Board of Directors' Meeting of September 26, 2006
Website Summary

Policy 07-02, Part II, Application 2, Poor Performance Surcharge

Decision

The Board of Directors approved the draft policy amendment which increases the maximum poor performance surcharge from 40% to 200% and eliminates the 'participation factor', which is applied to employers in the base Large Employer Experience Rating Plan, in calculating the additional poor performance surcharge.

Rationale

The Poor Performance Surcharge is a program of additional pricing incentives that is layered on top of the surcharges applied through the base Experience Rating Plan for Large Employers. It was introduced in 1998 and was initially successful in motivating many poor performance employers to take rapid action to correct and improve poor accident experience. However, there are a few employers (just over 200 in 2006) who have been in a Poor Performance Surcharge for 5 to 7 years; this means they have been 80% worse than their industry average for 5 or more years. Clearly, these employers have not responded to this pricing incentive. The intent of the amended policy is to focus on these employers in order to motivate them to no longer treat the surcharge as a cost of doing business.

The policy amendment imposes a significant increase, from 40% to 200%, in the maximum possible surcharge. The new model, which underlies the increase, accelerates the process whereby an employer in the Experience Rating Plan for Large Employers moves to the maximum surcharge.

The amended policy also eliminates the Participation Factor as a consideration in the Poor Performance Surcharge, although it is retained as a feature of the base Experience Rating Plan for Large Employers. It is important to note that the 90,000 plus small employers in Alberta are not affected by the amended policy. The Poor Performance Surcharge applies only to a very small proportion of the 15,000 plus employers who come under the Experience Rating Plan for Large Employers (employers with a minimum of $15,000 in premiums over three years). Within the Experience Rating Plan for Large Employers, the Participation Factor mitigates the impact of experience rating on smaller employers, based on their premiums. Under the amended policy, employers in the Experience Rating Plan for Large Employers, regardless of size, would be accountable for the full impact of their claims experience once they are in a Poor Performance Surcharge situation.

The proposed program retains the existing Poor Performance Surcharge key criteria of

- four or more claims for at least two consecutive years and

- maximum experience rating surcharge for their size for two or more years.

The first consideration protects smaller employers who might be subject to more volatile cost ratios than a larger employer; one catastrophic claim can significantly push upward the cost ratio of a smaller employer. Under the second consideration, if an employer improves their experience ratio to less than 80% worse than their industry average they are no longer subject to the Poor Performance Surcharge and in essence they "press the re-set button" and start over.

Two rounds of consultation indicated there was strong support from the WCB's key stakeholder groups to make the poor performance surcharge more aggressive in order to motivate employers to change behaviour and improve safety and disability management practices.

Cost Implications: There are no immediate impacts on the liability and no immediate impacts on the premium rate. The amendment to policy and to the program is intended to motivate employers with consistently poor performance to rapidly take corrective action, improve safety and disability management practices and improve poor accident experience. In the long term, with changed employer behaviour and improved performance there should be a positive impact on the liability and in due course a corresponding impact on premiums.

Implementation:
This policy change will be effective January 1, 2008. This delayed effective date enables the WCB to work with the 1300 employers who are currently assessed a poor performance surcharge, with a particular focus on the 200 or so who have been at the maximum poor performance surcharge for 5 or more years. The Board of Directors directed management to report on the implementation plan at the next meeting.

2007 Corporate Objectives and Performance Measures – Preliminary

Decision

The Board of Directors approved the preliminary corporate objectives and performance measures.

Rationale

The Corporate Objectives continue to provide an excellent focus for WCB efforts in achieving the vision of a safe, healthy and strong Alberta. The Performance Measures continue to place emphasis to focus its attention on the processes and outcomes that have a significant impact on organizational performance. The measures chosen are meaningful to external stakeholders, as well as WCB staff, and the WCB believes their achievement is well within its control.

This year, the WCB will continue to focus on effective case resolution and the quality of its decision communication. New this year is the introduction of the e-business measure as a performance metric. This measure has been on the WCB's corporate scorecard for the past two years and has a well established measurement framework.

The WCB believes that the focus in providing its stakeholders with e-business solutions is a critical tactical strategy for future success. In 2006, the WCB will complete more than 1.7 million e-business transactions and it intends to continue to expand the number and types of available services. This new channel allows the WCB to broaden its options on how stakeholders contact the corporation, extend its service hours, improve the quality and efficiency of managing inbound information, all while providing stakeholders with improved self management tools. This is increasingly becoming a service expectation as well as a way of balancing the challenge of dealing with increasing work volumes.

The e-business focus will replace the measure on certificate of recognition (COR) growth the WCB has had for the past three years. COR's growth will continue to be on the corporate scorecard. The WCB has seen in the past few years a maturing of this program with now almost 50% of Alberta's employees covered under the program and while the WCB continues to market the program, it has noticed a declining return in the increase in COR coverage by insured workers. As a corporate performance metric, it believes the e-business focus will provide a greater growth impact on changing the business and has the benefit of impacting a broad spectrum of stakeholders and directly engaging a large number of the staff in its service roles.

The organization has managed the goal sharing program very well with some significant, measurable and quantifiable business improvements for the stakeholders. The WCB believes this approach has effectively reinforced the linkage between staff focus and efforts and the achievement of the critical business objectives.

As in the past few years, the concept of a graduated scale to earn a portion of the goal sharing award based upon a minimum level of goal attainment has been maintained in this proposal. In the proposal, and for each measure, the first threshold would be achieved when 80% of the goal target is passed. This would qualify staff to earn 50% of the Goal Sharing award. The WCB believes this graduated scale improves the plan by recognizing staff efforts for significant attainment of the goal and to serve as motivation to hit the next levels of the scale.

The preliminary 2007 corporate objectives and performance measures are attached for approval by the Board of Directors. Final baseline measures will not be available until 2006 year end results have been concluded.

Employee Compensation Philosophy

Decision

The Board of Directors approved the revised Compensation, Rewards and Recognition Philosophy.

Rationale

The WCB-Alberta has a market-based compensation system for all non-unionized employees. The current system and compensation philosophy has been in place since January 1, 1996. Numerous risk factors specific to the retention and attraction of employees are arising which require the revisiting of the market position.

Positioning salary ranges at average plus five per cent is a clear statement to employees that they are important. Higher job rates enable the WCB to attract new employees and retain key talent.

The total compensation package provided to employees will distinguish the WCB as an employer of choice.