury to date of admission, the question to be answered is, "How many patients are being referred as soon as the Rehabilitation Center can provide beneficial services?"

A number of those referred more than a year after date of injury are reopened cases. There may be a time lapse of a number of years from date of injury to date of admission on reopened cases. When a time lapse on a few reopened cases is included in the calculation of "average days time lapse", the result does not provide a meaningful measure of promptness of referral.

Currently, 60 percent of the patients treated are referred within 6 months of the date of injury. An additional 20% are referred within one year of injury date. The following chart shows percentage of referrals by time period and the trend toward earlier referrals.

Referrals from Date of Injury

<u>Elapsed Time</u>	<u>Reporting Periods</u>		
	<u>November '78/ June '79</u>	<u>July '79/ June '80</u>	<u>July '80 September '80</u>
Within six months	36.8%	52.5%	59.4%
Seven to twelve months	25.6%	20.5%	21.0%
Over twelve months	37.6%	27.0%	19.6%

Operating costs versus income for services billed.

The compliance review makes a factual statement of the monthly operating costs of the Center as compared to the monthly billings at the time of the audit.

NIC believes that the statement below will assist those evaluating the report.

It is not necessary that Center billings for services equal operating costs in order to achieve a break-even operation.

On June 30, 1980, NIC reduced reserves for disability compensation on current and prior year claims by in excess of \$10,000,000. The reduction was made because duration of temporary disability, degree of permanent partial disability, and frequency of permanent total disability have been reduced below historic averages.



Treatment rendered by the Rehabilitation Center is one factor in this reduction of disablement. While it is not possible to assign a specific percentage of the savings in disability compensation to the Rehabilitation Center, it should not be ignored in evaluating whether the Center is self-supporting.

It is the Commission's goal within five years of the opening of the Rehabilitation Center to approximately balance billings and costs but we believe the Center will be of financial benefit to policyholders long before an operating balance is attained.