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July 14, 2015

**TO:** The Honorable Mary Lazich  
President, Wisconsin State Senate  
Room 219 South, State Capitol  
PO Box 7882  
Madison, WI 53707-7882

The Honorable Robin Vos  
Speaker, Wisconsin State Assembly  
Room 211 West, State Capitol  
PO Box 8953  
Madison, WI 53708

**FROM:** Reginald J. Newson, Secretary  
Department of Workforce Development

**SUBJECT:** **Minor and Technical Changes to the Worker's Compensation Program – DWD ch. 80 (Clearinghouse Rules No. 15-030)**

### *Introduction*

The Department of Workforce Development ("DWD") is transmitting this rule for legislative committee review, as provided in s. 227.19 (2) and (3), Stats. DWD will publish notice of this referral in the Wisconsin Administrative Register, as provided in s. 227.19 (2), Stats.

### *Rule Content*

This proposed hearing draft includes the following:

#### **Reports by Insurance Companies and Self-Insured Employers**

Section DWD 80.02 (2) identifies the reports that self-insured employers and insurance companies are required to submit to the department for injuries if there is a disability beyond the third day after the employee leaves work as a result of the accident or disease.

Under the proposed rule, the following amendments will clarify that a self-insured employer or insurance company is required to report to the department when:

- Salary continuation payments to the employee are paid in lieu of compensation for injuries with disabilities that continue for more than three (3) days.
- Salary continuation payments made to the employee in lieu of compensation are changed to payments for permanent disability.

- Salary continuation payments made in lieu of compensation are reinstated.
- The final payment of salary continuation in lieu of compensation is made.

The proposed rule will also require a self-insured employer or insurance company to submit a final report of the employee's treating practitioner if the employee sustains an eye injury that requires medical treatment on 3 or more occasions off the employer's premises.

The proposed rule will create guidelines that require a self-insured employer or insurance company to file an update with the department, on a form prescribed by the department, and to the newly retained claims handling office or third party administrator, for any open claim with more than 26 weeks of temporary disability, or permanent total disability. The proposed rule will also establish guidelines when the department may require submission of this information for any open claims with less than 26 weeks of temporary disability, or permanent total disability.

In addition, the proposed rule will require a self-insured employer or insurance company to submit to the department by June 30 of each calendar year, on a form prescribed by the department, any payments for permanent total disability and supplemental benefits made during the previous calendar year.

### **Vocational Rehabilitation Benefits**

Section DWD 80.49 (4), (6) (b) 2. and (11) (a) references outdated terminology related to vocational specialists and retraining plans developed for injured employees pursuing vocational rehabilitation training. The proposed rule will repeal the obsolete terminology and use current terminology to define retraining plans developed for injured employees pursuing vocational rehabilitation training and describe vocational specialists.

### **Wrap-up Insurance**

Section DWD 80.61 (3) (c) requires the use of department forms WKCA-19.4 W-U and WKCA-19.5 W-U, which are no longer utilized by the department. The proposed rule will repeal the requirement to file forms WKCA-19.4 W-U and WKCA-19.5 W-U which are obsolete and create language to authorize the use of forms prescribed by the department.

### **Uninsured Employers Fund**

Section DWD 80.62 (8) requires the department to submit to the Governor, and presiding officer of each house of the legislature, a report on the Uninsured Employers Fund on a quarterly basis. Under 1989 Wisconsin Act 64, this requirement sunset on April 15, 1992 and will be repealed.

### **Notice of Cancellation and Termination of Insurance Coverage**

The proposed rule will amend the section title to include nonrenewal of worker's compensation insurance policies and create statutory cross-references for cancellations, terminations and non-renewals of insurance policies issued to professional employer organizations and employee leasing companies.

Section DWD 80.65 identifies specific methods of delivery to the Wisconsin Compensation Rating Bureau when a worker's compensation insurance company gives notice of a cancellation or terminates a policy. The proposed rule creates a note that specifies the methods approved by the department for giving notice of cancellation, termination or non-renewal to the Wisconsin Compensation Rating Bureau and provides the department may update the note without rulemaking when the means of notification are changed.

### **Necessity of Treatment Disputes**

Section DWD 80.73 (3) (a) 5. requires an insurer or self-insured employer to give written notice to a health care provider when the insurer or self-insured employer refuses to pay for treatment costs determined to be unnecessary. The insurer or self-insured employer is required to identify why it believes the treatment was unnecessary, including the organization and credentials of any person who provides supporting medical documentation. The proposed rule will require an insurer or self-insured employer to also include all supporting medical documentation used to determine the treatment unnecessary.

### ***Public Hearings***

DWD held one public hearing in Madison on April 28, 2015. No one attended the hearing.

DWD accepted written comments until May 1, 2015. No one submitted written comments.

### ***DWD's Rule Changes in Response to Comments of Rules Clearinghouse, Public Hearings and Unemployment Insurance Advisory Council Comments***

The Wisconsin Legislative Council Rules Clearinghouse made a number of comments on the proposed hearing draft rule. DWD implemented all of the Clearinghouse suggestions in the proposed final draft.

### ***Small Business Regulatory Review Board Report***

The Small Business Regulatory Review Board did not issue a report on this rule.

### *Environmental Impact*

This rule will not have any negative environmental impact.

### *Summary of, and comparison with, existing or proposed federal statutes and regulations*

There are no proposed or existing federal statutes or regulations related to the proposed rule.

### *Comparison with rules in adjacent states*

#### **Reports by Insurance Companies and Self-Insured Employers**

**Iowa.** Iowa rules 876 IAC 2.5, 2.6, 3.1 and 11.6 provide for worker's compensation insurance carriers, self-insured employers and their adjusting agents submitting reports to the Workers' Compensation Commissioner and copies to the employee's last known address with claim benefit payment information. This information includes notice of commencement of payments, correcting erroneous claim information, supplying additional information, denying compensability, recording the amount of benefits paid and when benefit payments are terminated or interrupted. This information is similar to the information required by Wisconsin rules. Medical data is to be filed when temporary total disability or temporary partial disability exceeds 13 weeks or when an employee sustains permanent disability. Current rules in Wisconsin require a final treating practitioner's report if there are more than three weeks of temporary disability, any permanent disability and surgery other than surgery to correct a hernia. The proposed rule will require a final treating practitioner's report for eye injuries when the employee obtained treatment on 3 or more occasions off the employer's premises.

**Illinois.** In Illinois worker's compensation insurance carriers and self-insured employers are required to report annually to the Illinois Industrial Commission detailed information as to the number of injuries and benefit amounts paid by categories of losses. These provisions are required by statute and found at 820 ILCS 305 section 29. Illinois rule 50 ILAC 7110.70 provides an employer, agent, service company or insurer is to give an employee a written explanation for non-payment, termination or suspension of temporary total disability, or denial of liability or further responsibility for medical care. The Illinois rule does not require notice of this claims information to the Illinois Industrial Commission. The Illinois rule covers denials of liability for medical treatment that are not covered by current or proposed rules in Wisconsin.

**Michigan.** Michigan rule R 408.31 provides for reporting injuries to the bureau (Michigan Workers' Compensation Agency) on an agency form with worker's compensation claim payment and status information. The information includes reporting on the day following the first payment, day after stopping payment of compensation including the amount paid in each case and changes in the rate of compensation paid. This is similar to information required by Wisconsin rules. A statement of an attending physician is required in every specific loss, including date and extent of loss. Current rules in Wisconsin require a final treating

practitioner's report if there are more than 3 weeks of temporary disability, any permanent disability and surgery other than surgery to correct a hernia. The proposed rule will require a final treating practitioner's report for eye injuries when the employee obtained treatment on 3 or more occasions off the employer's premises.

**Minnesota.** Minnesota rules R 5220.2540-5220.2630 cover worker's compensation claim payment and status information similar to information required by Wisconsin rules. However, the Minnesota rules are much more detailed and require more reporting by worker's compensation insurance carriers and self-insured employers, including notice for discontinuing benefit payments, compared to requirements under current or proposed rules in Wisconsin. The Minnesota rules also differ from current and proposed rules in Wisconsin by providing for monetary penalties for improperly discontinuing benefit payments to employees ranging from \$200 to \$1,000 and penalties for improper denials of medical expense ranging from \$200 to \$2,000.

### **Vocational Rehabilitation Benefits**

**Iowa.** In Iowa statutory authority for vocational rehabilitation of injured employees is contained in Iowa Code 85.70. The only administrative rule related to vocational rehabilitation is rule 876 IAC 3.1 (6) pertaining to use of a form containing information relevant for referral of an employee for consideration of rehabilitation services. Vocational rehabilitation of injured employees in Iowa is similar to Wisconsin by providing for additional compensation payments to employees for attendance at retraining. Current and proposed Wisconsin rules cover additional areas including eligibility of employees, employer's responsibility to offer suitable employment, certification of specialists and 90 day placement effort before retraining is authorized.

**Illinois.** Illinois rule 50 ILAC 7110.10 covers vocational rehabilitation of injured employees and provides for the preparation of a written assessment of the course of medical care and rehabilitation required to return the injured employee to employment. The Illinois rule requires the written assessment, plan, program or modification to be conducted every 4 months unless the employee is no longer totally incapacitated from work, the case is terminated by order or award, or agreement of the parties. The Illinois rule differs from the current and proposed Wisconsin rules by requiring inclusion of information about an employee's medical care and the assessment, plan, program or modification to be conducted every 4 months.

**Michigan.** Michigan statutes provide that an injured worker has a right to vocational rehabilitation benefits including retraining when necessary to obtain gainful employment. These provisions are found in the Michigan statutes at MCL section 319. Vocational rehabilitation for injured employees in Michigan is similar to Wisconsin by providing additional compensation payments for purposes of retraining. There are no administrative rules in Michigan related to vocational rehabilitation of injured employees.

**Minnesota.** Minnesota rule R 5220.0410 covers rehabilitation plans for injured employees and contains numerous requirements for the content and approval of rehabilitation plans. Minnesota rule R 5220.1500 covers qualified rehabilitation consultants who are authorized to develop rehabilitation plans for injured employees and includes the application process, fees and continuing education requirements. The Minnesota rules differ from the current and proposed rules in Wisconsin by containing many more requirements for both the development of rehabilitation plans and certification of rehabilitation consultants authorized to perform services for injured employees.

### **Wrap-Up Insurance**

**Iowa.** In Iowa there are no administrative rules covering wrap-up insurance policies.

**Illinois.** In Illinois there are no administrative rules covering wrap-up insurance policies.

**Michigan.** Michigan rules R408.42- 408.42b apply to specific risk insurance policies for coverage of specified construction sites. These specific risk insurance policies are similar to wrap-up insurance policies in Wisconsin. The Michigan rules require a written application on an agency form, the cost of the construction project to be more than \$65,000,000, and the project completion period must be 5 years or less. The Michigan rules are similar to the Wisconsin rules including a formal application process but require a completion date of 5 years or less and much higher cost for the construction project compared to \$25,000,000 in Wisconsin.

**Minnesota.** In Minnesota there are no administrative rules covering wrap-up insurance policies.

### **Uninsured Employers Fund**

**Iowa.** In Iowa there is no uninsured employers fund and no administrative rules.

**Illinois.** In Illinois the Injured Workers Benefit Fund is authorized by statute. The Injured Workers Benefit Fund provides benefits to employees who were injured while employed by employers who failed to have required worker's compensation insurance coverage. Benefit payments are disbursed at the end of the fiscal year to qualified claimants and may be pro rated based on the available money in the fund. These provisions are found in the Illinois statutes at 820 ILCS 305 (4) (d). Procedural and operational requirements for the Injured Workers Benefit Fund are contained in the statutes. There are no administrative rules in Illinois relating to the Injured Workers Benefit Fund.

**Michigan.** In Michigan there is currently no uninsured employers fund and no administrative rules.

**Minnesota.** In Minnesota the Special Compensation Fund is authorized by Minn. Stat. s. 176.183. The Special Compensation Fund provides coverage for employees who were injured while employed by employers who were uninsured for worker's compensation liability. Procedural and operational requirements for the Special Compensation Fund are contained in the statutes. There are no administrative rules that apply to the Special Compensation Fund.

### **Notice of Cancellation of Insurance Coverage**

**Iowa.** In Iowa cancellation of commercial lines insurance policies including worker's compensation is covered by statute in Iowa Code 515.127. Cancellation notices are to provide a reason for cancellation and must be mailed or delivered to the named insured and loss payees at least 10 days before the effective date of cancellation. Iowa Code 515.128 covers nonrenewal of commercial lines policies including worker's compensation. Nonrenewal notices must be mailed at least 45 days before the expiration date of the policy to the named insured and any loss payee. There are no administrative rules in Iowa related to notice of cancellation, termination and nonrenewal of worker's compensation insurance policies.

**Illinois.** Illinois rule 50 ILAC 7100.50 provides that notice of termination of worker's compensation insurance policies shall be on a form prescribed and furnished by the Illinois Industrial Commission or National Council of Compensation Insurers (NCCI). Information on the notice requires the carrier name, NCCI carrier code, name and address of the insured, FEIN, the policy number, effective date and expiration date, reason for cancellation or termination, and reinstatement date, if applicable. The Illinois rule requires more specific information than specified by the current and proposed Wisconsin rule related to cancellation, termination and nonrenewal of worker's compensation insurance policies.

**Michigan.** Michigan rule R 408.41a provides for notice of insurance coverage termination on an agency form with a copy to the employer. The Michigan rule is similar to the current and proposed Wisconsin rule related to cancellation of worker's compensation insurance policies.

**Minnesota.** In Minnesota requirements for cancellation, termination or nonrenewal of worker's compensation insurance policies are covered by statute in Minn. Stat. section 176.185. There are no administrative rules in Minnesota that apply to cancellation, termination or nonrenewal of worker's compensation insurance policies.

### **Necessity of Treatment Disputes**

**Iowa.** In Iowa there is no comparable administrative worker's compensation necessity of treatment dispute resolution process. Necessity of treatment disputes are resolved through the formal hearing process. There are no administrative rules in Iowa relating to necessity of treatment dispute resolution.

**Illinois.** In Illinois there is no comparable administrative worker's compensation necessity of treatment dispute resolution process. Necessity of treatment disputes are resolved through the formal hearing process. There are no administrative rules in Illinois relating to necessity of treatment dispute resolution.

**Michigan.** In Michigan there is no comparable administrative worker's compensation necessity of treatment dispute resolution process. While Michigan rules R 418.101301-418.101305 provide a process for resolving differences between a worker's compensation insurance carrier and a health care provider regarding adjustments or rejection of bills, these disputes are resolved through the formal hearing process. This process does not use an impartial health care service review organization or a panel of experts to render the final administrative decision as are used in Wisconsin.

**Minnesota.** In Minnesota there is no comparable administrative worker's compensation necessity of treatment dispute resolution process. Disputes involving necessity of treatment are resolved by administrative conferences and mediation conducted by agency alternative dispute resolution staff and the formal hearing process.

### *Summary of Factual Data and Analytical Methodologies*

Proposed rule changes were developed after consultation with the Worker's Compensation Advisory Council.

### *Analysis and supporting document used to determine effect on small business or in preparation of an economic impact analysis*

The proposed rule does not have an economic impact on small businesses as defined in s. 227.114 (1), Stats., and no analysis is required.

### *Effect on Small Business*

The proposed rule does not have an effect on small business.