



September 15, 2006

The Honorable Jeb Bush, Governor
The Honorable Members of the Florida Legislature
Citizens of the State of Florida

Dear Governor, Legislators and Citizens:

It is my honor and privilege to present the 2006 Division of Workers' Compensation Annual Report as required by Chapter 440.59, Florida Statutes.

Since the Division of Workers' Compensation was organizationally transferred to the Department of Financial Services on July 1, 2002, and with the subsequent enactment of the workers' compensation reform legislation in 2003, the Division continues to bring accountability to Florida's workers' compensation system. With this emphasis on accountability combined with the impact of the workers' compensation reform workers' compensation rates have fallen at an average of nearly 30% during the last three years.

The Division of Workers' Compensation brings accountability to the system through effective regulation and enforcement of the workers' compensation law, education of stakeholders within the system, and the use of real-time information and data.

This report reflects the successes of bringing accountability into the system, as well as, innovations made during this past fiscal year by dedicated staff, utilizing improved technology. These innovations have increased employer/carrier compliance and improved delivery of benefits to injured workers.

We appreciate your review of our report and welcome your suggestions and recommendations as we continue in our commitment to ongoing improvement of Florida's workers' compensation system.

Sincerely,

Tom Gallagher
Chief Financial Officer

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The Division of Workers' Compensation Organizational Structure

The Division of Workers' Compensation (DWC) is housed organizationally within the Department of Financial Services. The Department of Financial Services is headed by the Chief Financial Officer of the State of Florida who holds a seat on the Florida Cabinet. The DWC is managed by a Division Director and Assistant Division Director and includes 361 employees statewide. There are six specific operational units within the Division. These units are **Operations Support (OS)**, **Compliance (BOC)**, **Monitoring and Audit (M&A)**, **Data Quality and Collection (DQC)**, **Employee Assistance and Ombudsman (EAO)** and **Medical Services Unit (MSU)**.

Compliance (BOC) consists of investigation units and exemption units. BOC has offices in Tallahassee, Pensacola, Tampa, West Palm Beach, Jacksonville, Orlando, Ft. Myers, St. Augustine, Ocala, Ft. Walton Beach, Panama City, Sarasota, Plantation, New Port Richey, Daytona Beach and Miami.

Monitoring and Audit (M&A) consists of an audit section, investigation section, penalty section, permanent total section and a self-insurance section.

Data Quality and Collection (DQC) consists of an electronic data processing unit, medical data management unit, benefits data unit and records management unit.

Employee Assistance and Ombudsman (EAO) consists of specialists assisting injured workers with their claims and the customer service unit. EAO has offices in Tallahassee, Ocala, Tampa, Miami, Plantation, Pensacola, Jacksonville, Daytona Beach, Orlando, Ft. Myers, and West Palm Beach.

Medical Services Unit (MSU) consists of a health care provider eligibility and certification program, expert medical advisor (EMA) certification program, medical over-utilization review and investigation program and the medical reimbursement dispute resolution program.

Operations Support (OS) consists of the Special Disability Trust Fund Unit, the Assessment Unit, the Office of Research Services and the Safety and Health Statistical Unit.

The 2006 Annual Report provides an overview of these operational units during the scope of July 1, 2005 through June 30, 2006.

Division of Workers' Compensation Key Contacts

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The Bureau of Compliance (BOC) serves to ensure that employers comply with their statutory obligation under Chapter 440, Florida Statutes, to obtain workers' compensation insurance coverage for their employees. Ensuring that employers adhere to the workers' compensation coverage requirements helps level the economic playing field for all employers, adds premium dollars to the system that were previously evaded due to non-compliance, provides coverage for employees that were previously uncovered due to non-compliance, and ensures that covered employees with work-related injuries receive their statutory benefits.

BOC accomplishes its mission by:

- Conducting on-site investigations of employer worksites to determine compliance with the workers' compensation coverage requirements. Many of these investigations come from referrals and conducting sweep operations of residential and commercial construction sites. Seventy investigators, seven supervisors, and two investigation managers comprise the bureau's investigative section.
- Issuing stop work orders and assessing penalties against non-compliant employers. Stop work orders are issued for the following violations: failure to obtain workers' compensation insurance, materially understating or concealing payroll, materially misrepresenting or concealing employee duties to avoid paying the proper premium, materially concealing information pertinent to the calculation of an experience modification factor and failure to produce business records in a timely manner. A penalty assessed against an employer is equal to 1.5 times the amount the employer would have paid in workers' compensation premium for the preceding three-year period. Penalty amounts vary and are dependent on the employer's payroll, risk classification, and period of non-compliance.
- Receiving, reviewing, and processing exemption applications. The bureau receives 8,000 – 12,000 applications per month from individuals seeking to exempt themselves from the workers' compensation law. The bureau must review each application to determine if the applicant meets all the statutory eligibility requirements for the issuance of an exemption.
- Participating in employers' conferences and workshops to educate employers on workers' compensation coverage requirements.

Accomplishments

Through its enforcement and investigative efforts, in Fiscal Year 2005-2006, BOC:

- Issued 2,693 stop work orders;
- Assessed \$58,783,652 in penalties;
- Caused 12,366 new employees to be covered under the workers' compensation law;
- Caused \$30,454,250 to be added to the premium bases that was previously being evaded;
- Processed 94,282 construction industry exemption applications and 15,958 non-construction industry exemption applications.

BOC promulgated the following rules in order to clarify and interpret some of the various enforcement and compliance provisions in Chapter 440:

69L-6.029: Employer Worksites.

69L-6.030: Penalties for Employers Currently in Compliance Previously Failing to Secure the Payment of Compensation.

BOC completed several initiatives that have enhanced the exemption process. Section 440.05(6), Florida Statutes, requires that the Division of Workers' Compensation provide a notice of expiration to a construction industry exemption holder at least 60 days prior to the expiration of the exemption. The bureau now provides the notice of expiration 75 days prior to the expiration of the exemption, which allows the exemption holder more time to complete the exemption renewal application and submit it to the Division in order to prevent a lapse in exemption status.

BOC developed a user-friendly, on-line exemption application. The on-line exemption application can be accessed from the Division's home page at <http://www.fldfs.com/WC/>. The on-line exemption application allows the user to complete the application in an electronic format. Some of the highlights of the on-line exemption application include: links to other state agencies so the user can verify information prior to inputting the information on the application, built-in edits that verify basic information to reduce errors and incomplete information that is submitted on the application, easily-accessible instructions to complete the application; and a 30 day storage function which allows the user to access an incomplete application and complete it. When the application is completed, the user must still print it because the application needs to be signed by the applicant and notarized. In addition, other documentation must be submitted along with the application. 3,285 users have accessed the on-line exemption application as of June 30, 2006.

BOC has used fax, imaging, and scanning technologies to develop a more efficient process to receive, review, and issue exemptions. Combining these technologies has afforded the bureau to decrease the number of days it takes to review and subsequently issue an exemption.

Effective July 1, 2004, the Legislature allowed the Division of Workers' Compensation to enter into periodic payment plans with employers to pay their penalties. Under Rule 69L-6.025, F.A.C., employers can select to pay their penalties in 12, 24, 36, 48, or 60 month installments. From July 1, 2004 through June 30, 2006, the bureau has entered into 1,546 periodic payment plans, collected \$10,951,314 from the periodic payment plans, with \$29,121,386 due in future years.

Bureau of Compliance Offices

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Sarasota

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* Office contains investigative staff only

** Office contains investigative and exemption staff

Bureau of Monitoring and Audit

Monitoring and Audit

The Bureau of Monitoring and Audit (M&A) serves to ensure the timely and accurate payment of benefits to injured workers, the timely filing and payment of medical bills, timely and accurate filing of required forms, and that the resources of self-insured employers are sufficient to pay employees' claims.

M&A achieves its mission through four sections, as follows:

- The Audit Section examines insurer claims handling practices pursuant to Chapter 440.20, 440.185, 440.525, F.S., and Administrative Rules enacted by the Division. The examinations or investigations conducted by the audit section address patterns or practices of unreasonable delay in claims handling; timely and accurate payment of benefits to injured workers; timely filing and payment of medical bills; accurate and timely filing of required reports; and inspection and enforcement of compliance with compensation orders of Judges of Compensation Claims.
- The Penalty Section evaluates and assesses insurer performance with respect to the timely payment of initial indemnity benefits and medical bills and the timely filing of First Reports of Injury and medical bills. Performance is monitored via the Centralized Performance System (CPS), an interactive web-based system that allows insurers to access their performance information and respond to the division in real-time. There are separate CPS Medical and CPS Indemnity Modules.
- The Permanent Total Section ensures the accuracy and timeliness of the payment of permanent total benefits and permanent total supplemental benefits. In addition to reviewing/auditing forms filed with the division, the section participates in hearings, depositions, and mediations to assist in resolving disputes, and performs audits of carriers and self-insured employers.
- The Self-insurance Section monitors the self-insurance programs of governmental and public entities, calculates experience modification factors, and certifies third-party administrators.

Accomplishments

In Fiscal Year 2005, M&A:

- Audited 4,635 claims files and completed 34 insurer audits. The review of over 10,381 indemnity payments for accuracy and timeliness identified 224 claim files with underpayments of \$63,277 payable to the injured employee. An additional \$33,929 in penalties and interest were also payable to the injured employee due to late and/or underpayment of indemnity benefits. The audit confirmed that 86% of the informational brochures and written notices were mailed to the injured employee pursuant to Chapter 440.185, F.S. The Audit Section also attested to the accuracy and timeliness of 6,494 division claim forms that are required by Statute and Administrative Rule 69L-3 and reviewed 5,045 medical bills for accuracy in data submitted to the Division. As a result of audits completed in fiscal year 2005-2006, 14 non-willful violations for the failure to file accurate medical data were issued.

- Evaluated 3,236,064 medical bills for timely payment and timely filing through the Centralized Performance System (CPS) from approximately 900 submitters. The medical bill timely payment performance per form type was 98% for the Health Provider Claim Forms; 98% for the Statement of Charges for Drugs and Medical Supplies Forms; 95% for the Dental Claim Forms and, 97% for the Hospital Billing Forms.
- Evaluated 46,952 First Reports of Injury through the Centralized Performance System (CPS) for timely filing and timely payment. The timely payment performance was 90%. The timely filing performance was 91%. The penalties and interest of \$59,643.88 have been paid to the injured worker due to the late payment of indemnity.
- Enhanced the Centralized Performance System (CPS) to allow insurers to view the performance of each claims-handling entity (CHE) submitting medical data on their behalf. It also allowed the CHE's to have the ability to dispute and concur medical data depending on the level of access granted by the insurer. Both the insurer and CHE will have the ability to run reports and compare their medical and indemnity performance to the industry's average.
- Audited 19,496 required forms and documents. The audits identified \$1,467,647 in underpayments of permanent total benefits and \$502,567 in penalties and interest. Evaluated and authorized the payment of more than \$20 million in permanent total supplemental benefits for injuries that occurred before July 1, 1984.
- Promulgated 335 experience modification factors for self-insured employers.
- Completed 20 payroll audits of self-insured employers and reviewed 67,876 payroll records, resulting in \$8,816,924 underreported payroll dollars, which generated \$1,338,228 in underreported premium dollars. The Division uses the premium dollars in the calculation of assessments payable to the Workers' Compensation Administration Trust Fund and the Special Disability Trust Fund by the self-insured employer.

Office of Data Quality and Collection

The Office of Data Quality and Collection (DQC) is responsible for collecting workers' compensation claims, medical, and proof of coverage data, ensuring data quality, and organizing data to provide real-time feedback to data submitters and accurate and readily accessible information to all workers' compensation stakeholders. As the central collection point for information related to workers' compensation claims and coverage, DQC is the information hub that facilitates the Division's operating units' completion of their assigned duties.

DQC accomplishes its mission by:

- Collecting, organizing, analyzing, and ensuring quality of information submitted to the division concerning injured workers' claims, medical services billed through workers' compensation, and employers' proof of coverage.
- Guiding and overseeing the transition process as workers' compensation stakeholders complete the conversion from paper to electronic submission of required reports.
- Establishing and implementing administrative rules, requirements, and processes for electronic reporting of the First Report of Injury, Subsequent Report of Injury and Proof of Coverage forms, using national Electronic Data Interchange (EDI) standardized file formats.
- Establishing and implementing administrative rules, requirements, and processes for electronic reporting of medical services using Florida's model EDI standardized file formats.
- Serving as records repository for workers' compensation claims records archived via electronic imaging technology.
- Processing and complying with public records and subpoena requests.
- Facilitating electronic workflow distribution throughout the Division.

Accomplishments

Through its activities in Fiscal Year 2006, DQC:

- Received, accepted, and processed over 4.5 million medical bills from physicians, dentists, hospitals, and pharmacists, a 10.8% increase over FY 2005. 100% of required medical reports are filed electronically.
- Over the last two years, the number of medical claims rejected and not re-submitted to the Division was reduced from 55,959 to 11,423, which represents a 79.6% decrease, even though the new medical data system includes hundreds of new, stringent edits compared to the old data system.
- Completed a major conversion to the medical data system to enable collection of detailed pharmacy data for the first time, effective May 1, 2006.
- Built the infrastructure for the new Medical Data Warehouse, which houses approximately 32 million medical records, as of June 30, 2006.

- Received, accepted, and processed over 990,000 Proof of Coverage (POC) transactions, a 22% increase from FY 2005. 100% of POC transactions are submitted electronically.
- Received and processed over 107,000 electronic First Reports of Injury (DWC-1) and Claim Cost Reports (DWC-13). This represents a 7% increase of EDI reporting in the claims process.
- Received and processed over 386,000 paper filed First Reports of Injury (DWC-1), Claim Cost Reports (DWC-13) and Notice of Action/Change (DWC-4). This represents a 6.5% decrease of paper reporting in the claims process.
- Verification of data recording from paper filed claim forms indicates an accuracy rate of 98.86%.
- Received and processed over 7,400 Subpoenas and Public Records requests. Turnaround response time was improved from three to two business days from receipt.
- Over 1 million pages relating to both workers' compensation claims and workers' compensation coverage were imaged and electronically archived.

Measures

In Fiscal Year 2006, DQC electronically processed, accepted, and quality checked over 5.6 million records (claims, medical, proof of coverage) submitted to the Division.

Over the past five years, overall filings with the Division have increased by over 58% from 3.8 million to 6.0 million. During the same five years, electronic submissions of required filings through Electronic Data Interchange (EDI) have increased from 86% to over 93%.

Rules Promulgated in FY 2006

The office promulgated the following rules in order to implement electronic submission of medical claims reporting and Reimbursement Manuals for Health Care Providers and Ambulatory Surgical Centers:

69L-7.020: Florida Health Care Provider Reimbursement Manual, 2005 Edition effective 9/04/2005.

69L-7.100: Florida Workers' Compensation Reimbursement Manual for Ambulatory Surgical Centers, 2005 Edition effective 9/04/2005

69L-7.602: Florida Workers' Compensation Medical Services Billing, Filing and Reporting Rule with revisions effective 10/20/2005 and 6/25/2006.

Outreach Efforts

To assist stakeholders in the accurate submission of data, representatives from DQC have regularly met with various submitter groups. In addition, office representatives have participated in the Florida Workers' Compensation Institute's 2005 Conference and various other workers' compensation seminars and workshops around the state to educate stakeholders with regard to their responsibilities for accurate completion and timely reporting of workers' compensation data to the Division.

Since its inception in 1994, the Employee Assistance and Ombudsman Office (EAO) has worked diligently to fulfill the self-executing features of Florida workers' compensation system without unnecessary delay in benefits received, undue expense, or costly litigation. EAO accomplishes this mission through various program strategies designed to improve and facilitate communication and dispute resolution between the various stakeholders in the system.

- The first strategy employed is the Early Intervention Program (EIP) in which EAO contacts injured workers with lost time workplace injuries as soon as the Division receives notice. EAO then deploys information to the injured workers regarding their rights and responsibilities through a variety of methods consisting of informational literature; assistance and counseling regarding issues relating to the claim; providing contact information, as well as offering EAO as a resource for injured workers throughout their claim.
- Additionally, EAO is actively involved in dispute resolution between injured employees and claims handling entities. Assistance consists of obtaining medical authorization and/or change in physicians, as allowed by law; obtaining delinquent lost time wage replacement benefits; and acting as the conduit between the injured worker and the claims handling entity when communications have reached an impasse.
- EAO may assist injured employees with reporting claims to their employer's insurance company when the employer refuses to do so.
- An injured employee whose employer is not in compliance with workers' compensation coverage requirements may contact EAO for assistance. EAO then refers the name of the non-compliant employer to the Division's Bureau of Compliance and assists the injured worker in obtaining assistance or filing a Petition for Benefits with the Judges of Compensation Claims.
- EAO reviews notices of denial of claims to determine whether the denial was based upon valid reasons under Florida statutes.
- Health care providers may receive EAO assistance in the collection of unpaid, undisputed, medical bills for treatment of workplace injuries.
- EAO provides on-site field offices in the major metropolitan areas in the state as a presence in the community and resource for walk-in clients.

- The Division's Customer Service unit is operated by EAO and provides information on Florida's workers' compensation system. The information ranges from exemption issues and compliance with the law to special assignments presented to the Division by state officials or highly litigated issues requiring special expertise.

| Employee Assistance Overview | FY 2006 |
|---|----------------|
| Direct Contact with Clients through EIP Program | 35% |
| Resolution of Issues Presented by EIP Clients | 75% |
| Telephones calls received | 210,000 |
| Bilingual Calls Handled | 24,000 |
| Percent of Bilingual Calls to Total | 11% |

Table 3

Employee Assistance and Ombudsman Offices

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Medical benefits are the single largest driver of costs to Florida's workers' compensation system. Therefore, the regulatory and oversight responsibilities of the workers' compensation medical services unit (MSU) are vitally important to the overall health and success of Florida's workers' compensation system.

MSU is responsible for:

- 1) Certifying health care providers who care for and treat Florida's injured workers;
- 2) Certifying expert medical advisors to assist the Agency for Health Care Administration (AHCA) and the Judges of Compensation Claims in resolving disputes;
- 3) Investigating carrier reports of health care provider over- utilization to determine whether a provider has engaged in a pattern or practice of over-utilization;
- 4) Assisting the Division of Workers' Compensation (DWC) in the development of the reimbursement manual for physicians, hospitals and ambulatory surgical centers respectively.

Effective July 1, 2002, MSU was transferred to AHCA through a legislative mandate when the Florida Department of Labor and Employment Security was abolished. This legislative transfer gave AHCA exclusive jurisdiction to decide any matters concerning reimbursement, to resolve any over-utilization dispute under Subsection 440.13(7), F. S., and to make decisions regarding over-utilization under Subsection 440.13(8), F. S., arising after January 1, 1994.

On November 14, 2005 MSU, and its 15 professional and support positions, was co-located to the DWC headquarters in Tallahassee, Florida and now functions under the supervision and direction of DWC through a Memorandum of Agreement between AHCA and the Department of Financial Services, Division of Workers' Compensation. Under Division direction, the MSU has undertaken rulemaking activities to modify the expert medical advisor (EMA) certification rule and the disputed reimbursement rule.

Bureau of Operations Support

The Bureau of Operations Support (BOS) is composed of the Special Disability Trust Fund (SDTF), Assessment Unit, Office of Research and Education Services, and the Occupational Safety and Health (OSH) Statistical Unit. The mission of each of these areas is as follows:

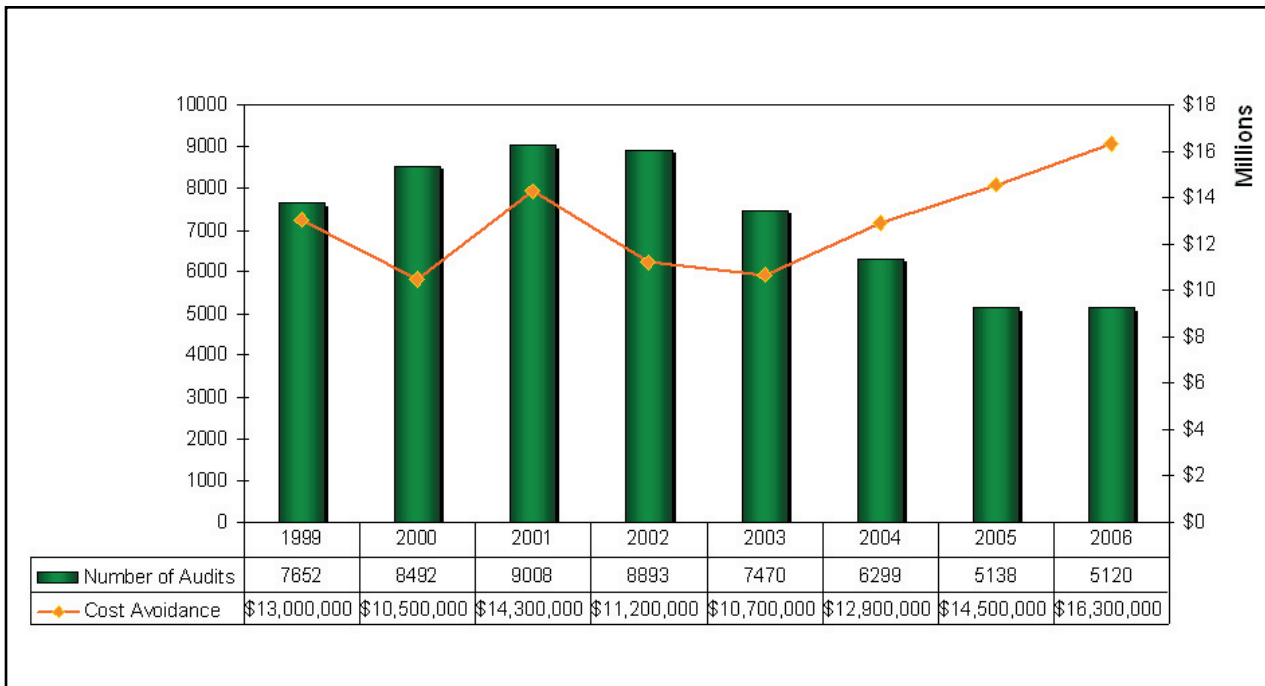
- SDTF: To encourage the employment of workers' with pre-existing permanent physical impairments; to reimburse employers or their carriers for benefits provided to an employee with a pre-existing impairment who was subsequently injured in a covered workers' compensation accident on or before December 31, 1997; and to assure that claims that are determined eligible for reimbursement are processed accurately and promptly.
- Assessment Unit: To ensure the availability of resources to pay for the state's administration and regulation of the workers' compensation system and the operations of the Special Disability Trust Fund through the calculation and collection of assessments from carriers and self-insurers.
- Office of Research and Education Services: To analyze workers' compensation claims and medical data; to provide information on Florida's workers' compensation system to stakeholders and the general public; to coordinate the division's training and outreach activities.
- OSH Statistical Unit: To collect and correctly report Florida-based work-related injury, illness and fatality data to the Federal Bureau of Labor Statistics. This information may be utilized by researchers, economists, policy makers, and others as a means to promote workplace safety. All workers' compensation system stakeholders may contact the Office of Research Services directly for the most recent information and publications pertaining to the OSH program.

Accomplishments

One of the major functions of the OS is to reimburse insurance carriers for benefits they have paid to injured workers who had pre-existing permanent impairments before the covered workplace injury occurred. Reimbursements are funded through the SDTF. Although the SDTF has been prospectively abolished for injuries occurring on or after January 1, 1998, carriers are still due reimbursements based on payments for earlier accident years. In Fiscal Year 2006, the

SDTF paid out over \$204 million in reimbursements to insurers. To ensure that SDTF funds are correct and distributed fairly, requests for reimbursement are audited before they are approved for payment. In Fiscal Year 2006, the SDTF audited 5,120 reimbursement requests, which resulted in a cost avoidance of approximately \$16.3 million dollars.

Special Disability Trust Fund Cost Avoidance as a Result of Reimbursement through the Audit Process



Financials

Assessments and Funding

The Division of Workers' Compensation manages two trust funds: the Workers' Compensation Administration Trust Fund (WCATF) and the Special Disability Trust Fund (SDTF). Both of these funds are supported by annual assessments applied to workers' compensation insurance premiums, actual or estimated. For carriers, assessable mutuals and self-insurance funds, the assessments are based on premiums from compensation policies written in Florida. For individual self-insured employers, the assessments are based on the amount of premium calculated by the Department.

The Workers' Compensation Administrative Trust Fund

Since January 1, 2001, the WCATF assessment rate has applied to a calendar year period and by July 1st, the Division must notify carriers and self insurers of the applicable assessment rate applicable during the upcoming calendar year. Concurrently, the maximum assessment rate was lowered from 4% to 2.75%.

The WCATF assessment rate is based upon a best estimate of expected expenses to be incurred during the next calendar year. The estimated expenses include costs for operating the Division of Workers' Compensation (administrative and the payment of Permanent Supplemental Benefits on dates of accident prior to July 1, 1984), the Office of Judges of Compensation Claims, a portion of expenses for the Agency for Health Care Administration, the Department of Education, and the Division of Insurance Fraud.

When the WCATF assessment period was changed from the fiscal year to a calendar year, the Florida Legislature also expanded the assessable premium base and, beginning July 1, 2001, required carriers to pay the WCATF assessment on net premiums that included the deductible amount of the policy, as well as the nondeductible amount. As a result of this expansion in the assessable premium base, the WCATF assessment rate has steadily decreased from 2.75% for calendar year 2001 to 0.6% for calendar year 2006.

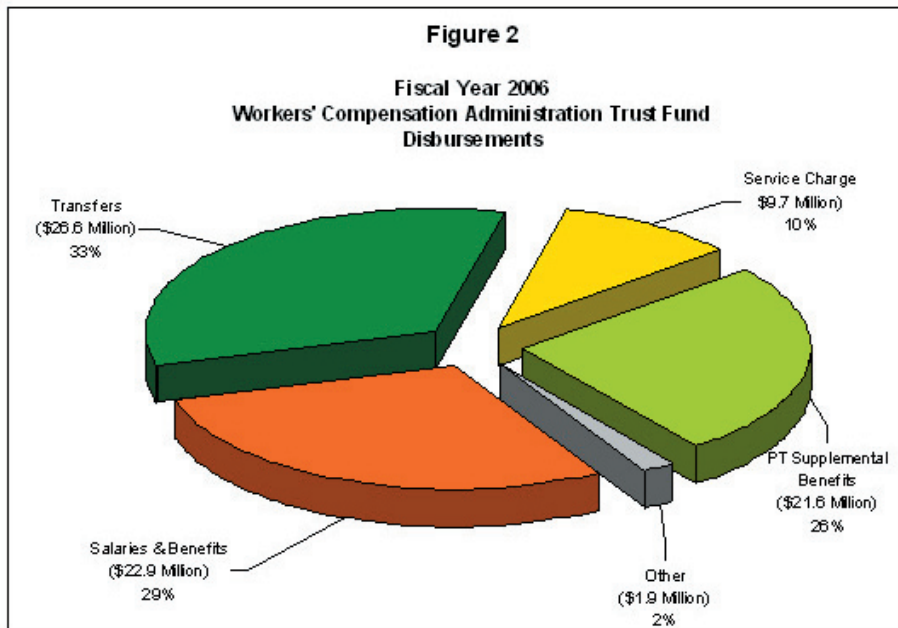
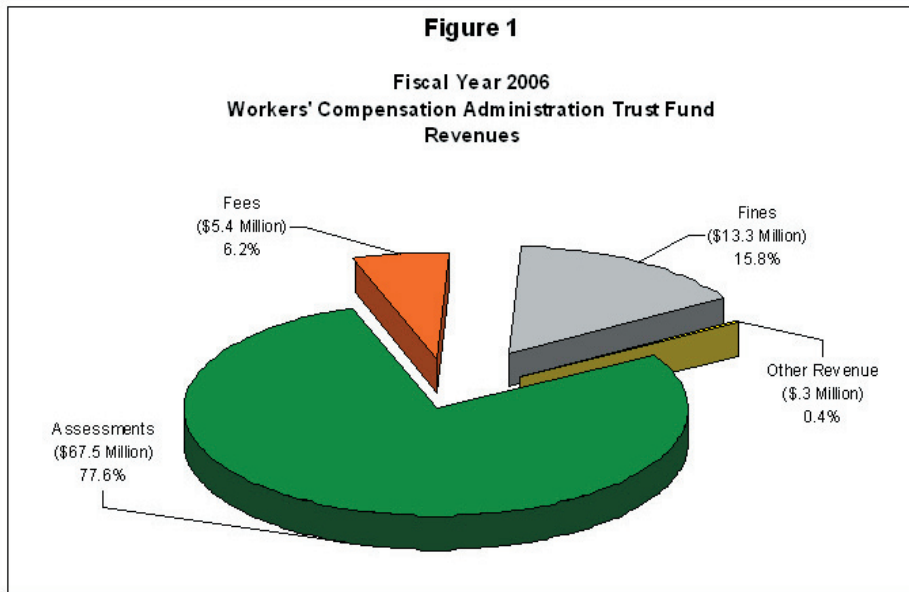
Table I summarizes the WCATF assessment rates, assessment revenues and total revenues received by the Division during the past five fiscal years.

**Workers' Compensation Administration Trust Fund Assessment Rates,
Assessment Revenue and Total Revenues**
(Fiscal Years 2002 through 2006)

| Fiscal Year | Assessment Rates | Assessment Revenues | Total Revenues |
|--------------------|-------------------------|----------------------------|-----------------------|
| 2002 | 2.75% / 2.56% | \$135,243,258 | \$146,752,416 |
| 2003 | 2.56% / 1.75% | \$140,142,749 | \$158,889,383 |
| 2004 | 1.75% / 1.5% | \$127,732,344 | \$139,417,773 |
| 2005 | 1.5% / 0.75% | \$100,265,722 | \$115,793,918 |
| 2006 | 0.75% / 0.60% | \$67,519,878 | \$97,238,969 |

Table 1

Figures 1 and 2 illustrate the breakout of fiscal year revenues and disbursements, by source, for fiscal year 2006.



If revenues received during a fiscal year exceed expenses for that fiscal year, that excess is considered each June when the Department determines the assessment rate applicable for the next calendar year. Accordingly, the WACTF assessment rate will be reduced to 0.5%, effective January 1, 2007.

The Special Disability Trust Fund

The statutory assessment rate calculation, which is defined in Section 440.49, F.S., is first computed using actual disbursements over the immediate past three calendar years and the SDTF reserve in excess of \$100,000 (after considering the payment of all approved claims). The assessment rate computed under this formula is legislatively capped at 4.52%, with the rate cap having been applied every year since its enactment in 1995.

Table 2 summarizes the assessment rates and total revenues received by the SDTF during the past five fiscal years. The breakout of total revenues received between assessments and filing fees has not been provided, since assessment revenues has historically accounted for more than 99% of total revenue receipts.

Figures 3 and 4 illustrate the breakouts of SDTF revenues and disbursements during the fiscal year 2006. More than nine out of every ten dollars from the SDTF (92%) reimbursed carriers and self insurers for payment issued to injured workers for subsequent workers' compensation injuries.

Special Disability Trust Fund Assessment Rates, and Total Revenues (Fiscal Years 2002-2006)

| Fiscal Year | Assessment Rate | Total Revenues |
|-------------|-----------------|----------------|
| 2002 | \$4.52% | \$174,885,932 |
| 2003 | \$4.52% | \$179,233,662 |
| 2004 | \$4.52% | \$195,208,510 |
| 2005 | \$4.52% | \$225,119,020 |
| 2006 | \$4.52% | \$250,727,387 |

Table 2

Figure 3

**Fiscal Year 2006
Special Disability Trust Fund
Revenues**

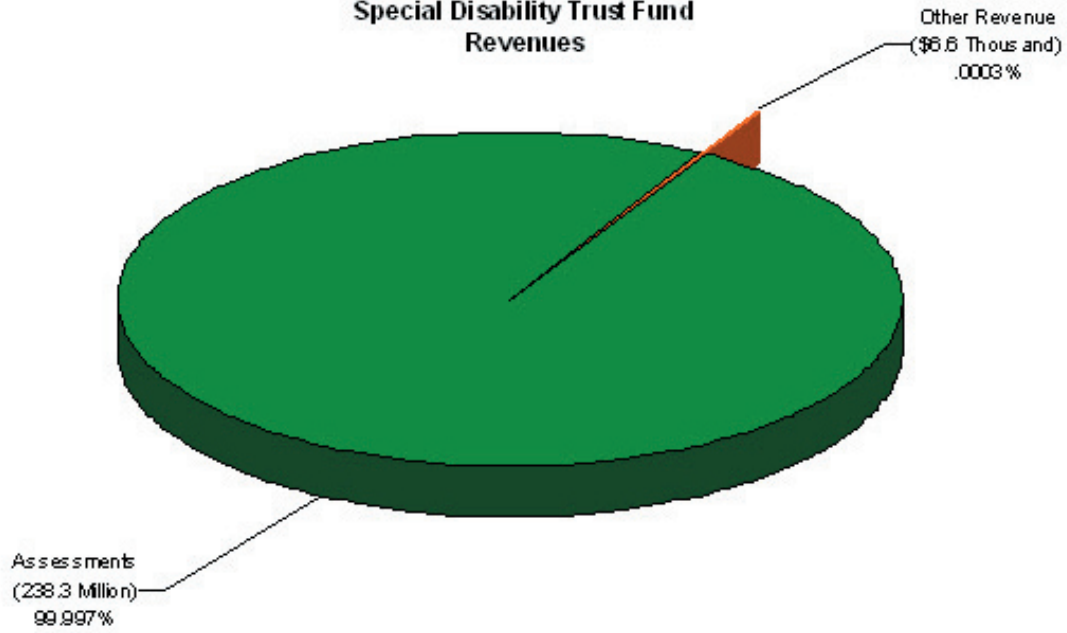
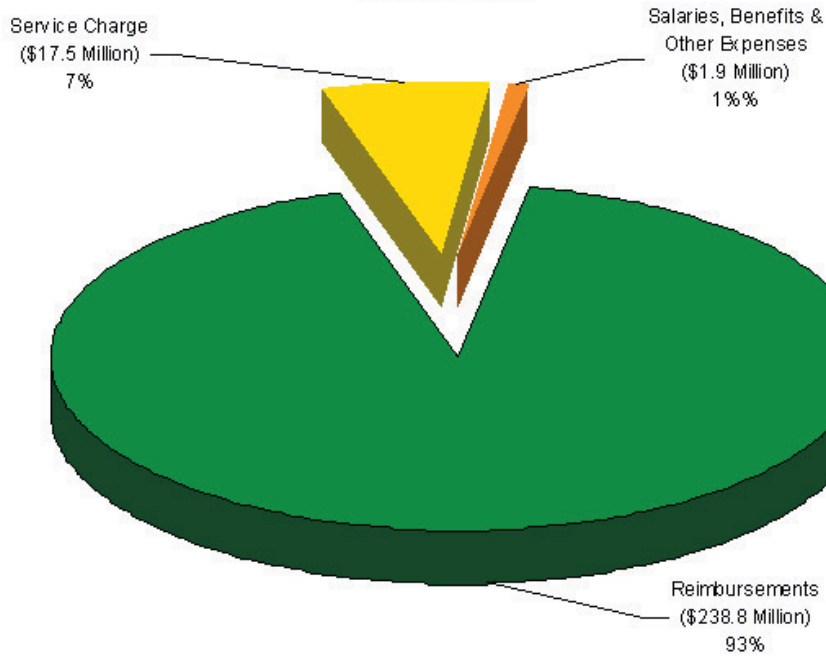


Figure 4

**Fiscal Year 2006
Special Disability Trust Fund
Disbursements**



Claims Analysis - Explanation of Data

The analyses presented in this section follow the traditional format of using the past ten years of data and are based on lost-time claims filed for accidents occurring between 1996 and 2005. The primary sources of data are the DWC-1 First Report of Injury and the DWC-13 Claim Cost Report.

In the figures provided in this section, data from years 2003-2005 are noted as being preliminary in nature. That is, the data are still too incomplete and volatile to be relied upon for making any reasonable inferences concerning year-to-year trends. Correspondingly, the data provided for years 1996-2002 are considered to be fairly mature, meaning that they are much less volatile now and are not expected to change appreciably from their current levels in the coming years. Generally, only mature data should be considered when attempting to discern year-to-year trends.

The Workers' Compensation Reform Act was signed into law in mid-2003; however, because of the still-preliminary nature of the claims data filed since then, it is not considered possible to draw any definitive conclusions as to the full extent of the effectiveness of the Act in reducing total system costs or of the level of abatement of injuries attributable to these changes in the law.

Frequency and Type of Lost-time Injuries

Lost time claims represent those workplace injuries severe enough to prevent an injured employee from returning to work within seven days after an accident, after which the employee becomes eligible for reimbursement of a portion of his or her lost wages in addition to any attendant medical expenses. For the mature data years of 1996 to 2002, compensable injuries in Florida resulting in lost-time claims rose slightly from around 80,000 in 1996 to a local peak of approximately 85,000 in 2000, subsequently settling back down to the previous 80,000 level by 2002, as shown in Figure A1.

Number of Lost Time Claims by Injury Year, 1996-2006

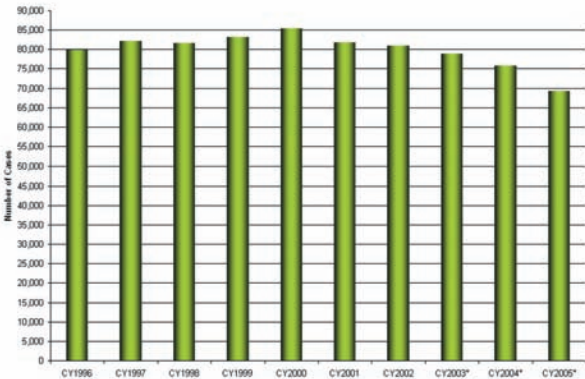


Figure A1

The distribution of lost-time claims by claimant’s highest disability type is shown in Figure A2. Despite a modest decline of 7% in the number of Temporary Total cases from 1996 to 2002, this disability category remains the largest, comprising an average of 38% of all lost-time claims over this seven-year span. Over the same period, lost-time claims with no indemnity paid have evidenced a nearly offsetting increase of 6.2%, themselves accounting for an average 17% of total lost-time claims. Relative changes in the remaining categories have stayed somewhat static over the mature data years from 1996 to 2002, with the exception of the Settlement-No Indemnity category, which had grown from 3.2% of the total in 1996 to 6.2% of the total by 2002. This latter classification is used to indicate claims for which a judge’s settlement order was received but for which the actual disability type could not be otherwise determined.

Number of Lost Time Cases by Claimant’s Highest Disability Type and Injury Year

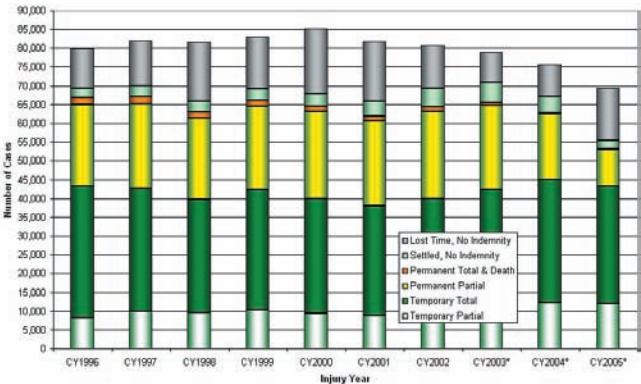


Figure A2

Characteristics of Lost-time Claims

As shown in Figure A3 for the mature data years from 1996 to 2002, the percentage of lost-time claims apportioned to male workers appears to have declined somewhat. In 1996, male workers accounted for 66.2% of all lost-time claims. By 2002, this number had dropped to 63.8%. Correspondingly, the percentage of lost-time claims apportioned to female members of the labor force had increased by an offsetting amount, from 33.8% of all lost-time claims in 1996 to 36.2% by 2002.

Proportion of Lost Time Claimants by Gender within Injury Year

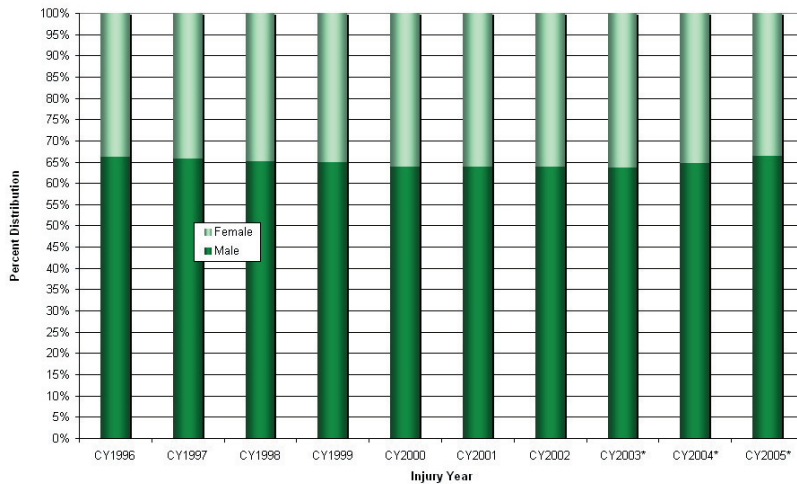


Figure A3

As in the recent past, the major contributor to workplace injuries continues to be strains and sprains, which constitute the indicated cause for 36.5% of all accidents resulting in a lost-time claim since 1996. Falls and slips comprise the next most frequent cause of workplace injuries in Florida, accounting for an additional average of 26.1% of lost-time claims. These and other primary causes of workplace injuries are detailed in Figure A4.

Percent Distribution of Lost Time Claims by Cause of Injury within Injury Year

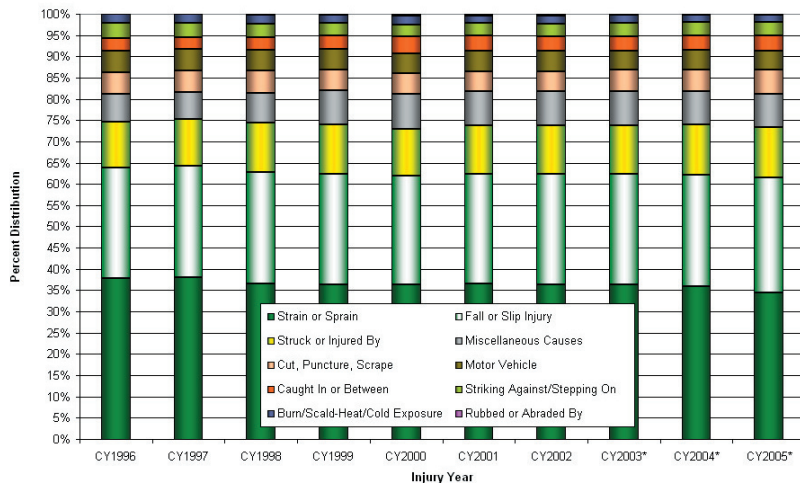


Figure A4

Based on injuries occurring in 2005 resulting in a lost-time claim, lifting is the principal contributor to sprains and strains in the workplace, accounting for 12.3% of all accidents currently on record for this period. Accidents caused by poor lifting most frequently result in injuries to the lower back, abdomen, groin, shoulder, upper back and trunk. Poor lifting has resulted in severe sprains, strains, herniation, inflammation, contusions, as well as fractures and dislocations among Florida’s injured workers.

Figure A5 provides an indication of the variegated nature of lost-time injuries occurring between 1996 and 2005. Again, strains and sprains account for the lion’s share of workplace injuries, averaging 42.4% of all lost-time cases over the past ten years. Other Leading Injuries not otherwise classified make up an additional 20.8% more of these injuries, on average. Beyond these, the next most frequent types of injuries occurring in the work place include contusions, fractures, lacerations, and multiple injuries not otherwise classified. Rounding out the list, all remaining types combined accounted for fewer than 10% of lost-time injuries over the past ten years.

Percent Distribution of Lost Time Claims by Nature of Injury within Injury Year

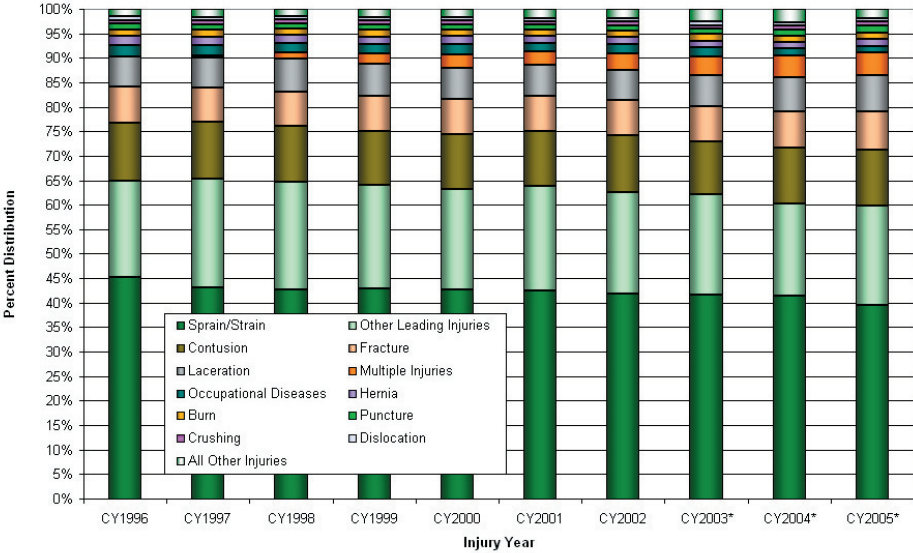


Figure A5

Given the salient nature of strains and sprains as the leading cause and type of workplace injuries, it should probably come as little surprise that the lower back continue to be the single most frequent, specifically identified body location injured in the workplace. Other ranking corporal injury sites specifically identified include injuries to the knees, shoulders, fingers, ankles, hands, feet, and wrist. Figure A6(1) illustrates the relative impact on the various parts of the body caused by workplace injuries during 2005.

Percent Distribution of Lost Time Claims by Injured Body Location within Injury Year

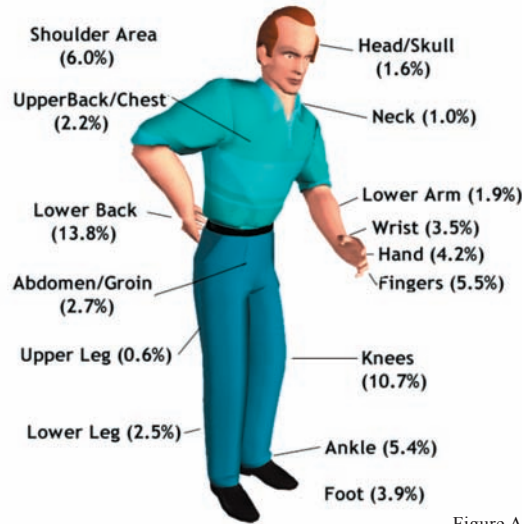


Figure A6(1)

Still, in the majority of cases, injuries in the workplace affect more than a single, identifiable body location or part. Because of this, it is also useful to aggregate injuries by major anatomical sections rather than specific body locations to gain an adequate understanding of the impact on the human person of injuries in the workplace. Figure A6 shows the relative frequency of workplace injuries categorized into seven anatomical groups occurring over the past ten years that have resulted in a lost-time claim.

Percent Distribution of Lost Time Claims by Injury Location within Injury Year

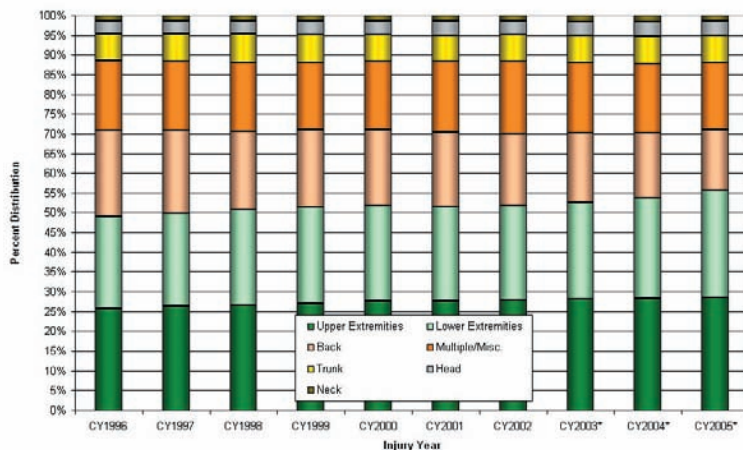


Figure A6

As in the recent past, the counties with the largest share of the state’s labor force continue to evidence the largest share of the state’s lost-time claims. Among the largest counties are Miami-Dade, Broward, Orange, Hillsborough, Palm Beach, Duval and Pinellas. Combined, these counties account for over 56% of total lost-time claims averaged over the ten-year reporting period. In May 2006, these seven counties accounted for more than half (54.4%) of the total Florida labor force. This pattern can be seen plainly in Figure A7.

Percent Distribution of Lost Time Claims by County Location of Injury within Injury Year

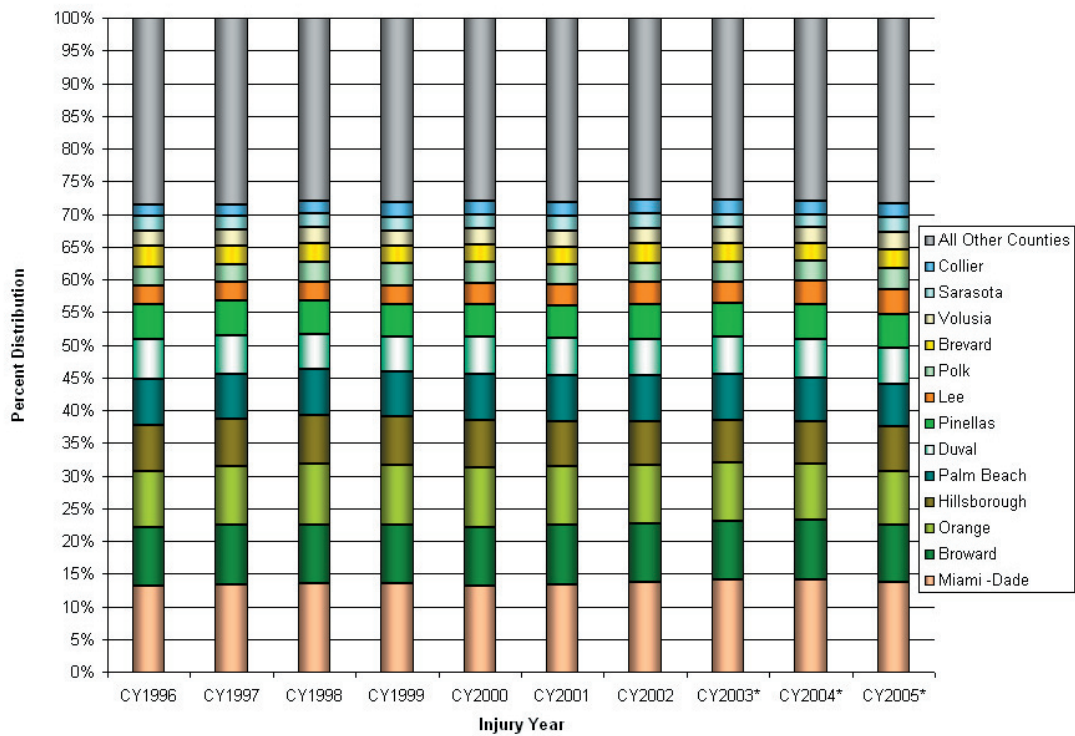


Figure A7

Historically, the proportion of workers in each county relative to the statewide total labor force seems to provide a reasonable estimation of the expected number of lost-time injuries in each county, assuming no prior, systematic bias in the geographical distribution of lost-time claims throughout the state. Based on this rule, a county which makes up 0.5% of the total statewide labor force could be expected to evidence within its borders an equivalent 0.5% of total lost-time claims, all other things equal. Current data seem to bear this out. For example, whereas Levy County accounted for 0.19% of the total statewide labor force in early 2006, it also accounted for 0.19% of all lost-time claims in the state for the prior year. Similarly, Miami-Dade County, with over a million workers making up about 12.9% of the total statewide labor force in May 2006, accounted for around 13.8% of the total lost-time claims for 2005, the most recent data available. Based on these measures, Levy County evidenced an actual lost-time claims rate equal to what one might expect based on its proportion of the total statewide labor force; Miami-Dade, on the other had, experienced a lost-time claims rate slightly higher (just under 1% more) than what one might have expected. The percent difference for each county of its actual and expected rates of lost-time claims is reported in Table A1. A difference between the actual and expected rates of lost-time claims of zero indicates that the county is experiencing its average rate of lost-time claims. A value greater than zero indicates a county whose claim-rate is currently above average; a value below zero indicates a county whose claim-rate is currently below average.

TABLE OF LOST TIME BY COUNTY

| County | 2005 Lost-Time Cases | | | |
|--------------|----------------------|-------------------|----------------------|--------------|
| | Number | % of Total Claims | % of Total Workforce | % Difference |
| Alachua | 737 | 1.22% | 1.40% | -0.17% |
| Baker | 66 | 0.11% | 0.13% | -0.02% |
| Bay | 591 | 0.98% | 0.94% | 0.05% |
| Bradford | 75 | 0.12% | 0.13% | -0.01% |
| Brevard | 1732 | 2.88% | 2.92% | -0.04% |
| Broward | 5249 | 8.71% | 10.99% | -2.28% |
| Calhoun | 20 | 0.03% | 0.06% | -0.03% |
| Charlotte | 568 | 0.94% | 0.72% | 0.22% |
| Citrus | 399 | 0.66% | 0.57% | 0.10% |
| Clay | 366 | 0.61% | 0.96% | -0.35% |
| Collier | 1337 | 2.22% | 1.66% | 0.56% |
| Columbia | 258 | 0.43% | 0.32% | 0.10% |
| DeSoto | 167 | 0.28% | 0.15% | 0.13% |
| Dixie | 27 | 0.04% | 0.06% | -0.02% |
| Duval | 3321 | 5.51% | 4.83% | 0.68% |
| Escambia | 787 | 1.31% | 1.55% | -0.24% |
| Flagler | 209 | 0.35% | 0.34% | 0.01% |
| Franklin | 41 | 0.07% | 0.06% | 0.01% |
| Gadsden | 187 | 0.31% | 0.23% | 0.08% |
| Gilchrist | 20 | 0.03% | 0.08% | -0.05% |
| Glades | 28 | 0.05% | 0.05% | 0.00% |
| Gulf | 42 | 0.07% | 0.07% | 0.00% |
| Hamilton | 41 | 0.07% | 0.05% | 0.02% |
| Hardee | 108 | 0.18% | 0.13% | 0.04% |
| Hendry | 164 | 0.27% | 0.20% | 0.07% |
| Hernando | 413 | 0.69% | 0.66% | 0.03% |
| Highlands | 337 | 0.56% | 0.47% | 0.09% |
| Hillsborough | 4041 | 6.71% | 6.74% | -0.03% |
| Holmes | 35 | 0.06% | 0.09% | -0.04% |
| Indian River | 520 | 0.86% | 0.66% | 0.20% |
| Jackson | 133 | 0.22% | 0.24% | -0.02% |
| Jefferson | 22 | 0.04% | 0.08% | -0.04% |
| Lafayette | 16 | 0.03% | 0.03% | -0.01% |
| Lake | 669 | 1.11% | 1.32% | -0.21% |
| Lee | 2380 | 3.95% | 3.08% | 0.87% |
| Leon | 825 | 1.37% | 1.56% | -0.19% |
| Levy | 113 | 0.19% | 0.19% | 0.00% |
| Liberty | 76 | 0.13% | 0.04% | 0.09% |
| Madison | 46 | 0.08% | 0.08% | -0.01% |
| Manatee | 1008 | 1.67% | 1.72% | -0.05% |
| Marion | 943 | 1.57% | 1.42% | 0.14% |
| Martin | 615 | 1.02% | 0.75% | 0.27% |
| Miami -Dade | 8299 | 13.78% | 12.86% | 0.92% |
| Monroe | 334 | 0.55% | 0.52% | 0.03% |
| Nassau | 151 | 0.25% | 0.37% | -0.12% |
| Okaloosa | 471 | 0.78% | 1.12% | -0.34% |
| Okcechobee | 192 | 0.32% | 0.19% | 0.13% |
| Orange | 4981 | 8.27% | 6.39% | 1.88% |
| Osceola | 639 | 1.06% | 1.31% | -0.25% |
| Palm Beach | 3961 | 6.58% | 7.09% | -0.52% |
| Pasco | 1005 | 1.67% | 2.05% | -0.38% |
| Pinellas | 3041 | 5.05% | 5.52% | -0.47% |
| Polk | 1934 | 3.21% | 2.99% | 0.22% |
| Putnam | 219 | 0.36% | 0.35% | 0.01% |
| Seminole | 1074 | 1.78% | 0.74% | 1.05% |
| St. Johns | 590 | 0.98% | 2.02% | -1.04% |
| St. Lucie | 797 | 1.32% | 2.64% | -1.32% |
| Santa Rosa | 273 | 0.45% | 0.91% | -0.45% |
| Sarasota | 1382 | 2.29% | 1.24% | 1.05% |
| Sumter | 147 | 0.24% | 0.28% | -0.04% |
| Suwannee | 99 | 0.16% | 0.18% | -0.02% |
| Taylor | 56 | 0.09% | 0.10% | -0.01% |
| Union | 60 | 0.10% | 0.06% | 0.04% |
| Volusia | 1538 | 2.55% | 2.77% | -0.22% |
| Wakulla | 73 | 0.12% | 0.16% | -0.04% |
| Walton | 163 | 0.27% | 0.31% | -0.04% |
| Washington | 31 | 0.05% | 0.10% | -0.05% |

Table A1

Figure A8 illustrates the apportionment of the total market share of the three major categories of workers' compensation insurance providers from 1996 to 2005. Commercial carriers continue to be the predominant providers of workers' compensation in the state; however, since 2001 their total market share has begun to drop slightly to pre-2000 levels, while self-insured employers appear to be making significant gains.

Percent Distribution of Lost Time Claims by Carrier Type within Injury Year

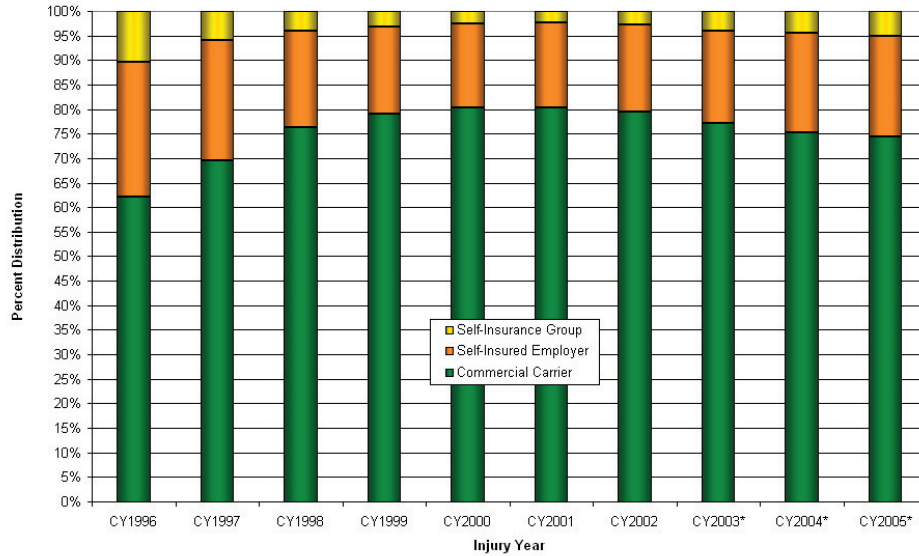


Figure A8