



# **WSIB Labour Market Re-entry (LMR) Program Value For Money Audit Report**

**December 3, 2009**

Advisory Services

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# 1.0 ENGAGEMENT OVERVIEW

## 1.1 Value-for-Money Audit Approach

- KPMG LLP has conducted a value-for-money audit of the Labour Market Re-entry program at the Workplace Safety & Insurance Board (WSIB) of Ontario in accordance with the WSIB's request for proposals No. 2009-05-MN. The scope of work of the value-for-money audit, as stated in the request document was to:
  - Provide an opinion as to whether the current LMR Program is being delivered in a cost-efficient and effective manner.
  - Assess whether the WSIB has adequate systems, processes, and procedures in place for managing the program to:
    - Ensure that services are being delivered in accordance with legislative and policy requirements; and
    - Report whether the program has established the right success measures, whether those measures are being achieved and how performance compares to other similar government or agency programs.
  - The value-for-money audit would assess the risk factors that impact the efficient and effective delivery of the program. These risks include such things as socio-economic factors relating to the business environment such as changes in the labour market and employment skills/needs, the availability of various economical training programs and adult education that meet injured worker needs, business needs and the current economy. Risks relating to injured workers include demographics such as age and educational background.
  - Having regard for the findings above, where appropriate identify and assess alternative program design features and delivery mechanisms that best meet the needs of the injured workers and employers of Ontario.
- KPMG conducted the value-for-money audit in accordance with the value-for-money audit standards recommended by the Canadian Comprehensive Auditing Foundation and accordingly included such tests and other procedures as we considered necessary to meet the scope of work requirements

## 1.2 Terms of Reference & Scope

### Terms of Reference Summary

- Provide an opinion as to whether the Labour Market Re-entry (LMR) program is delivering value for money for the WSIB
- Advise on the appropriate program performance measure comparisons for the program
- Assess alternate program design features and delivery mechanisms that could better meet the needs of the injured workers and employers of Ontario

### Scope

- Intended to support the WSIB's Work Re-integration Model Review that includes the LMR program, and assist WSIB with assessment of the LMR program and alignment with *Road To Zero* strategic plan
- Value-for-money audit will include analysis of all program components and activities, the identification and assessment of alternative program design and delivery options against comparative measures and performance of vocational rehabilitation and/or worker re-integration programs
- Due to relatively significant changes in 2006 to the LMR Program, the period covered by the value-for-money audit is calendar years 2007 and 2008

## 1.3 LMR Program History

- In the late 1930's, the Workers' Compensation Board (WCB) established a rehabilitation department in support of its legislative authority to provide rehabilitation services to injured workers. In the following decades the program expanded its range and location of services and increased the number of vocational rehabilitation staff.
- The legislation provided the WCB with broad authority to take whatever measures were deemed appropriate to rehabilitate injured workers. Annual program cost in the 1980's reached \$41 million.
- In 1990, changes were introduced to the *Workers' Compensation Act* that resulted in vocational rehabilitation being highly structured, with prescribed timelines for intervention. Re-employment obligations for employers were introduced, and vocational rehabilitation was provided at the workplace as well as to assist injured workers return to work with a new employer.
- By 1997, the WCB had 450 staff working in vocational rehabilitation. Annual expenditures at that time were approximately \$83 million.
- The program was criticized for being too costly, too bureaucratic, for providing unnecessary services especially to injured workers who returned to work with their injury employer, and for workers not finding jobs following retraining.
- The Bill 99 legislative reform (Workplace Safety Insurance Act, 1997), effective January 1, 1998, introduced a self-reliance model whereby responsibility for return to work shifted to the workplace parties. Under this model, the work re-integration process of returning to work with the injury employer was separated from training to re-enter the labour market. Consistent with the legislative direction, WSIB eliminated vocational rehabilitation positions and outsourced LMR services. The program currently contracts with seven primary service providers (PSP). The PSPs provide assessments, LMR planning, and case management services. The PSPs use a variety of secondary service providers (SSP) - public, not for profit, and private - to deliver education and training programs.

## 1.4 LMR Program Overview

- Section 42 of the *Workplace Safety & Insurance Act (WSIA)* establishes the mandate for the LMR program:
  - To provide a LMR assessment when an injury employer is unable, unwilling or unlikely to provide suitable employment
  - To determine the suitable and available employment or business that will reduce or eliminate loss of earnings that may result from the injury, and decide if an LMR Plan is required to enable the worker to re-enter the labour market in that suitable and available employment or business
  - To pay expenses related to the LMR Plan
  
- Approximately 6,000 injured or ill workers are referred for LMR assessments annually and there are on average approximately 7,000 active LMR cases (in assessment or programs) at any given time
  
- Total expenditure for LMR services was approximately \$160 million in 2008. The percentage breakdown of 2008 expenditures by major expenditure category is provided below:

– Primary Provider Costs:	20.9%
– Education/Training:	48.7%
– Worker Travel:	15.7%
– Assessments:	9.0%
– Supplies/Equipment:	5.1%
– Other:	0.7%

## 1.5 Macro-Environmental Context

There are a number of macro-environmental factors that affect the achievement of LMR program outcomes. The major factors identified as most relevant are as follows:

- **Macro-economic conditions** – e.g., unemployment rate, economic restructuring, changing nature of work and work arrangements
- **Demography** – e.g., aging workforce, special needs of younger injured workers, second language abilities and education levels
- **Cultural Attitudes** – e.g., focus on disability rather than ability, stigmatization of disabled persons
- **Adult Education** – e.g., lack of understanding of learning and development dynamics of disabled persons, provider quality, pace of adjustment to the needs of the disabled, rising costs
- **Health Care** – e.g., increasing prescription for narcotics, increasing rates of mental health and/or psycho-social disabilities, scarcity of occupational health professionals
- **Work Re-integration Profession** – e.g., inconsistent requirement for certification and/or educational standards for the work re-integration professions within Canada
- **Employment Prospects For Disabled** – e.g., systemic barriers and lack of receptivity to the hiring of disabled persons resulting in reduced employment opportunities and earnings potential



## 1.6 Legislative & Policy Framework

The current legislative and policy framework under which the LMR Program operates affects the ability of the Program to achieve its objectives in a variety of ways. For example:

- **Policy Vision & Public Service Delivery Integration** – there is a need for an integrated policy vision with respect to poverty, disability, employment, education and training either nationally or in the Province of Ontario. Workers' compensation benefit levels, generally, are generous in comparison to other disability benefit programs (e.g., CPP, EI, Ontario Disability Support Program), which creates an incentive for workers to remain on WSIB benefits. In addition, this lack of integration can result in WSIB “filling the policy gap” and providing ongoing benefits to workers in circumstances where such workers could be transferred to other disability, employment and/or training programs. There is also a need for integration of existing disability and employment programs and services provided by various Ministries and Agencies of the Government of Ontario. Lack of integration can result in the operation of parallel and/or overlapping programs, and inconsistent levels and quality of services.
- **Workplace Safety & Insurance Act, 1997 (“WSIA”)** – WSIA introduced a “self-reliance model” that placed primary responsibility on the Workplace Parties to enable return-to-work by fulfilling their mutual obligations under the Act – e.g., employer duty to re-employ and cooperate, worker duty to cooperate. The Act introduced a formal, legislative distinction between return-to-work with the injury employer and the provision of planning and retraining for reintegration into the open labour market. The self-reliance model has not resulted in satisfactory employment outcomes for injured workers. It is not clear that under the current legislation, the WSIB could fully implement a leading practice work reintegration program solely through policy change.

## 1.7 Leading Practices

The research conducted for the purposes of the value-for-money audit identified a number of leading practices that other jurisdictions are using to address systemic barriers and enhance work re-integration outcomes. These practices can be categorized into eight major themes:

1. Focus on “ability” rather than “disability”
2. Employer accountability for work re-integration
3. Worker centric work re-integration principles and approaches
4. Worker self-determination
5. Incentive programs for employers to retain or hire injured workers
6. Benefit schemes that remove long-term benefit dependency
7. Enhanced case management approach
8. Professionalization of staff responsible for work re-integration service to injured workers

Please see Appendix B for full descriptions of these practices

## 2.0 SUMMARY VALUE-FOR-MONEY AUDIT OPINION

## 2.1 Summary Value-For-Money Audit Opinion

The vision for a leading practice work reintegration program should be to maintain the employment relationship, wherever possible, between the worker and the injury employer, provide for effective and meaningful input and choice on the part of the worker, and reintegrate workers into safe and sustainable work all within a reasonable cost structure.

The LMR program was reviewed as it is currently designed and against leading practices. The legislation has remained static in a constantly changing environment and evolving work reintegration leading practice. Gaps were identified between current program practices and outcomes as compared to leading practice identified through inter-jurisdictional research and independent studies. These gaps generally relate to one of the following: the governing legislative framework introduced by the WSIA, 1997, in particular the legislative separation of return-to-work from labour market re-entry; the policies and procedures implemented by the WSIB to administer the RTW and LMR Programs; and, the behaviour resulting from the structure of incentives within which these Programs operate. In addition, dissatisfaction with the program was heard from a variety of stakeholders including injured workers, employers, service providers, WSIB management and staff, employer and worker representatives, and labour unions.

While the program does serve to reduce individual injured worker loss of earnings, thus limiting WSIB liabilities, overall the money invested in the program could be better spent since its current design is not optimizing return to work opportunities for injured workers. It is difficult to compare program outcomes to other jurisdictions since the WSIB's differentiation between return to work (RTW ) and LMR is unique. Most jurisdictions measure program costs and employed outcomes for their work re-integration programs as a whole, and do not distinguish between RTW and LMR. In addition, there is no standard methodology used across jurisdictions for assessing work re-integration program performance.

## 2.1 Summary Value-For-Money Audit Opinion (cont'd)

The shortcomings of the program will not be resolved simply by making changes within the current program framework. Many improvements in program administration and accountability were instituted following a 2003 value for money audit and a follow-up review in 2006. Some of the improvements included:

- Established a Program and Provider Performance Management Model which created standards, measures and expected outcomes
- Commenced a competitive bid process for the provision of LMR assessments and plan management services based on newly created standards of quality and accountability of services
- Competitive bid process resulted in new contracts and service level agreements with seven primary providers. This represented an overall reduction of twelve providers from the nineteen that previously had contracts with the WSIB
- New contracts included new accountability measures to improve the consistency and quality of services to be provided and allow the WSIB to “scorecard” each provider’s performance
- Established provider audit and monitoring program which included onsite audits
- Instituted a worker satisfaction survey program to assess the satisfaction levels of injured workers at key intervals in the LMR process
- New procedures were adopted by the WSIB for communicating with injured workers about the role of the adjudicator, the LMR provider and the injured worker in the LMR process

Despite these changes, similar concerns remain. The report’s conclusion is that the design of the program itself requires fundamental change in order for the program to achieve its intended objectives and outcomes.

In order to make fundamental changes, legislation and policy should be enhanced to better align with leading practice and to provide improved clarity and guidance for decision-makers. In addition, a single, comprehensive work re-integration model incorporating the recommendations set out in the following pages should be developed

## 2.2 Recommendations

The vision for a leading practice work reintegration program should be to maintain the employment relationship, wherever possible, between the worker and the injury employer, provide for effective and meaningful input and choice on the part of the worker, and reintegrate workers into safe and sustainable work all within a reasonable cost structure.

The following recommendations are designed to work in combination to address the systemic nature of the Program issues and to move toward work reintegration leading practice by: ensuring that, wherever possible, injured workers return to work with their pre-injury employer; instituting measures that improve quality and cost management with respect to the use of external providers; and increasing the level of worker involvement and choice.

### 1. Integrated Work Re-integration Model

**WSIB should create and implement a single work re-integration model and governance framework based on leading practice, that removes the separation of RTW from LMR. Intended program objectives need to be supported by appropriate legislative, policy and procedural changes, including removing the “bright line” between RTW and LMR. In concert with any necessary legislative change, the WSIB should make substantive changes to its policy and incentive frameworks to ensure that they fully support the achievement of the leading practice outcomes noted above. In addition, the WSIB should acquire the internal expertise to manage the work re-integration program.**

#### **Management Response:**

WSIB agrees with the recommendation and is committed to becoming a leading practice organization in work re-integration and will acquire the expertise to manage the program. The Bill 99 legislative reform, effective January 1, 1998, introduced a self-reliance model whereby responsibility for return to work shifted to the workplace parties. Under this model, the work re-integration process of returning to work with the injury employer was separated from training to re-enter the labour market.

WSIB initiated a Work Re-integration Model Review in December, 2008. The purpose of the model review is to research and propose a more effective approach to the work reintegration of injured/ill workers. WSIB will seek further stakeholder input early in 2010 on which model design options will best meet the needs of injured workers and employers of Ontario. WSIB anticipates that a full model design and implementation plan will be ready in Q2, 2010, with recommendations for implementation timing.

## 2.2 Recommendations (cont'd)

### 2. Employer Accountability

**The WSIB should increase employers' accountability for the retention and accommodation of their injured workers. This includes enforcing re-employment and cooperation requirements, and aligning legislation, policies and incentive programs to increase the proportion of injured workers who return to appropriate employment with the injury employer, and to reduce the number of workers who require training for employment with a new employer.**

#### **Management Response:**

WSIB agrees with the recommendation. Following the release of the *Morneau Sobeco* report on Experience Rating, WSIB is consulting with stakeholders on future changes with its incentive programs to effectively align those programs to the *Road to Zero*. That work will consider the findings of this VFMA. WSIB has implemented a specialized team to adjudicate SIEF requests to ensure consistent adherence to the policy. WSIB will also ensure more effective enforcement of existing re-employment obligations. Additional changes will begin to be introduced in Q1, 2010.

### 3. Cost Management

**WSIB should adopt more aggressive cost containment/cost management strategies to manage program costs, especially those associated with external service delivery. This should include establishing fixed service fees and introducing outcome based performance incentives.**

#### **Management Response:**

WSIB agrees with the recommendation. In the 2005 competitive process for external LMR providers, WSIB strengthened its management control over the providers and negotiated a fee structure based on market value. WSIB has been working closely with the providers to implement cost containment practices specifically targeted at reducing escalating education and training costs, as well as provider administration costs. New service level agreements will include greater provider accountability for quality and cost effective services, including secondary provider services. WSIB will also consider fixed fees and outcome based performance incentives. A new competitive procurement process will be commenced in Q1, 2010.

## 2.2 Recommendations (cont'd)

### 4. Service Quality

**WSIB must strengthen its service quality assurance programs and ensure appropriate oversight. In particular, WSIB should continue to work with the Ministry of Training Colleges and Universities (MTCU), PSPs and SSPs to develop strategies to ensure accountability for quality of service, and assess the relative cost, accessibility and effectiveness of public, not-for-profit, and for-profit SSPs. WSIB also needs to implement improved management oversight and controls over its case-by-case LMR decision-making.**

#### **Management Response:**

WSIB agrees with the recommendation. WSIB will work with the MTCU, PSPs and SSPs to ensure consistent methods to improve the quality of services for injured workers provided by all parties. The new provider contracts will include improved requirements and enhanced monitoring to ensure service quality.

WSIB will assess the relative cost, accessibility and effectiveness of public, not-for-profit, and for-profit SSPs to develop strategies by Q3, 2010 to best meet injured worker needs.

WSIB is currently creating a mechanism for improved management controls over LMR decision-making. A short-term measure will be in place by the end of 2009, with additional oversight to be provided by the recommended new program management expertise by the end of Q4, 2010.

### 5. Worker Input and Choice

**WSIB should develop strategies to provide injured workers with more work re-integration pathways and choice, including alternatives to formal retraining, and opportunities for greater input into vocational options and work re-integration plans. Some options may require legislative change to align with leading practice.**

#### **Management Response:**

WSIB agrees with the recommendation. These strategies will be considered as part of the Work Re-integration Model design expected to be completed by Q2, 2010.



## 2.2 Recommendations (cont'd)

### 6. Complaint Management

**WSIB should create and implement a responsive and independent complaint management system that will enable injured workers to raise concerns as they arise and have them addressed in a timely manner.**

**Management Response:**

WSIB agrees with the recommendation. A formal complaint process that is responsive and independent will be developed and implemented by Q2, 2010.

## **3.0 VALUE-FOR-MONEY AUDIT OF THE LMR PROGRAM**

### **Detailed Observations/Findings**

## 3.1 Economy: Observations/Findings

**Audit Objective:** To assess the extent to which program processes are designed to deliver program objectives economically.

	Observations/Findings	Recommendation
<b>Planning &amp; Administration</b>	<p>In 2006, the WSIB implemented a new Program Framework that sets out the purpose, strategic objectives and operating principles of the LMR program. Except for 2009, annual business plans were prepared identifying specific program improvement initiatives.</p> <p>In December 2008, WSIB initiated a fundamental review of the LMR program (Work Re-integration Model Review) which includes reviewing emerging trends in work re-integration programs and developing optimal program design and delivery options to meet the needs of the injured workers and employers of Ontario. This strategic initiative is currently in progress.</p>	None
<b>Budgeting</b>	<p>The program establishes annual budgetary estimates/objectives with respect to costs associated with external providers of program related services. Actual costs are monitored and reported on a monthly basis, including variance analysis and strategies are developed to reduce costs.</p> <p>For the 2007-08 period, actual program expenses averaged approximately \$156 million. These expenses exceeded projected program expenses by an average of \$7.1 million and the average increase in such expenses was 5.6% as compared to projected increases of 0.6%. The increases were primarily driven by costs associated with education and training delivered by SSP and travel and other costs directly reimbursed to injured workers. WSIB has been working with the PSP to implement cost containment measures e.g., providing direction to PSP with respect to reducing SSP costs, examining strategies to reduce travel costs and shorten LMR Plan durations where appropriate.</p> <p>The program also develops an annual budget for the LMR Provider Management Unit (LMR Unit) , which is also monitored on an ongoing basis over the course of the fiscal year. The program has achieved LMR Unit budgetary objectives with actual spending being lower than budgeted spending in both 2007 &amp; 2008. In addition, LMR Unit budget has been reduced by approximately 10% between 2008 &amp; 2009.</p> <p>Although the WSIB does not directly budget a portion of the case management costs to the LMR program, approximately \$15 million is attributed to these activities in 2009.</p>	<p><b>Recommendation:</b>  <b>WSIB should adopt more aggressive cost containment/cost management strategies to manage program costs, especially those associated with external service delivery. This should include establishing fixed service fees and introducing outcome based performance incentives.</b></p> <p><b>Management Response:</b>            WSIB agrees with the recommendation. In the 2005 competitive process for external LMR providers, WSIB strengthened its management control over the providers and negotiated a fee structure based on market value. WSIB has been working closely with the providers to implement cost containment practices specifically targeted at reducing escalating education and training costs, as well as provider administration costs. New service level agreements will include greater provider accountability for quality and cost effective services, including secondary provider services. WSIB will also consider fixed fees and outcome based performance incentives. A new competitive procurement process will be commenced in Q1, 2010.</p>

## 3.1 Economy: Observations/Findings (cont'd)

**Audit Objective:** To assess the extent to which program processes are designed to deliver program objectives economically.

	Observations/Findings	Recommendation
<b>Cost-Benefit</b>	<p>System performance has been declining in returning injured workers to work and/or restoring pre-injury earnings. The WSIB's analysis shows that the percentage of lost time cases for workers with full or partial wage loss benefits locked in at 72 months post-injury, and payable to age 65, has increased from 1.6% in 1997 (2003 lock-ins) to 3.0% in 2001 (2007 lock-ins) (Schedule 1). The percentage of locked-in cases with full wage loss benefits increased from 35% in 1997 to 43% in 2001. The average percentage of partial wage loss benefits at lock-in has increased from 31% in 1997 to 36% in 2001.</p> <p>Once a LMR Plan is completed, and the worker is employed or determined to be employable, a worker's wage loss benefit is reduced. The program does not actively monitor and report on these "benefit savings" although it is clear the reduction in long-term benefit costs significantly exceeds these LMR program related costs.</p>	<p><b>Recommendation:</b>  <b>WSIB should develop strategies to provide injured workers with more work re-integration pathways and choice, including alternatives to formal retraining, and opportunities for greater input into vocational options and work re-integration plans. Some options may require legislative change to align with leading practice.</b></p> <p><b>Management Response:</b>            WSIB agrees with the recommendation. These strategies will be considered as part of the Work Re-integration Model design expected to be completed by Q2, 2010.</p>
<b>Policies &amp; Procedures</b>	<p>Section 42 of the <i>WSIA</i> sets out the legislative framework for the LMR program. The legislative framework requires the WSIB to arrange for a LMR Plan that reduces or eliminates the loss of earnings that may result from the injury. WSIB has established a range of Operational Policies that guide the implementation of this legislative framework.</p> <p>WSIB has conducted a number of internal reviews that have analyzed the impact of the current policy framework on program outcomes and costs and identified opportunities to provide more clarity in the policies either through policy changes or through additional training. In particular, the current Operational Policy on Determining Suitable and Available Employment or Business, and Earnings places an emphasis on restoring pre-injury earnings that may result in the selection of a LMR Plan that could impact the engagement/commitment of injured workers and ultimately their employment outcomes.</p>	

## 3.1 Economy: Observations/Findings (cont'd)

**Audit Objective:** To assess the extent to which program processes are designed to deliver program objectives economically.

	Observations/Findings	Recommendation
<p><b>Policies &amp; Procedures (cont'd)</b></p>	<p>Current Program processes and procedures do not provide injured workers with sufficient opportunity to provide input into the development of their individual LMR Plan. Recent surveys conducted by the WSIB show that approximately 1 in 4 workers did not agree with their LMR plan. Agreement with the plan is directly correlated with successful plan completion and employment outcomes.</p> <p>We observed additional inconsistencies between the current legislative and policy framework and leading practice. For example:</p> <ul style="list-style-type: none"> <li>▪ No meaningful injured worker input into choice of vocation</li> <li>▪ No self-directed option available with respect to the LMR plan development</li> <li>▪ No alternative to LMR.</li> </ul>	

## 3.2 Efficiency: Observations/Findings

**Audit Objective:** To assess the extent to which program processes result in the efficient administration of the program.

	Observations/Findings	Recommendation
<b>Accountability</b>	<p>The LMR Program Framework establishes formal roles and responsibilities for various program stakeholders (WSIB, PSPs, Injured Workers, Employers &amp; Health Care Providers). In addition, specific roles and responsibilities of the PSPs are defined in the Service Level Agreement between the PSPs and the WSIB. WSIB staff roles are outlined in job descriptions.</p> <p>WSIB requires PSP staff to have certain certifications and designations. While WSIB makes LMR decisions, it has not developed its internal work re-integration expertise. This disparity in expertise results in a lack of shared understanding of good work re-integration practice, and can result in discord between the WSIB and the PSP in the case management decision-making process.</p> <p>WSIB uses an outsourced, multiple service LMR provider model. Currently there is not a comprehensive relationship management strategy amongst WSIB, PSPs and SSPs in place that is directed at achieving program outcomes in a cost effective and efficient manner and identifying continuous improvement opportunities. Such a comprehensive strategy would include the governance, contract management, case management, and continuous improvement frameworks that effectively manage the working relationships between WSIB and service providers.</p>	<p><b>Recommendation:</b>  <b>WSIB must strengthen its service quality assurance programs and ensure appropriate oversight. In particular, WSIB should continue to work with MTCU, PSPs and SSPs to develop strategies to ensure accountability for quality of service, and assess the relative cost, accessibility and effectiveness of public, not-for-profit, and for-profit SSPs. WSIB also needs to implement improved management oversight and controls over its case-by-case LMR decision-making.</b></p> <p><b>Management Response:</b>            WSIB agrees with the recommendation. WSIB will work with the MTCU, PSPs and SSPs to ensure consistent methods to improve the quality of services for injured workers provided by all parties. The new provider contracts will include improved requirements and enhanced monitoring to ensure service quality.</p>
<b>Quality Assurance/ Complaint Management</b>	<p>The LMR Unit is responsible for conducting annual and ad hoc audits that are designed primarily to ensure that PSPs are meeting their contractual obligations. They also assess cost effectiveness, outcomes, quality of service and areas requiring improvement, and review Provider service complaints. The LMR Unit uses a scorecard approach to assess PSP performance.</p> <p>WSIB does not require management level review with respect to key LMR program related decisions made by WSIB Case Managers e.g., Case Managers currently have full authority to make determinations of employability and approval of LMR Plans regardless of cost without subject matter expert review and approval.</p> <p>The WSIB does not directly monitor SSPs. The Service Level Agreement requires PSPs to have quality assurance oversight over SSPs, ensuring that SSPs comply with Ministry of Training Colleges &amp; Universities (MTCU) requirements including appropriate accreditation. However, LMR program management has no direct line of sight into SSP activities.</p>	<p>WSIB will assess the relative cost, accessibility and effectiveness of public, not-for-profit, and for-profit SSPs to develop strategies by Q3, 2010 to best meet injured worker needs.</p> <p>WSIB is currently creating a mechanism for improved management controls over LMR decision-making. A short-term measure will be in place by the end of 2009, with additional oversight to be provided by the recommended new program management expertise by the end of Q4, 2010.</p>

## 3.2 Efficiency: Observations/Findings (cont'd)

**Audit Objective:** To assess the extent to which program processes result in the efficient administration of the program.

	Observations/Findings	Recommendation
<b>Quality Assurance/ Complaint Management (Cont'd)</b>	<p>Media and stakeholder groups have been critical of the program with the potential to negatively affect WSIB's reputation. One of the key reputation risks has arisen from the perception of the quality of the services provided by private training and educational institutions.</p> <p>Stakeholders (both employer and injured worker) indicated a preference for SSPs within the public education system (e.g., community colleges) largely due to brand recognition, perception of more consistent service delivery quality, and formal channels for complaint management and dispute resolution.</p> <p>In addition, a risk was identified by various stakeholders that injured workers are reluctant to raise issues due to their perceptions of potential adverse affects to their benefits and/or continued program participation.</p>	<p><b>Recommendation:</b>  <b>WSIB should create and implement a responsive and independent complaint management system that will enable injured workers to raise concerns as they arise and have them addressed in a timely manner.</b></p> <p><b>Management Response:</b>            WSIB agrees with the recommendation. A formal complaint process that is responsive and independent will be developed and implemented by Q2, 2010.</p>
<b>Continuous Improvement</b>	<p>WSIB implemented a variety of program changes based on the findings of the 2003 value-for-money audit conducted on the program. Changes included development of specific strategic objectives, clarification of roles and responsibilities, introduction of a competitive process to select PSPs, increased oversight of PSPs through improved audit and performance reporting, and measures to monitor and contain PSP costs.</p> <p>As noted earlier, WSIB is currently conducting a review of the program to identify broader opportunities to improve the program, including revision to the current legislative and policy framework. In addition, as part of this review, WSIB has been working with the MTCU to identify opportunities for WSIB to leverage their retraining services and programs and/or better coordinate worker reintegration service delivery such as the apprenticeship program.</p>	None

## 3.3 Effectiveness: Observations/Findings

**Audit Objective:** To assess the extent to which program processes result in achievement of program objectives.

	Observations/Findings	Recommendation
<p><b>Performance Goals &amp; Metrics</b></p>	<p>Two principal outcomes have been established for the LMR program: 1) Employment Outcomes - injured/ill workers are employed in suitable work that eliminates their loss of earnings; 2) Program Participant Satisfaction – injured/ill workers are satisfied with the LMR services received.</p> <p><b>Employment Outcomes</b> Over the 2007-08 period, approximately 40% of program participants who completed an LMR Plan were employed at one month post-Plan closure and almost 50% were employed at 18 months post-Plan closure. Surveys indicate that close to 70% of those who complete LMR Plans had been employed at some point at 18 months post-Plan closure. Program outcomes in this respect are generally consistent with overall employment rates for disabled persons in Canada (approximately 50%). Including the number of permanently impaired workers who return to the pre-injury employer, WSIB return to work rates would exceed the general employment rate for disabled persons in Canada. The program does not consistently track the restoration of pre-injury income for injured workers who complete an LMR Plan. Recent surveys show that 18 months post-Plan closure, 67% of workers are earning lower wages than their pre-injury job, 7% are earning the same salary, and 26% are earning higher wages than their pre-injury job. A statistical portrait of the program is contained in Appendix A.</p> <p><b>Employer Incentives:</b> The WSIB is currently not optimizing the potential of injured/ill workers to return to work with their injury employer.</p> <p>Current WSIB incentives to promote early and safe return to work with injury employers may actually be contributing to a disproportionate number of workers being referred for LMR services. Feedback indicated that employers are incented to retain injured workers until the experience rating window closes (e.g. NEER-rated employers - 3 years) at which time, such workers can then be referred to LMR with no experience rating consequences to the employer.</p> <p>The Second Injury Enhancement Fund (SIEF) provides rebates to employers based on pre-existing conditions or conditions that exacerbate the work injury. Over the 2007-2008 period SIEF had been granted in 48% of LMR referrals. The SIEF relief reduces the costs to employers of their injured workers entering LMR. For LMR cases, the average SIEF relief was 66% of the 2007-2008 period.</p>	<p><b>Recommendation:</b> <b>The WSIB should increase employers' accountability for the retention and accommodation of their injured workers. This includes enforcing re-employment and cooperation requirements, and aligning legislation, policies and incentive programs to increase the proportion of injured workers who return to appropriate employment with the injury employer, and to reduce the number of workers who require training for employment with a new employer.</b></p> <p><b>Management Response:</b> WSIB agrees with the recommendation. Following the release of the <i>Morneau Sobeco</i> report on Experience Rating, WSIB is consulting with stakeholders on future changes with its incentive programs to effectively align those programs to the <i>Road to Zero</i>. That work will consider the findings of this VFMA. WSIB has implemented a specialized team to adjudicate SIEF requests to ensure consistent adherence to the policy. WSIB will also ensure more effective enforcement of existing re-employment obligations. Additional changes will begin to be introduced in Q1, 2010.</p>



## 3.3 Effectiveness: Observations/Findings (cont'd)

**Audit Objective:** To assess the extent to which program processes result in achievement of program objectives.

	Observations/Findings	Recommendation
<p><b>Performance Goals &amp; Metrics</b></p>	<p>Although RTW results have been declining, and more workers are receiving long-term LOE benefits than ever before, Experience Rating programs have continued to pay out net rebates to employers. This appears counter-intuitive and suggests a clear disconnect between reward and performance and an obvious design flaw in the Experience Rating system.</p> <p>There are legislated obligations on larger employers to re-employ workers. Approximately 77% of workers entering the LMR Program over the 2007-08 period have such legislative re-employment rights. In addition, information indicates that the WSIB has not utilized its enforcement powers with respect to re-employment, potentially resulting in missed opportunities for work re-integration with the injury employer, and few employer penalties being levied. Greater employer compliance with re-employment obligations and increased WSIB enforcement of these obligations could result in a reduction in the number of workers requiring LMR services.</p> <p>The WSIB has drafted an employer co-operation policy which was the subject of extensive stakeholder consultation, and is currently working on an implementation plan. This draft policy should become part of an integrated work re-integration policy framework.</p> <p><b>Program Participant Satisfaction</b> WSIB conducts regular surveys of injured workers following completion of LMR assessment, one-month, six-months, and 18-months post closure. For both 2007 and 2008, participants' satisfaction rate with LMR services, surveyed at one-month post closure, was 3.5 out of 5, where 1 means very dissatisfied and 5 means very satisfied.</p> <p><b>Performance Measurement and Reporting</b> The <i>WSIA</i> and program design distinguishes between RTW with the injury employer and LMR. This two-stream work re-integration model is not common practice in other jurisdictions. As a result, direct comparisons of program outcomes to other jurisdictions are difficult as they most often include overall return to work outcomes.</p>	<p><b>Recommendation:</b> <b>WSIB should create and implement a single work re-integration model and governance framework based on leading practice, that removes the separation of RTW from LMR. Intended program objectives need to be supported by appropriate legislative, policy and procedural changes, including removing the "bright line" between RTW and LMR. In concert with any necessary legislative change, the WSIB should make substantive changes to its policy and incentive frameworks to ensure that they fully support the achievement of the leading practice outcomes. In addition, the WSIB should acquire the internal expertise to manage the work re-integration program.</b></p> <p><b>Management Response:</b> WSIB agrees with the recommendation and is committed to becoming a leading practice organization in work re-integration. Bill 99 legislative reform, effective January 1, 1998, introduced the self-reliance model whereby the responsibility for return to work shifted to the workplace parties. Under this model, the work re-integration process of returning to work with the injury employer was separated from training to re-enter the labour market.</p> <p>WSIB initiated a Work Re-integration Model Review in December, 2008. The purpose of the model review is to research and propose a more effective approach to the work re-integration of injured/ill workers. WSIB will seek further stakeholder input early in 2010 on which model design options will best meet the needs of injured workers and employers of Ontario. WSIB anticipates that a full model design and implementation plan will be ready in Q2, 2010, with recommendations for implementation timing.</p>

## 3.3 Effectiveness: Observations/Findings

**Audit Objective:** To assess the extent to which program processes result in achievement of program objectives.

	Observations/Findings	Recommendation
<b>Performance Goals &amp; Metrics</b>	<p>Performance measures are being developed as part of the organizational rollout of the New Service Delivery Model (NSDM), and the <i>Road To Zero</i> objective to improve return to work/health recovery outcomes.</p> <p>Currently, PSPs are required to provide monthly performance reports. Performance measures related to LMR Provider performance expectations, including customer satisfaction are detailed in the Service Level Agreement between the PSPs and WSIB. The PSPs are assessed quarterly with respect to their overall performance expectations with the exception of the customer satisfaction survey results which are compiled annually.</p> <p><b>Referral Time for LMR Services</b></p> <p>Leading practice suggests that the likelihood of a successful return to work outcome drops significantly with the length of time off work. Currently workers are referred for LMR services on average 21 months following their injury, and the average length of time of an LMR Plan is 20 months.</p> <p>Steps have been taken in the implementation of the NSDM to improve employment outcomes by increasing focus on work re-integration with the injury employer, and by considering referrals for LMR services at six months post-injury or earlier.</p>	
<b>Alignment</b>	<p>Program objectives are designed to support all four strategic fundamentals, Service Excellence, Health and Safety, Organizational Excellence and Financial Sustainability.</p>	None



# **APPENDIX A: LMR PROGRAM STATISTICAL PORTRAIT**

# LMR Program Statistical Portrait

The following tables set out a variety of program outcome measures and external program costs for 2007-08:

**Table 1: Program Outcomes**

Program Outcome Measure	2007	2008	% Change
Duration in Days To LMR Referral	584	640	+ 9.6%
LMR Plans Developed as % of Referrals	86.6%	89.1%	+ 2.9%
Workers determined to be Unemployable as % of Referrals	12.3%	9.9%	-19.5%
Employed (@1month post-Program closure) as % of Completed LMR Plans	41.0%	41.1%	+ 0.2%
Employed (@ 18 months post-Program closure) as % of Completed LMR Plans	53.0%	48.0%	- 9.4%
Percentage of workers employed in the 18 month period following LMR Plan completion as a % of completed LMR Plans	69.0%	69.0%	0%

**Table 2: External Program Costs**

External Program Costs (\$M)	2007	2008	% Change
Primary Provider Case Management Service Costs	\$ 33.4	\$ 33.5	+ 0.3%
Secondary Service Costs (education/upgrading, training, job search)	\$ 71.4	\$ 78.1	+9.4%
Worker Costs (supplies & equipment, travel, support)	\$ 32.4	\$ 34.4	+ 6.2 %
Assessments & Evaluations	\$ 14.6	\$ 14.3	-2.1%
<b>Total External Program Costs</b>	<b>\$151.8</b>	<b>\$160.3</b>	<b>+ 5.6%</b>



## **APPENDIX B: WORK RE-INTEGRATION LEADING PRACTICES**

# Leading Practices: Overview

## Approach & Scope

- A comparative review was conducted of vocational rehabilitation/work re-integration programs, which are provided by a variety of organizations, including worker compensation organizations, across the various jurisdictions reviewed.
- The review was designed to identify the application of emerging leading practice principles in these jurisdictions
- Jurisdictions reviewed included other Canadian provinces, selected US and Australian states, and a number of national programs (e.g., Switzerland, New Zealand, Netherlands)
- Inter-jurisdictional research has supplemented by commentary from internal WSIB resources and various external stakeholder groups

## Research Activities

- The engagement team conducted a number of research activities:
  - Review of publicly available program documentation
  - Discussions with program representatives
  - Review of leading practice research conducted by the Organization for Economic Cooperation & Development (OECD) and International Labour Organization (ILO)
  - Discussions with various researchers from the Institute for Work & Health and other academic and research organizations

# Leading Practices: Key Observations

## Key Observations

- Throughout the developed world there is a trend towards experimenting with new approaches in system, program, and intervention design to improve work re-integration outcomes. Several jurisdictions undergo regular legislative and program reforms aimed at improving work re-integration.
- Quite simply, policy matters. When institutional reform is aligned to policy objectives, and with adequate tools and instruments to achieve the objectives, outcomes can improve.
- Across jurisdictions there are several common themes in system, program and service reform that constitute leading practices.

# Leading Practices: Findings

Leading Practice	Description	Key Attributes	Jurisdictional Examples
<p><b>Focus on “Ability” Rather Than “Disability”</b></p>	<p>Involves a fundamental rethinking of the concept of disability and the reintegration of disabled persons into the workforce, including de-coupling the concepts of “disabled” and “unable to work”; demedicalizing labour market re-entry by recognizing the fundamental role of environmental barriers as opposed to impairment; and, “mainstreaming” – i.e., serving disabled persons work reintegration needs with the same services utilized by the general unemployed worker population</p>	<p>Focus on worker’s ability rather than disability, and prevent work disability</p> <p>Recognizing and activating partial work capacity</p> <p>Overcoming the reliance on medical solutions for non-medical work reintegration barriers</p> <p>Serving disabled persons’ work reintegration needs such as assessment, planning, training and placement support with the same services utilized by the general unemployed worker population to reduce duplication and reduce injured worker stigma</p>	<p>A variety of jurisdictions have moved in the direction of demedicalizing the assessment of disability through introduction of two-step disability assessment focused on both medical and environmental/vocational barriers to work reintegration</p> <p>A number of jurisdictions are moving in the direction of integrated service delivery with respect to the provision of work reintegration – i.e., services provided to both disabled and general unemployed</p>
<p><b>Employer Accountability for Work Re-integration</b></p>	<p>Increases employer responsibilities with respect to the reintegration of disabled workers through variety of methods</p> <p>Disability Management Programs have a return on investment for both employers and insurers, and provide workers with a sound RTW process</p>	<p>Increasing and enforcing employer responsibilities with respect to the timely and sustainable re-integration of their injured workers</p> <p>Requirements for employers to implement workplace disability management programs, return to work co-ordination, and mandatory RTW planning</p>	<p>Variety of European and Australian jurisdictions require employers to pay disabled worker salaries for various periods of time, have implemented re-employment obligations, require employers to have disability management programs, and/or have lengthened the period of liability for employee in premium calculations</p>



## Leading Practices: Findings (cont'd)

Leading Practice	Description	Key Attributes	Jurisdictional Examples
<b>Worker-Centric Work Re-integration Principles and Approaches</b>	<p>Emphasizes client outcomes as opposed to benefits management and focuses on assessment and planning with respect to work re-integration that is completed by a multi-disciplinary case management team, takes into account the individual needs and barriers experienced by the disabled person and rejects "one-size-fits-all" approaches to work re-integration pathways. Particular areas of focus are often on the specialized needs of both older and younger workers, although age is not considered the only delineating factor</p>	<p>Individualized approach for work reintegration taking into account individual needs and barriers</p> <p>Emphasized client outcomes versus benefit management</p> <p>Robust and flexible portfolio of work re-integration pathways e.g. part-time work first to build full-time work capacity, training on the job, e-learning</p>	<p>Variety of jurisdictions have moved in this direction particularly with respect to the provision of multiple avenues for work re-integration (e.g., part-time work options, use of apprenticeship programs, ability to move on and off-benefit in lock-step with employment outcomes, conducting on-the-job training as opposed to formal retraining)</p>
<b>Worker Self-Determination</b>	<p>Provides disabled person with meaningful involvement in the development of a VR Plan, including the option to develop an individual (self-directed) plan</p>	<p>Increased injured worker control over the choice of vocation</p> <p>Increased injured worker control over resources required to complete the plan</p> <p>Option for a self directed plan or lump sum in lieu of a plan</p>	<p>State of Washington provides injured worker referred for vocational rehabilitation with option to develop a self-directed VR Plan with capped funding provided. Several jurisdictions (including Alberta) provide opportunity for injured worker to select his or her own service provider. In a limited number of jurisdictions injured workers are allowed to opt out of vocational rehabilitation in return for a lump sum claim settlement</p> <p>Netherlands provides individuals with support to develop own plan, with capped funding, which is approved by a third party</p>

## Leading Practices: Findings (cont'd)

Leading Practice	Description	Key Attributes	Jurisdictional Examples
<b>Employer Incentives to Retain or Hire Injured Workers</b>	Involves the use of financial incentives (e.g., premium adjustments, wage subsidies) to encourage employers to retain and employ disabled workers with careful calibration required to ensure that sustainable jobs and/or relevant work experience are provided through the programs	Using financial incentives to encourage employers to retain and employ injured workers	Virtually all jurisdictions have some type of financial incentive program in place – including other major Canadian jurisdictions (e.g., British Columbia, Alberta, Quebec)
<b>Benefit Schemes that Remove Long-Term Benefit Dependency</b>	Involves the use of benefit scheme adjustments to discourage use of disability benefit as a path to early retirement and to incent work re-integration	<p>It is well established that benefit design has a major impact on return to work outcomes</p> <p>Limits on duration and cost of vocational rehabilitation services</p> <p>Lower or step down benefits to reduce work disincentives</p>	Variety of jurisdictions, especially in Europe and Australia, have adopted benefit scheme adjustments. These adjustments generally involve features such as a step-down in benefits payable over time, reducing benefits level to reduce work disincentives, providing varying benefit levels depending on loss of earnings capacity and classifying disabled workers with significant but not necessarily full work capacity as regular unemployed with transfer to general unemployment scheme or benefit reduction to match unemployment benefit

## Leading Practices: Findings (cont'd)

Leading Practice	Description	Key Attributes	Jurisdictional Examples
<p><b>Enhanced Case Management Process</b></p>	<p>Involves implementing case management process that includes key features such as: ongoing communication amongst case manager and workplace parties, early intervention, comprehensive case assessment and triaging and implementation of formal case management timelines and benchmarks</p>	<p>Create a culture of mutual obligations between the workplace parties</p> <p>Avoid long term dependency on the benefit system through pro-active case management with vocational rehabilitation expertise</p> <p>Robust return-to-work support for the workplace parties</p>	<p>Switzerland introduced a new case management model that is heavily focused on early assessment of cases and streaming of cases into complex and non-complex categories with complex cases assigned to a multi-disciplinary case team</p> <p>A variety of jurisdictions have introduced formal timelines around case management activities –for example, Alberta requires development of a RTW plan within 60-90 days of injury where an injured worker has not returned to pre-injury employer and British Columbia requires case file to be referred to internal vocational rehabilitation specialist within 12 weeks of injury</p>

## Leading Practices: Findings (cont'd)

Leading Practice	Description	Key Attributes	Jurisdictional Examples
<p><b>Professionalization of Staff Responsible for Work Re-integration Service to Injured Workers</b></p>	<p>Focus on professionalizing and improving training of staff with responsibilities for providing service to disabled workers – e.g., claims case managers and vocational rehabilitation specialists – up to and including developing formal professional certification and/or degree programs</p> <p>Additional focus is on the development of specialized work re-integration strategies and resources for various categories of disabled workers – e.g., older and younger workers</p>	<p>Creation and achievement of professional standards, credentials and certifications for work re-integration professionals (vocational rehabilitation, disability management and return to work)</p> <p>Requirement for staff and service providers to hold these credentials</p> <p>Requirement for continuing professional education and training</p>	<p>Germany currently requires their employees to obtain relevant credentials. Australia has developed a specialized personal injury management program to educate workers compensation and insurance staff on a range of system design and disability management topics. Switzerland placed heavy emphasis on the professionalization of its case managers as part of the introduction of its revised case management model</p>



## **APPENDIX C: STAKEHOLDER INPUT THEMES**

# Stakeholder Input Themes

KPMG conducted a variety of activities to solicit stakeholder input including formal workshops and interviews with representatives from the following stakeholder groups:

- Employers and employer representative groups
- Injured workers and injured worker organizations
- Primary Service Providers
- Secondary Service Providers
- Research organizations
- WSIB management and staff

The following key themes were identified over the course of the stakeholder workshops and interviews:

- **Appropriateness of LMR Plans & Quality of Secondary Service Providers:** Concerns were raised by various stakeholders that the programs being completed were not consistent with worker needs (e.g., would not result in employment upon completion) and that the quality of secondary service providers was uneven particularly in terms of teaching and facilities
- **Unrealistic Employment and Pre-injury Income Restoration Expectations:** Almost all stakeholder groups indicated that expectations with respect to Program outcomes need to be lowered – i.e., it is not realistic to expect that all injured workers will return to full time work, especially given the considerable length of time between the injury and the completion of the LMR plan. The low prospects for program participant to return to full-time work and diminished earning capacity contributes to unrealistic income restoration expectations
- **Vocational Rehabilitation:** Concerns were raised by various stakeholders that, although all parties were acting in good faith, the professional qualifications and abilities of WSIB and PSP staff were uneven. This issue was exacerbated by turnover of staff at the PSPs and transfer of files at the WSIB. In addition, stakeholders indicated that the current strategies and practices at the WSIB and the PSPs are not aligned
- **Lack of Interaction & Communication:** The majority of stakeholder groups indicated that there was insufficient interaction and communication amongst the various involved parties both at the individual case and system-wide levels. The program lacks a comprehensive partnering strategy to achieve program objectives, identify opportunities for continuous improvement and provide for consistent dispute resolution
- **Emphasis on Cost Not Outcomes:** Most stakeholders agreed that, particularly in recent years, there has been an increased emphasis on managing program related costs potentially to the detriment of program vocation rehabilitation outcomes
- **Incentives:** Almost all stakeholder groups identified issues with incentives for employers, service providers, and workers (e.g., experience rating, fee for service payment structure, wage loss benefit levels) and indicated that as designed they were not supporting the full achievement of program objectives
- **Worker Input:** A variety of stakeholders indicated that current program processes did not provide sufficient or appropriate opportunity for workers to provide meaningful input into their individual plan