

Strategic Plan & Risk Assessment

Board of Directors

Planning Session

April 2004



WHSCC | CSSIAT

Introduction

As part of the governance role of the WHSCC, the Board of Directors is responsible for establishing the strategic direction of the Commission. The strategic direction is a statement of how the Commission will conduct its business. It is based upon an educated understanding and weighing of all risks, both internal and external, that the Commission faces in the short- and long-term future.

According to the report of the New Brunswick Auditor General¹ governance is the process and structure used to direct the business and affairs of a corporation with the objective of achieving the corporate mission. Simply put, the Board of Directors looks out for the interests of the corporate stakeholder.

One way this is achieved is by having a clear strategic plan that considers:

- How has the Commission interpreted its mandate, and is its interpretation consistent with central government's understanding?
- Are the Commission's objectives, strategies and measures appropriate?
- Have the Commission's plans adequately reflected government policies and priorities?
- Does the Commission's mandate still appear to be relevant in light of current government plans and priorities?
- Does the plan comply with the organization's legislation and other pertinent Acts?
- What internal and external factors impact the Commission operations?
- What are the risks associated with the strategic challenges faced by the Commission?

- Are there strategies to manage the challenges faced by the Commission?
- How does the Commission remain accountable to all stakeholders?

In order to facilitate an understanding of '*where we are*' before determining '*where we are going*', current strategies were reviewed to consider how key operational drivers impact revenues generated and costs incurred by the Commission.

In addition to the key operational drivers, there are many challenges that impact the Commission's ability to achieve its strategy. These strategic challenges were considered in the development of the strategic plan in order to better understand the underlying causes and help to bring the issue to the forefront.

The following key challenges were discussed:

- Managing claim costs (short-term versus long-term claims);
- Increasing medical costs;
- Emerging issues in health, safety and occupational diseases present new challenges that need to be addressed;
- Technological advancements;
- Legal and regulatory considerations;
- Changes to generally accepted accounting principles;
- Trends in the demographic characteristics of the workforce and the changing nature of work;
- Returning to work in the New Brunswick economy; and
- Meeting clients' expectations.

¹ Report of the Auditor General 2003, Chapter 6 Crown Agency Governance

Introduction

These challenges are detailed within two specific sections of the report. The first is the Strategic Challenges section beginning on page 18. This section summarizes the issues faced by the Commission. The second section is the Risk Analysis, which begins on page 28. This section identifies the impact of the issue, the likelihood of it occurring and some examples for responding to the potential risk. The Board considered four avenues of response to the risks: Avoidance, Reduction, Sharing or Acceptance, and indicated the preferred course(s) of action in response to the challenges.

After carefully considering the current environment, the operational drivers, the strategic challenges and the risk associated with these challenges, the Board updated and reaffirmed the five strategic goals of the Commission. In addition, the Board has provided a series of objectives or strategies to assist the Commission in meeting these goals.

Finally, to remain accountable and ensure that the Commission is meeting the strategic goals, the Board of Directors updated and reaffirmed the measures for each goal. Commission staff and management are responsible for reporting on these measures to the Board of Directors. The Board of Directors provides feedback to Commission staff and management on these measures. In addition, the Board of Directors is responsible for reporting to stakeholders on the Commission's success in meeting these goals.

Specific sections can be found on the following pages:

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Role of the WHSCC

The Workplace Health, Safety and Compensation Commission of New Brunswick is a public body serving employers, workers, and workers' dependants. The Board of Directors is responsible for ensuring the Commission meets its legislative responsibilities.

The Commission's authority is derived from the *Workplace Health, Safety and Compensation Commission Act (WHSCC Act)*, the *Workers' Compensation Act (WC Act)*, and the *Occupational Health and Safety Act (OHS Act)* and regulations.

The New Brunswick *Workers' Compensation Act* was enacted in 1918, five years after Ontario enacted the first workers' compensation legislation in Canada. The New Brunswick *WC Act* provides medical aid, rehabilitation, and wage loss benefits to workers, who are injured out of and in the course of their employment, and their dependants. Employers, for their part, receive protection from litigation.

In New Brunswick, the *Occupational Health and Safety Act* first received royal assent in 1983. Under the *OHS Act*, the Commission has the authority to:

- Interpret the health and safety responsibilities of New Brunswick workplace parties;
- Communicate the health and safety responsibilities of workplace parties; and
- Enforce employer and worker compliance with the *OHS Act*.

The Commission has dual responsibility for compensation and rehabilitation as well as health and safety within New Brunswick. As an insurance provider under the *WC Act*, the Commission's primary role is to service the needs of both injured workers and employers. With health

and safety, the Commission's primary responsibility is to ensure the health and safety of all individuals in the workplace.

Fast Facts:

- In the last decade, 265,145 workplace accidents and diseases were reported to the WHSCC.
- In the past five years, 98 men and women died as a result of a workplace accident or disease².
- Last year, more than 464,000 days³ of work were lost and paid for due to workplace accidents or diseases.

The workers' compensation system and the occupational health and safety system of New Brunswick are financed almost solely by assessments paid by registered employers.⁴

There are approximately 13,500 employers who contribute to the system. Their contributions provide workplace accident insurance to approximately 290,000 workers and health and safety services to approximately 332,000 workers.

² This number includes 22 deaths that occurred within the five-year timeframe (1999-2003) although the accident date occurred outside of that timeframe (i.e. occupational disease). These figures are higher than numbers reported in the Annual Report as they include all workplace accidents in NB rather than only those covered under the WC Act.

³ This statistic does not include 3-day wait.

⁴ The Province of New Brunswick contributes a small amount of funds for occupational health and safety services for government employees and is responsible for benefit payments for government workers.

Decision Making

BOARD OF DIRECTORS

Accountable to New Brunswickers, the Board of Directors is entrusted with the stewardship of the Commission. The Board has overall responsibility for ensuring that the organization fulfills the purposes for which it was created, as identified in the legislation.

The Board fulfills these responsibilities by applying its Governance Statement, which was first established in 1996 after the merger of the New Brunswick Occupational Health and Safety Commission and Workers' Compensation Board in 1995. The Governance Statement specifies the roles and responsibilities of the Board and spells out the rules and procedures that the Board has chosen to use for making decisions that guide the Commission. This includes identifying the corporate vision, mission, mandate, values, & goals.

The Board of Directors reaffirms and/or adjusts the Governance Statement annually or as circumstances warrant.

PRESIDENT & CHIEF EXECUTIVE OFFICER

Accountable to the Board of Directors, the President & CEO is responsible for implementing the Board's decisions and turning corporate goals into reality. The President & CEO's focus is operational, dedicating the resources of the Commission toward achieving the results identified by the Board as fundamental to the success of the organization. In addition, Human Resources, Communications, Internal Audit and General Counsel support the office of the President & CEO and the other Divisions in the Commission by providing administrative, communication, research, legal advisory and investigation services for the Commission.

Through the direction of the Board, the President & CEO delegates responsibilities to the Vice-Presidents and other members of the

Commission's executive committee responsible for managing the activities of the organization.

CORPORATE SERVICES

The operational divisions formerly known as Financial and Administration Services and Planning and Program Evaluation Services merged to form Corporate Services in 2001. Corporate Services is responsible for the Commission's revenue-generation process, including rate setting, asset management, assessments, and liaison with more than 13,500 New Brunswick employers. The division provides support services to the Board of Directors, including strategic planning services, program evaluation, and policy development. In addition, Corporate Services provides the Commission with administrative services, such as facilities management services, internal and external financial reporting, and information technology, including software development and support.

WORKSAFE SERVICES

In 2003, the divisions formerly known as Prevention Services and Compensation and Rehabilitation Services merged to form WorkSafe Services. These operational units now integrate compensation and prevention services and focus on customers' needs rather than business lines. WorkSafe Services provides prevention services to approximately 28,000 workplaces and 332,000 workers, as well as claim adjudication, benefit payments, case management services, medical services, and a variety of rehabilitation and return-to-work services to more than 13,000 workers injured each year.

Decision Making

Chief Medical Officer (CMO)

The Chief Medical Officer (CMO) is responsible for developing and implementing clinical standards, treatment protocols, practice guidelines and clinical outcome measures for the rehabilitation of injured workers. As well, the CMO acts as head of discipline for medical advisors, and provides medical opinion on emerging medical and health issues.

APPEALS TRIBUNAL

The Appeals Tribunal works at arm's length from the Commission. Its primary responsibility is to hear and decide appeals in a fair and timely manner, while ensuring the highest quality service. The Board of Directors' governance statement and Appeals Tribunal guidelines and bylaws provide a framework by which the Appeals Tribunal must make decisions based on legislation and policy. Recently the Appeals Tribunal membership increased from 16 to 20 members, equally representative of workers and employers.

In recent years, over 600 appeals have been filed annually with the Appeals Tribunal. Of the 307 appeals that were heard by an Appeals Panel in 2003, 50% were accepted in full and 13% accepted in part, while 35% were denied and 2% were withdrawn at the hearing. Appeals not heard by a Panel are resolved by other methods such as through the reconsideration process (no hearing granted), accepted at re-exam by the Commission, not at Tribunal level or withdrawn (pre-hearing).

Last year in New Brunswick, the WHSCC:

- Adjudicated 13,396 applications for claims;
- Paid 2,162 injured workers long-term disability benefits;
- Paid 1,456 injured workers pre-1982 accident pension benefits;
- Completed 5,986 workplace inspections;
- Wrote 4,122 orders under the OHS Act;
- Visited 2,005 workplaces to ensure compliance; and
- Delivered disability management initiatives to 550 employers.

Corporate Governance

Ultimately governance is about performance. Boards of directors are set up in legislation to improve, in all respects, the performance of the Crown agencies they govern.

Report of the Auditor General – New Brunswick 2003

In pursuing the best interest of the Commission, the Board of Directors makes decisions and develops policies in accordance with the legislation by continually weighing and balancing the needs of workers, the needs of employers, and the needs of the public. To guide these decisions, the Board annually reviews and approves its strategic plan.

Strategic planning is the process that helps establish the strategy of the organization by considering the internal and external environments and any risks facing the organization. It sets forth the basis upon which the vision, mission, mandate, values, and goals of the Commission are defined, and it outlines the changes necessary to implement the organization's overall direction.

The most important role of the Board of Directors is the identification of the vision, mission, mandate, values and goals. They are expressions of how the Commission intends to realize its future. Annually, the Board reviews the vision, mission, mandate, values and goals as part of the Governance Statement.

VISION

A vision is a statement about what the organization wants to become. It should resonate with all members of the organization. A vision should stretch the organization's capabilities and image of itself. The WHSCC Board of Directors adopted the following vision that has been in place since February 2002.

Healthy and Safe Workplaces in New Brunswick

MISSION

A mission is a precise description of what an organization does. It should describe the business the organization is in and explain "why" the organization currently exists. Each member of an organization should be able to verbally express this mission. This year, the Board of Directors modified the mission as follows:

The Commission will promote a safe and healthy work environment to the workers and employers of New Brunswick, and efficiently provide quality services, just adjudication and fair administration of the legislation.

MANDATE

The mandate of an organization is quite simply its reason for being: it describes the business it is in, the services it provides and the level of performance expected of it. The statement should ensure that the needs and interests of our stakeholders are reflected in the daily interaction with clients. In May 2004, the Board of Directors clarified the mandate of the WHSCC by adopting the following:

Promote the creation of a workplace environment where all employers and workers view all occupational disease(s) and accidents as being preventable.

Provide insurance and insurance-related services to the employer community.

Provide compensation benefits, including rehabilitation, medical, vocational, counseling, and safe return-to-work services to injured workers.

Corporate Governance

Provide recommendations and advice to government with respect to legislation and publish such reports, studies, and recommendations, as the Commission considers advisable.

VALUES

Values are the internal cultural and ethical priorities (honesty, mutual respect, innovation, teamwork, etc.) that shape the way in which people behave and make decisions. Value statements define how the organization wants to behave. In May 2004, the Board of Directors approved our values statements as follows:

We dedicate ourselves to the provision of prompt, effective, efficient and caring services to our clients.

We believe that a team approach ensures that all members of the Commission are working towards a shared vision, mission, values and goals.

We are committed to providing competent and energetic leadership that is focused on a clear direction for the Commission.

We ensure that our decisions are made with integrity, credibility, and accountability.

We ensure that our communications are based on trust, mutual respect, openness, and clear and reliable information.

We manage our human, material and financial resources effectively in responding to our mandate and established priorities.

STRATEGIC GOALS

Strategic goals are broad statements of what the Commission plans to achieve. To be effective, strategic goals must help the Commission realize its vision, mission, mandate, and values and assist the Commission in being accountable to workers, employers, and other stakeholders. Strategic goals are designed to be specific, measurable, attainable, timely, acceptable and rewarding to those working to achieve the goals.

Annually, the Board reviews and confirms the strategic goals of the Commission. These strategic goals and their measures, which were updated and approved at the May 2004 board meeting, are discussed in more detail throughout the report.

Safety Goal – *Our vigorous pursuit of safety will lead to a significant decline in the frequency of accidents.*

Service Goal – *We will provide prompt, effective, efficient, just, fair and caring services to our clientele.*

Return to Work Goal – *We will decrease the time by which injured workers return to pre-accident, modified or alternate employment.*

Efficiency Goal – *We will hold the assessment rates to employers at the lowest level possible, consistent with the best possible benefits to clients.*

Staff Satisfaction Goal – *Our employees will consider the Commission a good place to work.*

Current Strategies

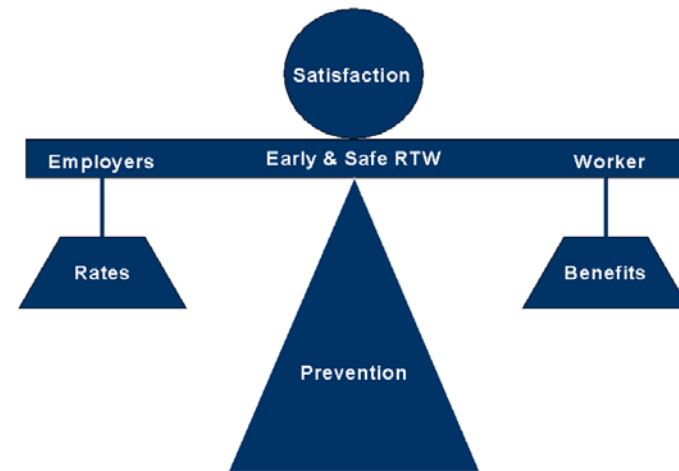
To ensure that the strategic direction of the Commission evolves with the changing environment of New Brunswick and Canada, the Board reviews the vision, mission, mandate and goals annually. The strategic plan is developed, and validated or amended in accordance with the most current political, social, demographic, regulatory, and technological information available. This information, which is organized in the remainder of this document, examines potential risks facing the Commission in the future. In developing this plan, the Board analyzed the risks and considered their impacts on the Commission's business and future direction

In 2002 and 2003, the Board of Directors reaffirmed its commitment to achieving the previously approved strategic goals. Underlying these goals is the need to sustain an 85-year-old compensation system, while merging the goals with the relatively new expectations placed on the Commission and workplace parties to ensure health and safety in workplaces. In this culture, the Commission must:

- Recognize employers' needs to operate safe, profitable businesses with immunity from lawsuits brought by injured workers;
- Recognize workers' needs to work in a safe work environment, and to receive timely healthcare, early return to work, and loss of earnings benefits following workplace injuries; and
- Recognize the public's interest in a well-managed, fiscally responsible safety and insurance program that focuses resources first by mitigating accidents through prevention, and second by lessening the effects of workplace accidents on injured workers and their families, while holding assessments at the lowest possible rate.

Accident prevention is the foundation of all activities in the Commission and is key to reducing the human and financial costs of workers' compensation. The Board's goals emphasize the pursuit of safety by

focusing resources on reducing the frequency of accidents. Preventing injury and disease eliminates subsequent claims, but more importantly, it minimizes human suffering and claim costs.



Although the Commission believes all workplace accidents are preventable, it recognizes that workplace accidents still occur. To effectively manage the system, the Commission must mitigate both the human and financial cost of an accident when it occurs. Research has stressed that early return to work promotes recovery and minimizes the human cost of an accident. By focusing on early and safe return to work, the Board's goals promote recovery while managing costs.

The system is built on the historic compromise; workers are guaranteed benefits if injured while employers are protected from legal action when an accident occurs. In order for the system to remain viable, the Commission must balance the needs of both workers and employers while maintaining the intentions of the Acts that govern the system. The Board's goals emphasize balancing the needs of both workers and employers and ensuring the satisfaction of all stakeholders.

Current Strategies

The Commission has undertaken the following activities to support the prevention of accidents and management of claims:

1. Educating workers and employers about their rights and responsibilities;
2. Targeting workplaces with poor health and safety records;
3. Implementing an experience rating system; and
4. Promoting early and safe return to work.

1. Educating workers and employers about their rights and responsibilities

An informed workplace is a safe workplace. Therefore, the Commission has undertaken several key initiatives to promote awareness of occupational health and safety issues. These initiatives include:

- Health and safety workshops conducted in workplaces throughout New Brunswick;
- Public workshops on Joint Health and Safety Committee core training;
- An annual health and safety conference for employers, workers, and the public at large;
- Television advertising campaigns; and
- Health and safety educational activities implemented as part of the provincial curriculum to foster awareness in tomorrow's workers.

2. Targeting workplaces with poor health and safety records

The Commission concentrates its prevention efforts on those industries and firms that, through statistical analysis, are identified as higher risk in relation to the number and severity of occupational injuries.

Commission staff meets with employers, workers and associations in the focus industries and firms to communicate accident issues, recommend improved practices, and encourage the firms or associations to actively

promote health and safety. In addition, these industries and firms receive increased visits and inspections by health and safety officers.

WorkSafe Services staff identify workplaces for particular attention, based on the accident history of the industry group, as well as the individual firm's accident record. The extent of intervention is based on the level of accident frequency, severity, and claim cost.

3. Implementing an experience rating system

Although the employer assessment rate-setting model is built on the collective liability model, it goes further to promote accident prevention by rewarding employers and industry sectors with good claim experience and charging more to those with higher claim costs. The Commission has maintained an experience-rating program since 1962. The long-standing objectives of this program are to "promote safety" and "provide for greater equity" in assessments.

In New Brunswick...

- **There are 13,500 assessed employers**
- **The average assessment rate in 2004 is \$2.20 and the average assessment rate increased by 6.3% over 2003**
- **Employer experience rating ranges from +80% to -40%**
- **Approximately 1/3 of assessed employers' rates decreased or remained unchanged in 2004**

Current Strategies

4. Early and safe return to work

Workplace injuries, illnesses, and accidents are costly to both employers and workers. Although accidents and illnesses are often preventable, and prevention is the best way to protect workplace parties and control costs, workplaces need a way to manage resources and assist workers when injury and illnesses occur.

Therefore, the Commission promotes early and safe return to work to help injured workers return to safe and productive work activities as soon as medically possible. This strategy is primarily focused on minimizing the impact of injuries or illnesses. It is intended to facilitate early intervention, helping workers to maintain a positive connection to the workplace and alleviating many of the concerns that go hand in hand with workplace accidents.

Successful return to work requires a partnership between employers, workers, health care providers, unions, worker and employer representatives, and the WHSCC. For workplace parties, it is genuinely a win-win situation:

- Injured workers benefit because they avoid long-term absence from the workplace, which allows them to maintain income, job security, job skills, employment benefits, and social ties; and
- Employers benefit because it helps to reduce lost time and turnover, reduce compensation costs, retain experienced employees, boost productivity and company image, and develop processes that can be used for return to work following non-work-related injuries.

Key Operational Drivers

There are many factors that always impact, to varying degrees, the Commission's ability to remain sustainable in the future. For example, lost time claims strongly influence the human and financial costs of the system. Economic conditions and the ability and willingness of employers to be involved in the rehabilitation and return to work of their employees further drive the duration of claims and the costs associated with them.

It is important to continually monitor operational drivers because they are indicators of pressures on the delicate balance of the system. Some of the key factors that drive the Commission's operations include:

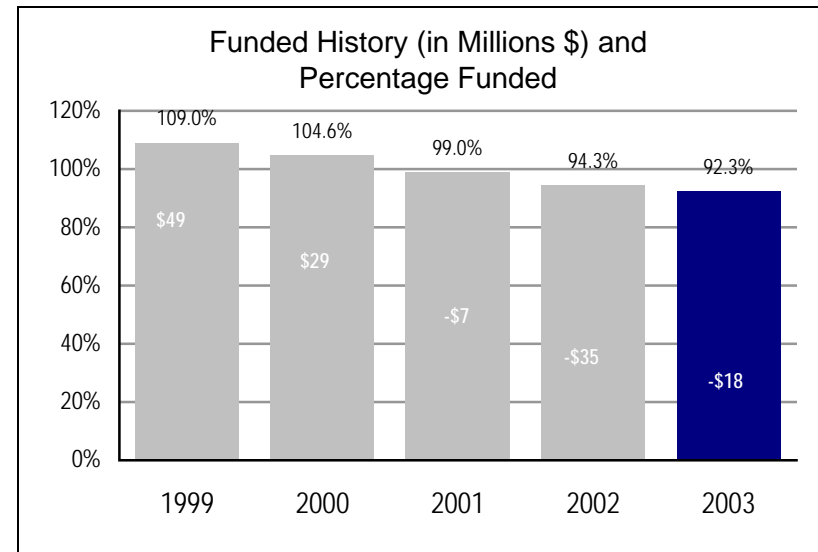
- Revenue drivers
 - Funding strategy and assessment revenues
 - Investments markets
- Cost drivers
 - Volume, frequency and severity
 - Claim duration – recovery and return to work
 - Administration
 - Health care costs

REVENUE DRIVERS

In recent years, the Commission annually collects about \$150 million in assessment revenue and incurs about \$165 million in annual claims costs. Claims costs are the estimated amount of money required for paying current and future costs of that year's injuries, including lost wages, medical aid, rehabilitation and significant adjustments relating to previous injuries. Investment income is expected to make up the difference between assessment revenue and expenses (claim costs plus administration expenses). The \$604 million accident fund, the repository of the funds collected to cover future costs, generates investment revenue from interest, dividends and appreciation in the value of assets.

Funding Strategy And Assessment Revenues

The accident fund represents the total of invested assessments and the investment gains or losses on the revenue collected to cover the costs related to past injuries and disabilities. For example, in 2003 the Commission continued to pay benefits resulting from several accidents that occurred in the 1930's. The total of such future costs for all claims constitutes a liability against the accident fund. The ratio of benefit liabilities to the value of the fund is known as the funding status. The current funding strategy is to try to keep the asset to liability ratio within a range of 100 to 105 percent.



Source: WHSCC Annual Report 2003

A minor change in the value of liabilities or an unexpected change in the value of the investment portfolio will generate a substantial variation in the Commission's bottom line. Yields above those needed to provide for benefit liabilities may help offset rate increases, while returns lower than

Key Operational Drivers

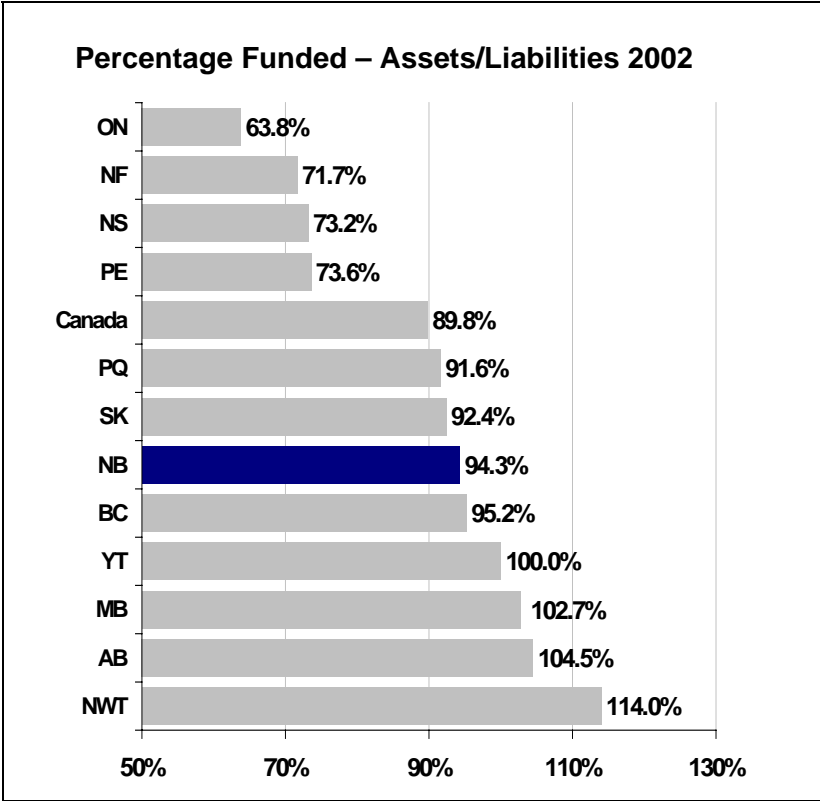
required may result in a shortfall that may eventually result in increased assessment rates in future years.

To manage the effects of such changes, the Commission smoothes gains and losses over a five-year period by following generally accepted accounting principles. This process tends to moderate swings in both the Commission’s funding status and assessment rates.

The Canadian Institute of Chartered Accountants (CICA), which is responsible for setting the generally accepted accounting principles⁵, is proposing changes to the reporting of financial instruments, including equity holdings such as those in the Commission’s portfolio. These changes require the reporting of gains and losses on equity investments in the period in which they occur. Since the Commission’s assessment rates are strongly influenced by the performance of the portfolio, any significant short-term fluctuation in the market will have a corresponding ripple effect.

Over the past several years, the markets experienced a substantial decline; as a result, these losses have driven down the Commission’s asset to liability ratio to 94.3% in 2002 and to 92.3% in 2003.

Given the Board of Directors’ approved target ratio of 100 to 105 percent funded, lower yields put pressure on assessment rates and managing accident frequency and claim costs.



Source: AWCBC Data

⁵ “Exposure Draft: Financial Instruments – Recognition and Measurement”, Accounting Standards Board, March 2003.

Key Operational Drivers

Market Investments

The Board of Directors establishes the investment strategy through policy. The two policies that describe the Board's strategy are:

- Policy 34-200 – Investment Goals and Objectives; and
- Policy 34-205 – Statement of Investment Philosophy and Beliefs.

The investment portfolio holds a mix of bonds and equities. External professional investment advisors manage the Commission's portfolio. Since February of 2002, the Board has led an initiative to establish a disciplined governance structure for management of the Commission's investments. The Board has also recently completed an analysis of the appropriateness of the asset mix in light of the Commission's liabilities, financial position and risk tolerance.

COST DRIVERS

In recent years, the Commission spent approximately \$195 million each year in claim cost and administrative expenses to provide programs and services to injured workers and employers throughout the province. Many factors impact the cost of providing services, including frequency and severity of accidents, duration of accidents, and rising medical costs. In some cases, the Commission's ability to influence or reduce costs is limited.

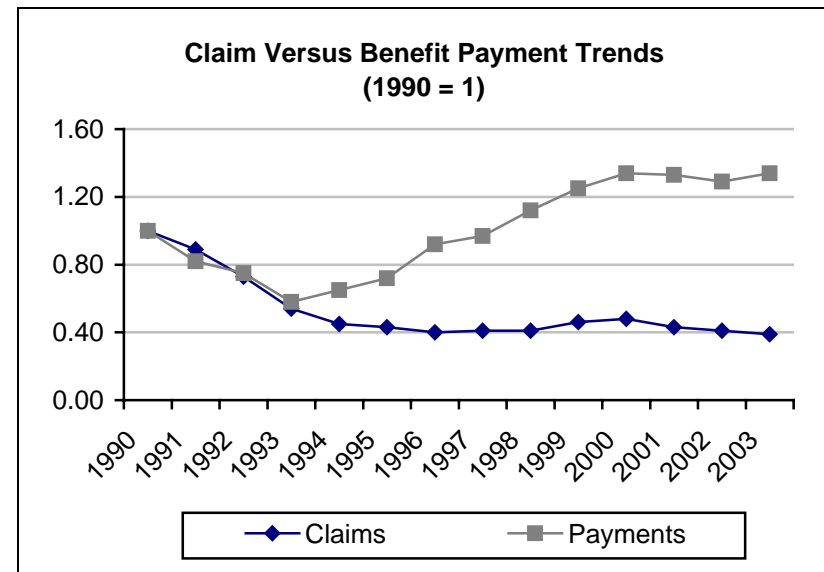
Inflation is a general rise in prices across the economy. As inflation rises, so does the cost of providing Commission services. Over the last decade inflation has risen by more than 10%.

The Board of Directors is responsible for making policy decisions and recommending changes to legislation. Over time these decisions can have an anticipated and unanticipated impact on the cost of operating the system. Moreover, changes to other legislation can also directly or

indirectly drive costs. Changes to the *Income Tax Act* in 2001, for example, added costs to the system.

Volume, Frequency, and Severity

The fundamental cost driver of most workers' compensation systems is work-related injury, illness, and disease. Despite increases in the employed labour force, the frequency of workplace injuries accepted by the Commission has decreased in recent years, declining from 12 accidents per 100 FTE in 1990 to 4 accidents per 100 FTE in 2002.

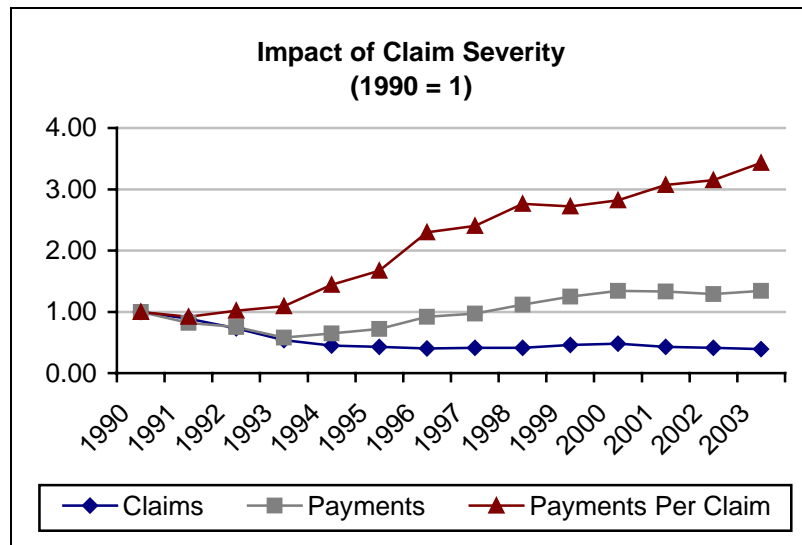


Source: WHSCC Internal Data

Key Operational Drivers

Although the number of accidents is decreasing, benefits payable⁶ for these claims are on the rise. From 1993 to 2000, benefits payable increased from approximately \$67 million to over \$155 million respectively. It is interesting to note that, although accident frequencies have continued to decline since 2000, benefit payments have not.

Frequency, however, is only one part of the story. Severity of injuries also helps to determine recovery time and compensation costs. Generally, the longer it takes to recover from a workplace accident, the larger the benefit payment.

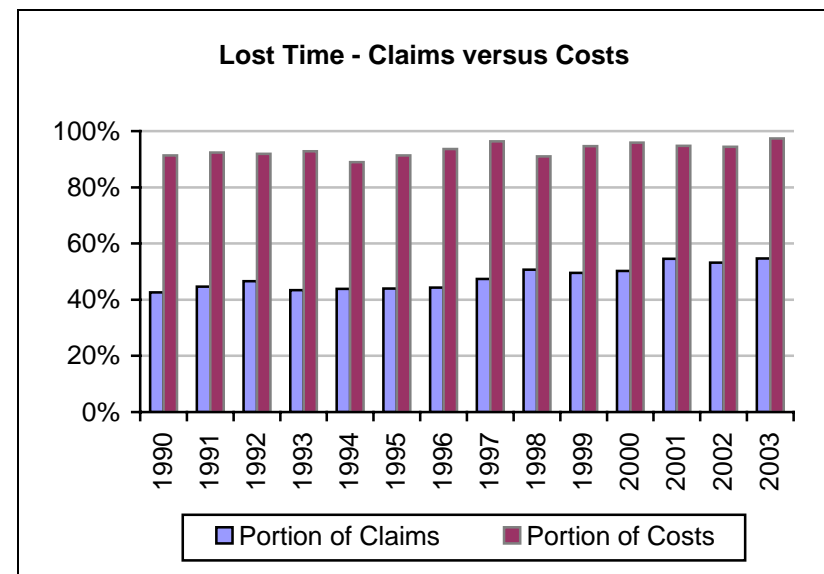


Source: WHSCC Internal Data

⁶ The benefits payable represent all payments we expect to make on accidents incurred during the year, regardless of whether the payments occur in that year or a future year. In other words, we expect to have paid a total of about \$67 million for accidents that happened in 1993 when all payments on those accidents are complete.

Since the early 1990's the projected payments per claim by year of accident have increased from approximately \$4,000 in 1990 to almost \$14,000 in 2003. Part of the increase in overall cost is due to inflation⁷.

It is also important to note that although accident frequency is declining, the decrease is predominately in no-lost-time claims. As a result, lost time claims make up a greater percentage of claims. This increases overall claims costs since the greatest portion of the costs (approximately 95%) is due to lost time claims.



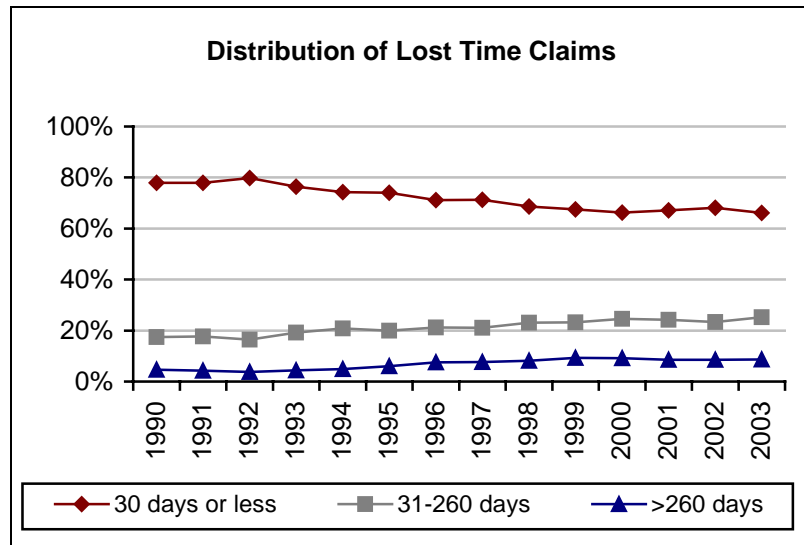
Source: WHSCC Internal Data

⁷ As a rough estimate, 2003 cost per claim would be about 26% higher than 1999 if we don't adjust for inflation and about 14% higher if we do adjust for inflation.

Key Operational Drivers

Claim Duration – Recovery and Return To Work

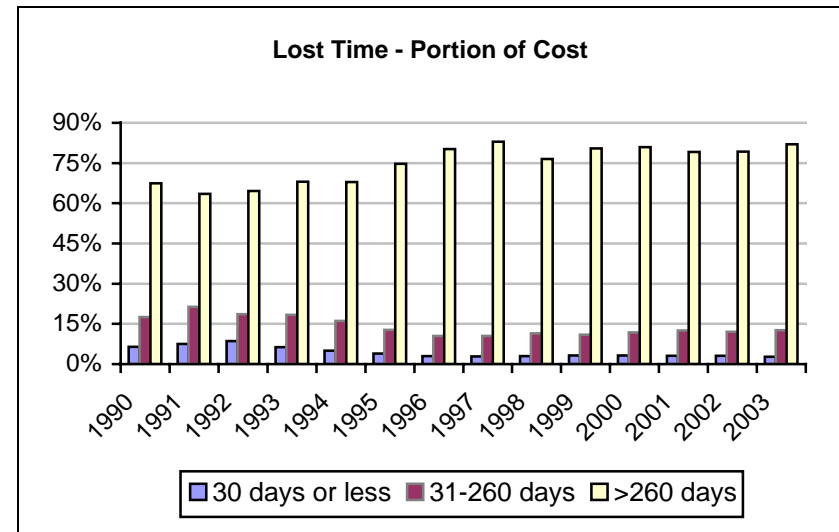
About 70% of all claim costs are related to the benefits paid to compensate workers for lost wages. Since the early 1990's, the portion of short-term lost-time claims lasting fewer than 30 days has declined, while the portion of claims lasting more than 30 days and those lasting beyond 260 days have increased.



Source: WHSCC Internal Data

In 2003, claims which lasted less than 30 days accounted for less than 3% of the costs, while claims lasting 31 to 260 days account for 13% and claims lasting more than 260 days accounted for 82%.

It is interesting to note, that since the mid-1990's⁸ claims lasting more than 31 days account for an increasing portion of the claim cost. This illustrates that the longer a claim, the more days paid on the claim, the greater the over all costs.



Source: WHSCC Internal Data

Medical costs also increase with claim duration as the number of visits to health care professionals increases. Medical and other research studies confirm that most workers benefit from an early return to work. With minor adaptations or adjustments to work schedules, a safe and reliable return to work is often possible and beneficial to both the worker and employer.

⁸ Changes to the *Workers' Compensation Act* in 1993 changed the rate of benefits payable to injured workers from 90% to 80% then 85% after 35 weeks; in 1998 the rate became 85%.

Key Operational Drivers

Workers with complex injuries requiring multiple surgeries and/or clinical rehabilitation interventions over time may return to work between periods of hospitalization and after partial recovery. Reducing overall claim duration can have a significant impact on costs.

Administration

It takes people, computer systems, buildings, and other resources to provide services to stakeholders. Approximately 84.5 per cent of all expenses are claim costs, while the cost of providing prevention services, managing claims, providing rehabilitation services, fund appeals and advocate services, and supporting other aspects of the organization represents 15.5 per cent of the overall costs.

On any given day, Commission staff⁹:

- Respond to 447 phone calls
- Respond to 79% of all calls within 20 seconds
- Scan and index 102 new claims
- Host 146 visits to www.whscc.nb.ca
- Visit 22 worksites
- Issue 16 warning letters

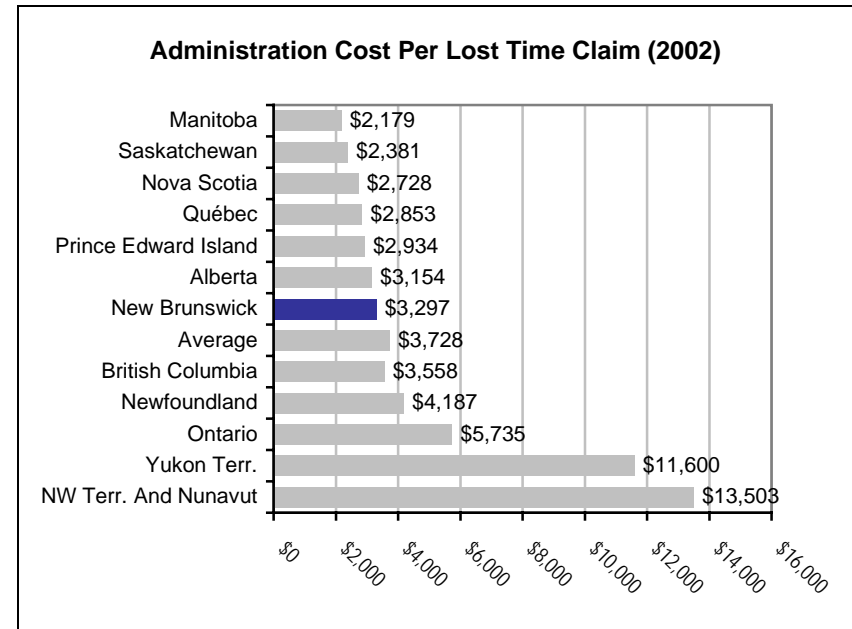
Our administrative costs compare well with those of other jurisdictions, falling slightly below the national average. New Brunswick is unique among most jurisdictions in that the Commission is required to provide services to clients in both official languages.

Staffing levels can have a significant impact on benefits as well as administrative costs. The Green¹⁰ decision placed increased emphasis on administration services to gather and weigh all evidence as opposed

⁹ WHSCC – Internal Corporate Indicators 2003

¹⁰ NB Court of Appeal

to applying policies that systematically accept or deny benefits. The Supreme Court of Canada's decision on the adjudication of chronic pain in Nova Scotia reinforces the idea that applying blanket standards in accepting or denying claims is no longer acceptable.



Source: AWCBC & Internal Data¹¹

Having too few resources for proper inquiry into claims may delay decision-making, extend claim duration, or diminish the opportunity for personal interaction with clients. Having too many resources may create excessive costs and inefficiency. Fine-tuning and monitoring the balance is essential.

¹¹ Since New Brunswick has a three-day waiting period, which excludes a large portion of claims from the AWCBC statistic (\$4,374), their administrative costs have been re-stated to reflect a similar comparison to other jurisdictions.

Strategic Challenges

Strategic plans incorporate assumptions about external and internal factors that can change at any time and that significantly affect the organization's business plan. Some factors are easy to monitor – exchange rates, commodity prices, interest rates, etc. Other factors, such as political, regulatory, social and claim trends, are harder to quantify and assess.

A strong planning process has the potential to provide a solid foundation from which strategic direction can emerge. By assessing the external and internal factors that shape the day-to-day environment of the Commission, the Board will be better prepared to analyze the risks facing the Commission as it strives to successfully achieve its strategic goals.

If anything is certain, it is that change is certain. The world we are planning for today will not exist in this form tomorrow!

Philip Crosby, Reflections on Quality

Challenge 1: Managing Claim Costs (Short-term disability versus long-term disability claims)

As outlined in the Key Operational Indicators, increasing claims costs drive workers' compensation costs. As a result, managing the cost of these claims is a key strategic challenge for the Commission.

Lost time claims are the principal drivers of claims costs. We can group lost time claims into three categories: short-term (less than 6 weeks of lost time benefits), mid-term (6 weeks to 1 year of lost time benefits) and extended-term (more than 1 year of lost time benefits). Managing the costs of mid-term and extended-term claims is of particular importance.

From 1993 to 1999, the portion of lost-time claims that extended beyond 6 weeks increased by almost 40% and the portion that extended beyond 1 year doubled.

Probability That A Lost Time Claim Is Still Active			
	1993	1996	1999
2 weeks	60%	69%	72%
6 weeks	34%	43%	47%
12 weeks	21%	29%	33%
26 weeks	11%	17%	21%
52 weeks	6%	11%	12%

Short-term claims

Short-term claims include *no lost-time* claims as well as those claims where the injured worker receives *lost-time* benefits for less than 6 weeks. Generally, the injured worker has completed medical and vocational rehabilitation and has returned to pre-accident employment.

Short-term claims are difficult for the Commission to directly manage as injured workers have often returned to work before the Commission has full details of the claim. Even though the volume of short-term is very high (about 80% of accepted claims), the costs associated with these claims are very small (about 4% of total claims costs, including health care costs).

Mid-term claims

Mid-term claims are those claims where the injured worker receives between 6 weeks and 1 year of lost-time benefits before being able to return to work. This group generally accounts for about 12% to 14% of accepted claims and about 11% to 13% of total claims costs (including health care costs). For this group, if the injured worker will not be able to

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return to work with the accident employer following the injury, determining alternate return to work options as soon as possible may help to reduce the claim duration.

Extended-term claims

These claims, for which the injured worker receives over 1 year of lost-time benefits, account for about 80% of total costs (including health care costs).

Some of these injured workers do return to full employment. As with the mid-term claims, if the injured worker will not be able to return to work with the accident employer following the injury, determining alternate return to work options as soon as possible may help to reduce the claim duration.

Many extended-term claims become long-term disability (LTD) claims. Generally, injured workers who become LTD claimants have completed medical and vocational rehabilitation and their estimated capable earnings, if any, have been determined. These claims pose several challenges.

LTD's place a financial burden on the system. They are of longer duration and generally are more complex, requiring additional administrative and medical assistance to manage the claim and treat the injury.

The two big drivers of LTD cost increases in recent years have been the increase in the number of LTD claims and the increase in the average award level.

Each year, new LTD's are established and older LTD's are finalised¹². The total number of active LTD's increased by more than 100 claims each year from 1998 through 2003. This means there are more LTD's contributing to the overall cost of the system.

Overall, the average award level has increased in recent years. This has been heavily influenced by a shift in the capable earnings status and the CPP award status.

CHANGE IN CAPABLE EARNINGS STATUS				
	1998		2003	
	Claims	%	Claims	%
With Capable	1,072	70%	1,238	58%
Without Capable	459	30%	915	42%
Total	1,531		2,153	

Generally, more injured workers are now receiving full LTD benefits, resulting in higher award levels. In addition, for many of the injured workers who do have capable earnings, those capable earnings are at a lower level than was common in the past.

CHANGE IN CPP AWARD STATUS				
	1998		2003	
	Claims	%	Claims	%
With CPP	643	42%	686	32%
Without CPP	888	58%	1,467	68%
Total	1,531		2,153	

¹² The WHSCC pays LTD claim benefits up to age 65 or 2 years post injury when injured after age 63.

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Although the number of LTD claimants receiving CPP at the end of 2003 is similar to the number at the end of 1998, the percentage of LTD benefits offset by CPP has declined significantly over the period.

In addition, the Commission's practice of deeming injured workers, who are able to return to some form of employment has resulted in a higher level of dissatisfaction among injured workers with long-term disabilities. For some injured workers, this issue is heightened due to the perception of abandonment that is often associated with long-term disabilities, since their employer wouldn't/couldn't take them back to work and the Commission wouldn't continue full benefits.¹³ Dissatisfaction may also be due, in part, to the inability to meet injured workers' expectations.

Challenge 2: Increasing Medical Costs

The workers' compensation system is outside of the *Canada Health Act*, and therefore directly pays health care providers and facilities for services provided to injured workers. However, the Commission relies on the provincial health care system for access to health care such as diagnostic testing, exams by specialists and access to surgical intervention.

The Commission is responsible for all health care costs related to the workplace injury or illness for the life of the injured worker. Since 1998, the cost of health care to treat injured workers has increased on average by more than 11% per year. Despite the significant increase, health care costs in 2003 accounted for 24% of the annual expenses, which is similar to 1998 at 23.5%.

Prescription Drugs

In the last five years, the Commission's payments for prescription drugs have more than doubled, rising from approximately \$1 million in 1998 to over \$2 million in 2003.

According to the Conference Board of Canada, technological change is likely to account for about a quarter of current health expenditure growth. Medical technologies range from computers to assist practitioners with decision making, to new imaging equipment, to robotic devices that facilitate delicate surgical interventions. It is interesting to note that although diagnostic equipment can cost millions of dollars per unit, the most significant expense associated with the equipment is the human resources required to operate the machinery and interpret the results.

Although the cost for advancements in medical technologies is significant, the benefits are many. For example: diagnostic imaging can provide early indication of disease, which increases the chance for recovery. Improved anaesthetics make surgical procedures less invasive and may result in a faster recovery time. Precision equipment makes surgical procedures safer.

New products and services regularly emerging from research and development labs could be beneficial to injured workers requiring prostheses, orthoses, or other forms of assistance.

Economic forecasters predict that health care costs across Canada will continue to increase over the long run. Cost drivers of health care include an aging population, patient demand, chronic disease, rising pharmaceutical cost, and new technologies.

¹³ WHSCC Survey of Deemed Workers November 2001

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Challenge 3: Emerging issues in health, safety, and occupational diseases present new challenges that need to be addressed

Each year, workers face a broad range of emerging health and safety issues that need to be considered as the Commission establishes its future direction.

At the top of the list are occupational diseases¹⁴. An occupational disease is any ailment that is contracted or aggravated due to the nature of a particular kind of work. Under the *WC Act*, there is a list of presumed occupational diseases, but other occupational diseases may also be considered if evidence shows that they occurred out of and in the course of employment. Occupational diseases may involve allergic reactions, asthmatic bronchitis, blood disorders, hearing loss, cancers and other illnesses and injuries.

Currently up for debate in the Legislative Assembly, is an amendment to the *Workers' Compensation Act* surrounding the issue of occupational disease and compensation for firefighters who are diagnosed with primary cancers or leukemia as a result of exposure during firefighting duties.

Public awareness of and concerns over environmentally-related health problems have increased in recent years. The relationship between environmental exposure and human health is multi-faceted. Health problems can arise as a result of voluntary or involuntary exposure to physical and chemical agents. A number of diseases and conditions can be caused or aggravated by exposure to environmental pollutants. For Canada, the main concerns are cancers and chronic diseases caused by

¹⁴ AWCBC December 2003 – Strategic Issues -Top three issues in workers' compensation jurisdictions

industrial and agricultural chemicals and other pollutants in the air, soil, and water.

Living in an industrialized society, New Brunswickers are exposed to many environmental pollutants every day: at work, at home, in the car and in the community. However, many diseases related to environmental exposures can also be linked to pre-existing conditions such as diabetes and obesity. Therefore, Commission staff and medical experts have an extremely difficult time determining whether an illness or injury derived from environmental exposure actually arose out of and in the course of employment.

Challenge 4: Technological Advancements

Computer and Internet use continues to increase in Canada. Seventy-five per cent of all Canadians have access to the Internet on a daily basis. This creates a population that expects to be able to communicate with the Commission through that medium. The immediacy of the Internet and email raises the level of expectation of all stakeholders and clients.

The introduction of technologies to the administrative and claim management functions of the Commission has allowed staff the ability to scan and index nearly 100 per cent of paper received in relation to a particular claim. All out going correspondence is generated electronically and documented accordingly to ensure the security of those documents. In the assessment process, approximately 80 per cent of documentation is being scanned and indexed and staff are actively working toward 100 per cent. However, it is important to understand that computer-based adjudication for things like prescription drugs has been around for 20 or more years in the private insurance market.

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Industries, provinces, and nations focus increasingly on maximizing productivity and minimizing administrative costs in efforts to compete. Often technological advancements and solutions arise out of this type of effort. However, with technological advancement new types of injuries are becoming prevalent. Repetitive strain injuries (RSI's) are prevalent in administration jobs due to the rise in computer use in workplaces. This has dramatically increased the number of repetitive strain injuries of the hands, arms, and shoulders reported to the Commission. Also, targeted industries such as nursing homes, supermarkets, and assembly line work have high frequencies of RSI's that pose significant cost to the system.

Technology has improved the working environment for many high-risk occupations and industries: survival suits for fishermen, robotics in manufacturing, power-assisted processes for heavy lifting, ergonomic design of workstations and seating, cordless tools, and stronger, lighter-weight materials in industrial settings. These changes often bring with them increased costs, a rapidly changing workplace, and increased expectations for access to new technology. Technology can also bring increased exposure to fraud and abuse.

Challenge 5: Legal and Regulatory Considerations

The evolution of the legal landscape in New Brunswick and across Canada presents challenges to the Commission. The Board of Directors' responsibilities include recommending that the government make changes, as appropriate, to the *WC Act* and *OHS Act*. However, it is important to understand that legislative amendments to other related *Acts* which are beyond the control of the WHSCC Board of Directors, may also impact the Commission's operations.

Recent legal decisions such as *Nova Scotia Workers' Compensation Board v. Martin and Laseur* – Supreme Court of Canada, federal privacy legislation, and proposals to eliminate mandatory retirement may pose a challenge to the Commission and other compensation jurisdictions.

Supreme Court of Canada (SCC) Decision

The Martin decision is significant to New Brunswick and all compensation jurisdictions across Canada for two reasons.

First, the Court held that the *Nova Scotia Workers' Compensation Act* and regulations limiting benefits for chronic pain infringed on the equality rights protected by the Canadian Charter of Rights and Freedoms. The Court found that treating all chronic pain sufferers in the same manner equated to discrimination, and that the actual individual needs and circumstances of the injured workers suffering from chronic pain must be considered.

Secondly, the Court ruled that administrative tribunals have the jurisdiction to interpret Charter issues. This decision may influence the type of issues raised before the Commission's Appeals Tribunal in the future and may also have an impact on the development of policies.

Privacy Legislation

Effective January 1, 2004, the federal *Personal Information Protection and Electronic Documents Act* began to apply to provincially regulated enterprises in each province where substantially similar legislation did not exist.

While this legislation applies to the private sector, the Commission may be impacted through its reliance on service providers for products and services. For example, there could be delays in obtaining products such

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as wheelchairs from medical suppliers, as they may be unwilling to provide this equipment until they receive written consent from injured workers for having access to their personal information. When services for injured workers are delayed, claim duration and costs increase, and client satisfaction decreases.

The Commission has always respected the confidentiality of injured workers, employers and other stakeholders' information in accordance with the *WHSCC Act*.

Mandatory Retirement

Requirements for mandatory retirement vary across the country as illustrated in the following table.

Jur.	Retirement Rules Across Canada*
NT/NU	No mandatory retirement
YT	No mandatory retirement
BC	Employer may require mandatory retirement at 65
AB	No mandatory retirement
SK	Employer may require mandatory retirement at 65
MN	No mandatory retirement
ON	Employer may require mandatory retirement at 65
QB	No mandatory retirement
NB	If retirement or pension plan exists, retirement age may be set under terms of employment.
NS	Employer may require mandatory retirement at 65 – but employer must still treat all employees equally.
PE	No mandatory retirement
NF/LB	If retirement or pension plan exists, retirement age may be set under terms of employment. If no plan, employer may require mandatory retirement at 65

*Adapted from CBC News Online – “Retiring Mandatory Retirement”, M. O’Malley, April 30, 2003

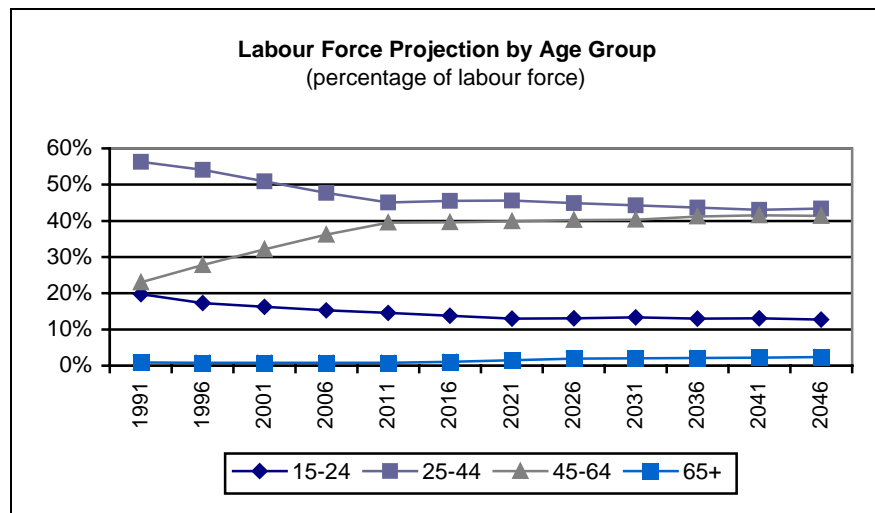
Ontario followed other provinces such as Manitoba and Quebec. On January 29, 2004, the Ontario government committed to ending mandatory retirement in Ontario. If this trend continues across Canada, New Brunswick could follow suit. Banning mandatory retirement in New Brunswick may mean that workplaces will have an increasing number of employees who work beyond age 65 and an average workforce age that is older. An older workforce could impact accident frequency and the overall claim duration.

Some evidence that indicates an aging workforce includes¹⁵:

- The baby boomer generation represents almost 50% of the labour force;
- By 2011, nearly 20% of the baby boomer labour force will be 61 years of age or older;
- As of 2000, fifteen percent of working Canadians were within 10 years of expected retirement (65 years); and
- In a recent survey, 80% of the baby boomer labour force expressed an intention to work after retirement.

¹⁵ The Canadian Institute: National Forum on The Employer’s Duty to Accommodate – March 2004: Barbara G. Humphrey - Coming Soon to Ontario: The Banning of Mandatory Retirement.

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Source: Research Institute for Quantitative Studies in Economics and Populations

The table above illustrates the expected increase in older workers in the New Brunswick workforce. Overall, the portion of older workers is expected to increase by approximately 25%. Although their claim frequency rate is lower than that of younger workers, older workers tend to present claims of greater severity. A greater proportion of older workers in the workforce could mean longer claim durations.

Canada Pension Plan Disability

For several years, the legislation has authorized the Commission to deduct Canada Pension Plan benefits from WHSCC benefits. For the first time, however, an injured worker is challenging these provisions in Newfoundland, where a similar provision has been in place, as amended, since 1998. The results of this challenge in Newfoundland may cause similar challenges to be raised in New Brunswick.

New Brunswick Public Auto Insurance

On April 2, 2004, the report of the Committee on Public Automobile Insurance was tabled in the Legislative Assembly. The report recommended a no-fault public insurance model.

Currently, the Commission has the ability to pursue a suit against a third party in the case of workplace injury involving a motor vehicle, which allows the Commission to recover the claim costs for the injured worker. No-fault automobile insurance models exist in Manitoba, Ontario, Quebec, and Saskatchewan, and as a result, these jurisdictions have lost their legal ability to pursue such a third party claim. Consequently, the Commission would not be able to decrease its overall claim costs in these situations.

Challenge 6: Changes to Generally Accepted Accounting Principles

In response to pressures for accounting transparency from the investment community, particularly in the private insurance industry, the Canadian Institute of Chartered Accountants (CICA) has called for changes in the reporting scheme of financial instrument investment holdings.

CICA's proposed changes¹⁶ will represent a significant change in the way the Commission reports the performance of its investment portfolio. This change will require the reporting of gains and losses on the disposition of equity holdings in the period in which they occur. Consequently, the Commission will not be able to amortize these gains and losses over five years. The Commission's ability to maintain consistency in the funding status and assessment rates from year to year

¹⁶ "Exposure Draft: Financial Instruments – Recognition and Measurement", Accounting Standards Board, March 2003.

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will be jeopardized by short-term performance volatility in the equity markets.

In addition to the impact on its own investment portfolio, the Commission bases the rate of return for annuity benefits upon the performance of its investment portfolio. If it is unable to offset short-term fluctuations, the Commission may at times have to apply a negative interest rate to annuity accounts, which in turn could decrease client satisfaction.

Challenge 7: Trends in the demographic characteristics of the workforce and the changing nature of work

The New Brunswick and Canadian workforce has changed significantly over the past several decades. It is more diverse in terms of age, gender, race and nationality. A smaller percentage of workers is employed in large fixed industries, and a higher percentage is employed in small firms, temporary jobs, or at home. More work is now contracted, outsourced, or part time. These trends are expected to continue over the next several decades and will require different strategies to address developing issues.

Data suggests that a greater percentage of youth and older workers will be in the workforce over the next few years. In this decade, the youth population, ages 16 to 24, is expected to increase as a share of the workforce; the 25 to 54 age group is expected to decline; and the 55 and over age group will grow the fastest. According to the National Institute for Occupational Safety and Health (NIOSH), 80 percent of young people are employed at some point before they leave school. In addition, as the demand for skilled, experienced workers grows in the next two decades, older workers will become an increasingly vital labour resource.

These demographic shifts influence accident frequency rates, and therefore, raise issues that affect Commission strategies. For example, despite child labour laws that prohibit teens from engaging in dangerous industries, over the past two years there were 2 fatalities and one serious injury among youth under 16 years of age in the New Brunswick potato harvesting industry. Older workers, on the other hand, have lower injury and illness rates than the labour force as a whole. However, older injured workers generally take longer to return to work and therefore impact claim duration and costs.

These demographic and workplace trends complicate the implementation of the Commission's strategic goals. Programs and services may need to be different from those that have been relied upon to date.

Challenge 8: Returning to Work in the New Brunswick Economy

Job growth in New Brunswick in recent years has been steady, with some downward fluctuations. Projections for the near future see steady but small growth in all primary industries with the exception of fishing.

Any industry (lumber, manufacturing, aquaculture) that exports goods to the US will begin to feel the effects of the strong Canadian dollar in the short-term as the US markets react to the higher exchange rate and identify alternate sources of products. Layoffs and plant closures will reduce the number of jobs available.

One particularly high profile issue in the economy is the current negotiation and court process over softwood lumber tariffs on exports into the US. Although the province is exempt from the US duties and pays only an 8.4 per cent anti-dumping duty, the demand for lumber

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exports will likely decrease as housing construction slows across North America. The dispute threatens many of the 17,000 jobs in the NB industry as over 90 per cent of New Brunswick's softwood exports go to the US.

One of the measures against which the Commission gauges success is the rate at which injured workers return to their pre-injury job or to alternate employment. The Commission is not responsible for creating jobs for injured workers but rather is tasked with preparing injured workers to return to the workforce of New Brunswick.

Several characteristics of the New Brunswick labour force create unique challenges for preparing some injured workers for suitable and available employment.

New Brunswick has the second-lowest literacy rate in Canada¹⁷. Close to 60 per cent of New Brunswick's citizens aged 16 and over are in the lowest levels of literacy. Also, one-third of New Brunswickers have not completed high school. Historically, many jobs were readily available for workers with minimum qualifications. Over time, these jobs have disappeared or now require a higher level of education or skills. Often jobs that required only high school in the past may now require some form of post secondary.

Low literacy levels and/or limited transferable skills may reduce return to work options for injured workers unable to return to their pre-accident employment.

Approximately 50 per cent of the population of New Brunswick lives in rural or small communities. Rural New Brunswick offers fewer opportunities for alternate employment for injured workers unable to return to pre-injury work. Unemployment rates in rural NB are higher than in urban centres, although the rates have been decreasing. Retail, wholesale and manufacturing sectors are the primary employers in rural New Brunswick. As well, there is a higher reliance on part-time work in less populated areas of the province.

These factors, coupled with the highly resource-based economy of New Brunswick and the seasonality of many industries make it difficult to identify return to work opportunities that are similar to pre-injury employment, and if the worker is returning to work in a different role following recovery, the opportunities for alternate employment are fewer than in larger urban centres.

Challenge 9: Meeting Clients' Expectations

The 2003 Client Satisfaction Survey indicates an essentially unchanged level of client satisfaction with the Commission and the services it provides to employers and workers.

How quickly do customers expect a response?

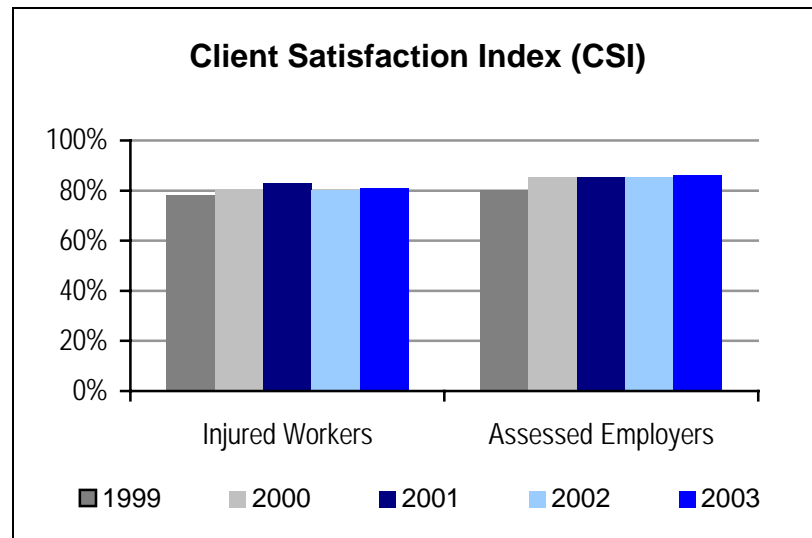
- To a mailed letter – within 2 to 4 weeks
- To a faxed letter – within 3 days to 1 week
- To an email – within an hour

*Terry Bogyo, BC Workers' Compensation Board
AWCBC Learning Symposium*

¹⁷ The New Brunswick Coalition for Literacy. A New Brunswick Snapshot, IALS, June 1998

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At a more detailed level, the Client Satisfaction Index (CSI) identifies some areas of 'importance' vs. 'satisfaction', which the Commission could better perform. These gaps in satisfaction, weighed with the importance to the respondent, offer the best opportunities for the Commission to meet clients' expectations in the future.



Source: WHSCC Client Satisfaction Study 2003

Perceptions among injured workers

The attributes of 'shows respect', 'demonstrates competence', 'demonstrates professionalism', 'willingness to listen' and 'handles claim in timely manner', all increased in their level of importance to injured workers from 2000-2003. All of these attributes are ranked as completely important to injured workers interacting with the Commission. However, only 53% of injured workers indicated "complete satisfaction" in their perception of the delivery of these attributes.

These five attributes offer the greatest opportunity for improving injured workers' perception of the Commission and conversely, because of their high level of importance, the greatest potential to create negative sentiment about the level of service provided by the Commission.

The level of importance that assessed employers placed on the qualities 'demonstrates competence' and 'willingness to listen' has increased since 2002. At the same time, the level of satisfaction with these two attributes is 52% and 50% respectively. Clearly, these two attributes offer the greatest opportunity for improvement on the CSI in future years.

When asked whether the Commission exceeded, just met, or failed to meet their expectations, approximately three-quarters of injured workers and assessed employers reported that the Commission met or exceeded their expectations.

How can the Commission improve?

When asked to indicate how the Commission could improve services, injured workers recommended that the Commission make improvements to the accessibility of information (11%) and the promptness of service delivery (9%). Assessed employers most frequently recommended that the WHSCC reduce assessment rates (11%) and increase communications between the Commission and employers (8%).

Risk Analysis

IDENTIFICATION AND ASSESSMENT OF RISK

In the course of developing a strategic plan, there is always uncertainty around its ultimate attainment. With uncertainty comes risk: that is the possibility that certain events, if realized, will have an adverse effect on the organization and interfere with its ability to either achieve its business opportunities or overcome organizational weaknesses. The presence of risk can also significantly alter which opportunities are pursued, complicate current strategies, and create difficulties in accomplishing the goals related to the vision, mission, mandate and values.

Consequently, it is necessary for the Board of Directors to understand those risks associated with particular strategies. This includes:

- Identifying the risk and the issues associated with it;
- Evaluating the probability or likelihood of occurrence and the potential impact on achieving the organization's strategic goals; and
- Developing a strategy of how to respond to the risk.

Effective risk management integrates and coordinates the activities of people across the organization through strategic planning, organizational culture, and policies and procedures. Boards need to take time to satisfy themselves that all the pieces are coordinated and collectively support a conclusion that risk is properly managed and that the Board has fulfilled its stewardship obligations.

Therefore, as a starting point for the 2004 Board planning session, an analysis of some of the risks for the Commission was completed. Many of the risks identified and discussed have the potential to impact the Commission in several ways. The following section discusses the potential impacts of several of the most likely events. Some of the risks discussed influence the strategic goals and accountability measures of the Commission in both positive and negative directions.

The Board should consider whether the influences are within their own risk tolerance limits and formulate appropriate responses to those risks that require strategic direction.

Responses to Risk

Avoidance – Action is taken to exit the activities giving rise to risk. Risk avoidance may involve exiting a service offering, declining expansion to a new geographical area, or divesting of a division.

Reduction – Action is taken to reduce the risk likelihood or impact, or both. This may involve any of a myriad of everyday business decisions.

Sharing – Action is taken to reduce risk likelihood or impact by transferring or otherwise sharing a portion of the risk. Common risk-sharing techniques include purchasing insurance products, pooling risks, engaging in hedging transactions, or outsourcing an activity.

Acceptance – No action is taken to affect likelihood or impact.

Risk Analysis

Challenge 1: Managing Claim Costs (Short-term disability versus long-term disability claims)

Issue	Impact	Likelihood	Strategic Response
A. Short-term disability claims that result in longer duration (i.e. 30 to 260 days) and more severe	<ul style="list-style-type: none"> Increased cost to system. Increased pressures to manage cost. Increased reliance on investment revenue to balance increase in long-term liabilities. Increased assessment rates. 	High	<p>Reduction – Develop measures to help focus resources and efforts on these claims. Increase use of disability management programs. Study and analysis of root causes.</p> <p>Acceptance – Maintain status quo, plan to absorb the impact.</p>
B. The number of new long-term disability claims is increasing at a greater rate than the number of LTD's finalised each year. <ul style="list-style-type: none"> Fewer claimants with capable earnings Fewer CPP offsets 	<ul style="list-style-type: none"> Increased cost to system. Increased reliance on investment revenue to balance increase in long-term liabilities Increased assessment rates. 	High	<p>Reduction – Examine policies on return to work and re-employment obligations by considering return to work penalties and incentives for both injured workers and employers. Study and analysis of root causes.</p> <p>Acceptance – Maintain status quo, plan to absorb the impact.</p>
C. Injured workers express a greater dissatisfaction with the claim process than assessed employers.	<ul style="list-style-type: none"> Decreases client satisfaction scores Pressure for increased benefits Carry over to stakeholder satisfaction 	High	<p>Reduction – Increase communication so injured workers better understand claim process. Provide incentive to injured workers to RTW and employers to provide modified/light employment opportunities. Review LTD satisfaction survey & review incentive.</p>
Potential for Appeals process to drive cost	<ul style="list-style-type: none"> Increased cost to system. Increased reliance on investment revenue to balance increase in long-term liabilities Increased assessment rates. 	High	<p>Reduction – Educating and training Appeals Tribunal on policy; ensuring the selection process of employer and worker Appeal Tribunal members meets high standard. Training is an expected standard. Implement pre-hearing pilot program.</p>

Risk Analysis

Challenge 2: Increasing Medical Costs.

Issue	Impact	Likelihood	Strategic Response
A. Prescription Drugs.	<ul style="list-style-type: none"> Increased costs. 	High	<p>Reduction – Monitor and control cost using e-Pay system.</p> <p>Acceptance –Status quo, plan to absorb impact until e-Pay system in place.</p>
B. Access to physicians and specialists.	<ul style="list-style-type: none"> Without access to these medical professionals, claim duration may increase. 	High	<p>Reduction – Purchase and utilize private blocks of time at premium rates, recruitment strategies. New Brunswick Medical Society negotiations & discussions with New Brunswick Department of Health.</p>
C. Technological advancements in medical aid, (i.e. wheelchairs that can climb stairs) treatments and rehabilitation aids, diagnostic equipment. Balance between technological advancements and cost.	<ul style="list-style-type: none"> Increased demand, higher expectations for access to the best equipment. Balance demand with sufficiency. Increased costs. Advanced technology may add significant cost without increasing function or proportionally reducing suffering. 	High	<p>Reduction – Develop policy approach using sufficiency as cap.</p>
D. Increased availability of advanced diagnostic equipment.	<ul style="list-style-type: none"> Increased ability to diagnose injuries and mitigate effects. Longer claim duration if increase in demand to have injury diagnosed fully before treating/RTW. High cost of equipment. Chronic aging conditions being associated with workplace injuries. 	Med	<p>Reduction – Require evidence of medical necessity and effectiveness; treatment protocol standards. Greater education on the impact of aging. Treatment review.</p>

Risk Analysis

Challenge 3: Emerging issues in health, safety and occupational diseases present new challenges that need to be addressed.

Issue	Impact	Likelihood	Strategic Response
A. Emerging and unknown occupational diseases.	<ul style="list-style-type: none"> • Difficulty adjudicating i.e. gathering evidence to determine if injury is out of and in the course of employment. • If injury occurs at work, presumption is that it arose at work unless evidence to the contrary. • Increased Appeals Tribunal involvement because of difficulty in adjudicating claims. • Increase evidence linking disease and injury to the workplace. 	Unknown	<p>Reduction – Research occupational diseases; target health and safety initiatives to industries that may experience occupational diseases (multiple chemical, latex allergies, asbestos, etc.). Study to include potential occupational diseases that we may be exposed to and seek AWCBC participation.</p>

Risk Analysis

Challenge 4: Technological Advancements

Issue	Impact	Likelihood	Strategic Response
A. Change in type of work duties.	<ul style="list-style-type: none"> • New/more prevalent types of injuries (i.e. RSI) • Injuries that are more difficult to determine complete recovery time (i.e. when does medical plateau occur?) • New injuries require new methods of treatment; notion that rest is the best medicine needs to be questioned with certain injuries – requires cultural shift in how injuries are viewed. 	High	Reduction – Prevention activities such as training, education, awareness; proper disability management of injuries. Determine if issue is within our jurisdiction or human rights. Ergonomics effectiveness review.

Risk Analysis

Challenge 5: Legal and Regulatory Considerations.

Issue	Impact	Likelihood	Strategic Response
A. Mandatory retirement	<ul style="list-style-type: none"> Increased pressure on the Commission to provide loss of earnings benefits for a period beyond the current two year requirement post age 63, including workers 65 and older. Increased pressure to change the duration and amount of set-aside for the annuity that currently begins payment at age 65. 	Low (not on current government legislative priorities)	Reduction – Focus prevention strategies on older workers; specialized return-to-work programs for older workers; initiatives to expedite health care. Determine size of issue for possible targeted education and RTW programs, expedited health care.
			Sharing – Government could relieve employers of the cost associated with longer wage loss benefits. Study and analysis what is happening in other provinces and jurisdictions.
B. Supreme Court of Canada - Martin decision	Possible challenges to exclusion of claims for stress, based on the current definition of accident (excludes stress unless resulting from an acute reaction to a traumatic event). This may result in more workers reporting this type of claim.	Medium (limited amount of stress-related claims)	Avoidance – Make changes to the legislation to address the issue. Obtain legal opinion.
			Reduction – promote health and safety training initiative geared at current definition and continue working with other jurisdictions.
C. Privacy legislation	<ul style="list-style-type: none"> Delay in providing services to clients based on privacy compliance concerns of health care and service providers, leading to longer claim duration and decreased client satisfaction. 	High	Reduction – Develop shared standards with health care providers to address personal privacy.
Public automobile no-fault insurance	<ul style="list-style-type: none"> Commission would lose its legal ability to pursue a third party claim in cases of workplace injuries involving motor vehicles. 	Medium	Avoidance – Petition the government to not move forward on it.
			Sharing – Other jurisdictions with no-fault public insurance such as Manitoba and Saskatchewan have signed agreements with the public automobile insurer to reimburse cost in these situations. ¹⁸

Risk Analysis

Challenge 6 – Financial Reporting Changes

Issue	Impact	Likelihood	Strategic Response
<p>A. CICA's proposed changes to generally accepted accounting principles concerning the reporting of gains and losses of equity instruments in the period in which they occur.</p>	<ul style="list-style-type: none"> • Commission practices on smoothing gains and losses will no longer be allowed. • Employers may experience significant fluctuations in assessment rates from year to year – decreased satisfaction. • Negative interest rates on annuity benefits, leading to decreased client satisfaction. 	<p>High</p>	<p>Reduction – Increase funding targets on reserve accounts to contribute to in times of surplus to offset short-term market fluctuations; increase investment diversification strategy. Legislative changes. Modeling of options.</p>

Risk Analysis

Challenge 7: Trends in the demographic characteristics of the workforce and the changing nature of work.

Labour force will shrink as the baby boomers begin to retire in large numbers

Efforts to retain older & experienced workers, combined with their desire or need to postpone retirement and remain in the workforce longer

Effect of mandatory retirement further influences this issue – see Challenge 5

Issue	Impact	Likelihood	Strategic Response
<p>A. The children of many of the baby boomers have been in the workforce for quite some time, although there is still a lot of growth in the younger workforce expected to come.</p>	<ul style="list-style-type: none"> • Accident frequencies – compared to older workers, young workers have a higher rate of injury. However, their claim duration is comparatively shorter. 	<p>High</p>	<p>Reduction – Continued education and programming geared at reducing accidents, targeted to young workers. Partnering with government, private industry groups, etc. to reduce accidents and inform workers of accident prevention strategies.</p>
<p>B. Long term increase in number of older workers in workforce. Baby boomers choose to postpone retirement or desire to work longer. Increased need to retain older, more experienced workers, due to projected shortage of workers in the labour force.</p>	<ul style="list-style-type: none"> • Higher assessable payrolls, therefore higher wage loss payments. • Increased duration associated with injuries to older workers. • Older workers may be less likely to return to work. • Older workers typically more experienced & higher wages 	<p>High</p>	<p>Reduction – Focus prevention strategies on older workers; specialized return-to-work programs for older workers; initiatives to expedite health care. Determine size of issue for possible targeted education, RTW programs and expedited health care.</p>

Risk Analysis

Challenge 8: Return to Work in the New Brunswick Economy

Issue	Impact	Likelihood	Strategic Response
A. Industrial/employment factors reduce job opportunities.	<ul style="list-style-type: none"> High rates of unemployment and impending job losses may cause increase in claims. Reduced employment opportunity for injured workers to return to work with pre-accident employer or alternate employment. 	Medium	Reduction – Policy promoting early and safe return-to-work; consider enforcing employer re-employment obligations; increase communications with injured workers and pre-accident employers on return-to-work responsibilities; encourage self-employment for injured workers.
B. Low literacy and educational levels make transferring skills to alternate employment challenging.	<ul style="list-style-type: none"> Claims more difficult to manage due to lack of alternative employment opportunities Increased cost of claims for time to increase employability functions 	High	Reduction – Identify RTW limitations early so retraining initiatives can begin while still being treated for injury, Partner with other governments to promote literacy and higher education. Promote retraining and upgrading earlier in the claim.
C. Employment challenges in rural communities	<ul style="list-style-type: none"> Limited job opportunities within reasonable commute Increased demand for relocation assistance 	High, 50% of NB live in rural community	Reduction – Review policies on reasonable commute and/or relocation options.

Risk Analysis

Challenge 9 – Meeting Clients’ Expectations

Issue	Impact	Likelihood	Strategic Response
A. Communication tools and access to information.	<ul style="list-style-type: none"> Client desires to be more informed. Cultural expectation of shorter response rates (expected response time to answer a letter vs. answering an email – instantaneous). 	High	Reduction – Provide easier access to information for employers and workers, communicate standards and measures, communicate and publish results. Re-examine communication strategy.”
B. Increased public expectations of government services; carry over to Commission since public perception of Commission is as a government body.	<ul style="list-style-type: none"> Clients are more critical of service they receive. Increased expectation and demand for high quality service – could result in lower satisfaction level. 	Medium	Reduction – Focus on areas that clients perceive as identified in client satisfaction survey as important. Improve communication. Increase local service delivery. Survey public awareness of issue.

Strategic Planning

Strategic Planning is about determining the Commission’s direction and charting a course that will take it there. Essential to the success of any good strategy is setting goals which are specific, measurable, attainable, timely, acceptable and rewarding to those working to achieve the goals.

Strategic goals are broad statements of what the Commission plans to achieve. Part of the plan involves defining objectives or acceptable strategies that assist the Commission in realizing the strategic goals.

Strategic Goal	Objectives
<p><i>Safety Goal – Our vigorous pursuit of safety will lead to a significant decline in the frequency of accidents.</i></p>	<ul style="list-style-type: none"> • By instilling a work safe attitude in the next generation of workers and educating youth about healthy and safe work practices. • By focusing health and safety intervention resources on areas where the greatest impact can be realized (i.e. primary, secondary, tertiary focus firms). • By exercising due diligence in the promotion of health and safety to stakeholders, employers, workers, and the public. • By educating and communicating legislative responsibilities to the public and clarify with stakeholders.
<p><i>Service Goal – We will provide prompt, effective, efficient, just, fair and caring services to our clientele.</i></p>	<ul style="list-style-type: none"> • By increasing transparency and accountability to the clients we serve. • By gathering and weighing claim information on an individual basis • By ensuring all decisions are fully documented and communicated. • By evaluating programs and services for effectiveness and efficiencies. • By improving service delivery in areas of service improvement identified by workers and employers. • By empowering clients through provision of increased access to information that is timely and complete (i.e. SNB).
<p><i>Return to Work Goal – We will decrease the time by which injured workers return to pre-accident, modified or alternate employment.</i></p>	<ul style="list-style-type: none"> • By educating and communicating through policy all workplace parties’ legislated responsibilities in return to work. • By developing policies and programs to promote early and safe return to work. • By promoting disability management programs to manage workplace accidents and promote health and safety. • By developing and promoting standards for effective medical care. • By fostering relationships with stakeholders that promote early and safe return to work.

Strategic Planning

<p><i>Efficiency Goal – We will hold the assessment rates to employers at the lowest level possible, consistent with the best possible benefits to clients.</i></p>	<ul style="list-style-type: none"> • By managing expectations by communicating our investment strategies to stakeholders. • By responding and managing emerging risks in claiming patterns. • By identifying and communicating assessment practices to educate employers about cost saving strategies and by identifying and communicating claim practices and decisions to educate injured workers about entitlement to claim benefits. • By ensuring that policies are built upon solid research methodologies and that they carefully balance the needs of all people. • By actively pursuing fraud and abuse detection and prevention initiatives.
<p><i>Staff Satisfaction Goal – Our employees will consider the Commission a good place to work</i></p>	<ul style="list-style-type: none"> • By creating a healthy and safe culture for Commission staff. • By emphasizing open and transparent communication. • By ensuring salaries and benefits are competitive with those of similar occupations and our jurisdictional counterparts. • By retaining professional staff and promoting professional development and training opportunities. • By facilitating promotion from within the organization to ensure smooth transition as the workforce ages and approaches retirement.

Accountability

In its governance, the Board has taken a proactive approach to ensure decisions are made with a sense of integrity, credibility and accountability for the mandate they govern. It is the Board's duty to ensure that staff are accountable to the Board of Directors. Currently, the Board of Directors fulfills this duty by developing and approving measures. Staff reports to the Board of Directors quarterly on the progress toward reaching these goals. The table below outlines the current strategic goals and the measures that correspond with them.

The Board remains accountable to its stakeholders, including the Government of New Brunswick, by communicating and making information available. The Board reports and publishes the Commission's activities and the results of the goals and measures quarterly, in the Corporate Report, and annually, in the Annual Report to the Legislature and in the Stakeholder Report. The Board also releases the annual client satisfaction survey to stakeholders. In addition, the Board approves and reviews policies, which are released to the public via the Commission's web site and by subscription.

Strategic Goal	Measures
<p>Safety Goal – Our vigorous pursuit of safety will lead to a significant decline in the frequency of accidents.</p>	<p><i>This goal is measured by examining the accident frequency and severity rates:</i></p> <ul style="list-style-type: none"> • <i>Within the province;</i> • <i>Within jurisdictions;</i> • <i>By payroll;</i> • <i>By industry sectors; and</i> • <i>By focus industries.</i>
<p>Service Goal – We will provide prompt, effective, efficient, just, fair and caring services to our clientele.</p>	<p><i>Our annual survey of public opinion will produce consistently high results. At a minimum, we will maintain current satisfaction levels.</i></p>
<p>Return to Work Goal – We will decrease the time by which injured workers return to pre-accident, modified or alternate employment.</p>	<p><i>The Commission utilizes a measure that focuses on return to work rates. This measure provides information on the percentage of injured workers that actually return to work within a range of time frames. It also tracks the percentage of injured workers who are capable of returning to work but are not working at the time of claim disposition. In addition, the Commission will focus resources on groups of claimants where change is feasible and will demonstrate an increase in their return to work rate.</i></p>
<p>Efficiency Goal – We will hold the assessment rates to employers at the lowest level possible, consistent with the best possible benefits to clients.</p>	<p><i>At a minimum, we will maintain a fully funded liability.</i></p>
<p>Staff Satisfaction Goal – Our employees will consider the Commission a good place to work</p>	<p><i>Employee bi-annual satisfaction surveys will produce a consistently high rating. In addition, other indicators that will be measured in support of the objective include:</i></p> <ul style="list-style-type: none"> • <i>Absenteeism;</i> • <i>Health and safety;</i> • <i>Internal Promotions; and</i> • <i>Staff Turnover.</i>