WORKER'S COMPENSATION ALJ COST INCREASES & WASTE - OWCH

Background: Act 55 of the 2015 session transferred the Worker's Compensation Division's (WCD) ALJs to the DOA's Division of Hearings and Appeals (DHA) within the newly created Office of Worker's Compensation Hearings (OWCH). The intention of the transfer was to **create efficiencies in the litigation/hearing process and concurrently reduce the administrative costs associated with the litigation/hearing process.**

Proposal: Transfer the adjudicatory functions of DHA relating to disputed worker's compensation claims to DWD.

Talking Points: More than eight years have passed since the transfer of WCD ALJs to OWCH. It is well documented by the WCD and stakeholders that **efficiencies have not be realized** since the bifurcation.

Since implementation of the transfer of the litigated files to the OWCH, the length of time to adjudicate an application has increased, as has the overall costs and costs per hearing application.

- The average cost of adjudicating a hearing application, calculated by dividing annual OWCH expenses by the number of hearing applications submitted to OWCH per year, has grown by 47% from $968 in 2018 to $1,424 in 2023. Timeliness issues include:

- An increase in the average time to close an adjudicated application from 420.7 days in 2018 to 600.1 days in 2023.

- A backlog of open cases that has not declined as quickly as the drop in the number of applications that go to hearing. Specifically, the backlog of open cases that were sent to OWCH stood at 4,947 on Dec. 31, 2023, down 18% from 6,019 on Dec. 31, 2017, compared to the 28% drop in applications from Jan. 1, 2018, through Dec. 31, 2023.

- The number of applications that go to hearing has been steadily decreasing. In 2015, prior to January 1, 2016, transfer effective date, 5,094 hearing applications were filed by parties requesting hearings in disputed worker's compensation cases. In 2018, when adjudication staff were no longer co-located with WC staff, there were 4,309 hearing applications filed, decreasing to 3,956 in 2019 and then again to 2,971 in 2022 before rising slightly to 3,082 in 2023.