

Annual Report

Fiscal Year 2015-16
(JULY 1, 2015 - JUNE 30, 2016)



Industrial Commission

LETTER FROM THE CHAIRMAN



On behalf of the North Carolina Industrial Commission, it is my pleasure to issue this Annual Report for Fiscal Year 2015-2016.

The Industrial Commission was established in 1929 to administer the North Carolina Workers' Compensation Act. In 1949, the Industrial Commission was also given authority by the General Assembly to administer the North Carolina State Tort Claims Act.

Additionally, the Industrial Commission is charged with administering the Law-Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act, the Childhood Vaccine-Related Injury Compensation Program, and Compensation to Persons Erroneously Convicted of Felonies. The Industrial Commission also administered claims under the Eugenics Asexualization and Sterilization Compensation Program.

In terms of our quasi-judicial responsibilities, it is the Industrial Commission's goal to effect justice through well-reasoned decisions, firmly grounded in the law. Regarding our administrative responsibilities, my mission is to ensure this Commission is a good steward of the resources entrusted to us, while providing outstanding customer service.

The past several years have seen profound change and reform for the workers' compensation system of our State. We are now witnessing the results of these efforts, and it is my fervent hope as we move forward that the Industrial Commission is a model of efficiency and fairness for all state government.

Charlton L. Allen
Chairman
North Carolina Industrial Commission

NORTH CAROLINA INDUSTRIAL COMMISSION

Charlton L. Allen, Chairman

Bernadine S. Ballance, Commissioner
Linda Cheatham, Commissioner
Bill Daughtridge, Jr., Commissioner

Christopher C. Loutit, Commissioner
Tammy Nance, Commissioner

Matthew McCall, Chief Operating Officer
Meredith R. Henderson, Executive Secretary
William W. "Bill" Peaslee, Chief Deputy Commissioner
Emily Baucom, Clerk of the Industrial Commission
Bryan A. Strickland, Director of Compliance and Fraud Investigation
Bradley Hicks, Director of Employee Classification
Grant Pair, Chief Information Officer

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North Carolina Industrial Commission – At a Glance Report for FY 2015-16 (JULY 1, 2015 – JUNE 30, 2016)

Workers' Compensation Claims Filed	69,286
Orders Issued on Medical Motions	2,731 ¹
Deputy Commissioner Workers' Compensation and Tort Hearings Held	1,305 ²
Penalty and Contempt Matters Resolved at the Deputy Commission Level	493
Cases Appealed to the Full Commission	432 ³
Cases Referred to Mediation	9,613
Orders on Compromise Settlement Agreements	12,050
Mediation Settlement Rate	73%
<i>Form 26A Employer's Admission of Employee's Right to Permanent Partial Disability Agreements received</i>	6,588
<i>Orders filed on Forms 24 Application to Terminate or Suspend Payment Of Compensation</i>	1,779
<i>Orders filed on Forms 23 Application to Reinstate Payment of Disability Compensation</i>	238
Cases Handled by the Medical Rehabilitation Nurses Section	192
Medical Bills Reviewed	1,370
Individuals trained at Industrial Commission's Safety Education Courses	3,000
Fraud Cases Reported	1,855
Penalties Collected	\$1,763,049

¹ Includes medical motions filed with the Deputy Commissioner Section and the Executive Secretary. Pursuant to N.C. Gen. Stat. § 97-78(g)(2), all of the medical motions filed were ruled upon within the statutory time frame.

² Does not include Expedited Medical Motion hearings, Eugenics claims, or Penalty and Contempt hearings.

³ Includes Workers' Compensation cases, Tort Claims, Medical Motions, etc.

THE NORTH CAROLINA INDUSTRIAL COMMISSION

Mission Statement

The employees of the North Carolina Industrial Commission are committed to providing excellent customer service through the efficient administration of claims, facilitation of dispute resolution, fair and impartial adjudication of contested cases, careful application of the law, and prompt and courteous responsiveness to all stakeholders.

About the Commission

The North Carolina Industrial Commission is an agency of the State of North Carolina, created by the General Assembly in 1929 to administer the North Carolina Workers' Compensation Act. In 1949, the Industrial Commission was also given authority by the General Assembly to administer the Tort Claims Act. Additionally, the Industrial Commission is charged with efficiently administering the Law Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act; the Childhood Vaccine-Related Injury Compensation Program; claims under N.C. Gen. Stat. § 148-82 *et seq.* for Compensation to Persons Erroneously Convicted of Felonies; and the Eugenics Asexualization and Sterilization Compensation Program.

The Full Commission consists of six Commissioners who are required by statute to devote their entire time to the duties of the Industrial Commission. The Commissioners are appointed by the Governor for staggered six-year terms, and confirmed by the General Assembly. No more than three of the Commissioners can be representatives of employers and no more than three can be representatives of employees.

The Commissioners sit in panels of three to review appeals from decisions made by Deputy Commissioners located throughout the state to hear workers' compensation and tort claims cases. The Full Commission is the ultimate fact-finding body of the Industrial Commission and, therefore, only the findings of the Commissioners and not those of the Deputy Commissioners are deemed conclusive on appeal to the higher courts, if supported by the evidence.

Full Commission Section Summary for FY 2015-16

Appeals in Workers' Compensation and Tort Claims	404
Medical Motion Appeals	28
Total Appeals to Full Commission	432

Management and Operations

The Chairman of the Full Commission is, by statute, the Chief Executive Officer and Chief Judicial Officer of the Industrial Commission. The Chairman has the authority to direct and oversee the Industrial Commission and may delegate duties as needed for proper management of the Industrial Commission.

Major Activities and Initiatives

Strategic Geographic Relocation

In an effort to improve customer service and efficiency, the Industrial Commission recently opened regional offices in five strategic locations throughout the state. Previously, all Deputy Commissioners were based in Raleigh and traveled extensively across the state to local hearing locations several times a month. The Industrial Commission now maintains dedicated regional offices in Asheville, Charlotte, Elizabethtown, Greenville, and Winston-Salem. Each new regional office has at least two Deputy Commissioners, a legal assistant, and a fraud investigator. In addition, the Raleigh office continues to operate with eight deputy commissioners who hear both routine and specialized cases in the Raleigh area, as well as statewide cases for non-insured matters. This reorganization has reduced travel costs and provided greater access to hearing facilities, and enhanced customer service at the local level.

Opening of the Clerk's Office

The Industrial Commission implemented its first phase of transitioning to an electronic filing system over the course of FY 2015-16. On February 1, 2016, the Industrial Commission's electronic filing rules went into effect. Rule 04 NCAC 10A .0108 was adopted to set forth the manner in which each document type must be filed with the Industrial Commission. As a result of extensive programming efforts, the Industrial Commission was able to accept 29 document types through its Electronic Document Filing Portal ("EDFP"). The Industrial Commission simultaneously undertook the creation of streamlined email addresses for other document types that could not yet be filed via EDFP. Providing clear direction on the method of electronic filing required for each document has increased efficiency for outside stakeholders and saved time and resources internally at the Industrial Commission. In order to maximize these gains in efficiency, the Industrial Commission is working diligently to propose a new rule for the second phase of electronic filing, which will expand the scope of documents filed via EDFP and will provide specific guidelines for filing all types of documents with the Industrial Commission.

Drug Formulary Report

In Section 15.13A of Session Law 2015-241, the General Assembly tasked the Industrial Commission with studying the implementation of a drug formulary in workers' compensation claims filed by State employees. The study focused on four considerations:

1. The pharmacy-related expenses incurred by the State on an annual basis in workers' compensation claims;
2. The projected savings that would result from the implementation of a drug formulary in workers' compensation claims;
3. Whether the use of a drug formulary would result in the more efficient delivery of medications, provide workers with reasonable and necessary care, and provide a disincentive for health care providers to utilize costly name brand drugs and habit-forming opioids and narcotics; and
4. The adoption of an appeals process that would allow health care providers and injured workers to seek approval for the use of drugs that are not on the formulary's approved list.

The Industrial Commission engaged the Workers' Compensation Research Institute to conduct a data analysis of the potential impact of a Texas-like drug formulary as applied to the North Carolina workers' compensation system. The Industrial Commission submitted its report of findings and recommendations to the General Assembly on April 1, 2016. Based on the encouraging results,

which suggest that a drug formulary could be beneficial for State employee claims as well as the entire North Carolina workers' compensation system, the Industrial Commission is continuing to study the potential implementation of a drug formulary.

Eugenics Compensation Claims

Session Law 2013-360 tasked the Industrial Commission with determining claimants' eligibility for compensation under the Eugenics Asexualization and Sterilization Compensation Program. Under the law, the Full Commission is responsible for reviewing appeals from determinations of eligibility made by Deputy Commissioners. During FY 2014-15, the Full Commission reviewed appeals and issued decisions in claims for compensation for asexualization or sterilization and collaborated with representatives of the North Carolina Court of Appeals to develop a procedure for claimants to appeal eligibility determinations made by the Full Commission to the North Carolina Court of Appeals. In FY 2015-16, several claimants appealed from the Full Commission decisions in their respective cases and those cases are before the appellate courts at this time.

Notable Legislation

Senate Bill 124, Session Law 2016-100

- Amends N.C. Gen. Stat. § 97-80(h) to assist the Industrial Commission in enforcing its orders by clarifying how the Industrial Commission is to refer matters of indirect criminal contempt to the District Court.
- Outlines the procedure for the Industrial Commission to follow when initiating plenary proceedings for indirect criminal contempt in District Court.
- Ratified by the General Assembly on July 1, 2016, and signed into law by Governor McCrory on July 18, 2016. Takes effect on October 1, 2016.

Senate Joint Resolution 750, House Joint Resolution 980, and House Joint Resolution 978

- The General Assembly confirmed the appointment of Christopher Loutit to a term as a Commissioner on the Industrial Commission. Commissioner Loutit was sworn in on May 11, 2016, and will serve until April 30, 2021.
- Commissioner Linda Cheatham was confirmed in her re-appointment to a second term as a Commissioner on the Industrial Commission. Commissioner Cheatham has served as a Commissioner since July 2010. Commissioner Cheatham's new term began on July 1, 2016 and will expire on June 30, 2022.
- Former Secretary of Administration William (Bill) Daughtridge, Jr., was appointed as a Commissioner on the Industrial Commission filling the vacancy created when former Chairman Andrew Heath was appointed State Budget Director. The General Assembly confirmed Commissioner Daughtridge's emergency appointment, which began February 18, 2016 and expires April 30, 2019.

Section 15.13B of Session Law 2015-241

- Amends N.C. Gen. Stat. § 97-26.2 to provide clarifications and further restrictions regarding physician dispensing of medications. The General Assembly first enacted N.C. Gen. Stat. § 97-26.2 in the 2014 legislative session.

Rulemaking Update

On September 15, 2015, the Rules Review Commission published the Industrial Commission's proposed electronic filing rules in the North Carolina Register. Following a public hearing on October 20, 2015, the Industrial Commission adopted the rules without changes and filed them with the Rules Review Commission on November 20, 2015. The Rules Review Commission approved the ten rules adopted by the Industrial Commission at its December 17, 2015 meeting. One rule went into effect on January 1, 2016, and nine went into effect on February 1, 2016.

On January 29, 2016, the Industrial Commission received a Petition for Rulemaking from Surgical Care Affiliates, LLC, seeking to amend Rule 04 NCAC 10J .0103. Pursuant to N.C. Gen. Stat. § 150B-20(b), the Industrial Commission has 120 days to consider whether to grant or deny a petition for rulemaking. The Industrial Commission undertook a thorough evaluation of the request. On May 27, 2016, the Industrial Commission issued a decision denying the Petition and providing its reasons for the denial.

Recommendations

The following legislative recommendations are provided in accordance with N.C. Gen. Stat. § 97-78(e):

- As referenced hereinabove, the Industrial Commission recommends that the General Assembly consider legislation promoting the adoption of a drug formulary and related treatment guidelines pursuant to N.C. Gen. Stat. § 97-25.4 that would provide a fiscal note waiver for the related rulemaking procedures. This recommendation follows the Industrial Commission's study report, published on April 1, 2016.
- Through the establishment of an Opioid Task Force, the Industrial Commission will consider possible solutions to the problems that arise from the intersection of workers' compensation injuries and the opioid epidemic. The Industrial Commission may make additional proposals or recommendations to the General Assembly in FY 2016-17 for legislation to address these issues.
- Based on the difficult experiences of the Industrial Commission's fraud investigators, who are sworn law enforcement officers, the Industrial Commission recommends that the General Assembly adopt legislation clarifying the territorial and statutory authority of the Commission's Fraud and Compliance officers. The fraud investigators need statewide jurisdiction and full law enforcement authority in order to safely and effectively carry out their investigations and other duties.
- The Industrial Commission requests that the General Assembly modify the Deputy Commissioner salary structure set by N.C. Gen. Stat. § 97-79(b3) to conform to the terms of office. The current statutory formula for Deputy Commissioner salaries was instituted prior to the legislative change converting these offices to terms of six years, with a limit on the number of terms that may be served. Further, the Commission requests a statutory pay increase for a Deputy Commissioner serving as the Chairman's designated liaison for a regional office.
- The Commission seeks legislative authority to implement a new case management system. Our current case management system is several decades old and was originally designed to track the case status of workers' compensation cases when the Commission relied on a paper filing system. The current system is cumbersome, does not interface well with other software programs, and its search functions are limited. Further, it is very difficult to find programmers who can manage it. In essence, a modern case management system would help the Commission provide better and more efficient customer service, in a more secure manner.

- The Commission encourages the General Assembly to consider legislative efforts combating Employee Misclassification.
- The Industrial Commission recommends that the General Assembly adopt legislation clarifying Section 33.(a) of Session Law 2013-410 to indicate that the General Assembly intended for the Industrial Commission to revise its entire schedule of maximum fees for medical compensation, including fees for all types of health care providers and services, to create a fee schedule based on applicable Medicare payment methodologies and any other appropriate payment structures. The recommended legislation should also clarify that Section 33.(a)(3) was intended to apply to rules proposed and adopted in relation to fees for all types of health care providers.
- The Industrial Commission recommends that the General Assembly adopt legislation amending N.C. Gen. Stat. § 97-84 to clarify that, when the initial deputy commissioner assigned to a case leaves the Industrial Commission prior to the full adjudication of the pending matter, a second deputy commissioner may take over that matter and proceed to a complete determination and file a written opinion. This will ensure a timely resolution of the issues and avoid duplicative hearings when the initial deputy commissioner leaves the Industrial Commission prior to the full resolution of a case. This recommendation reflects the Commission's commitment to reaching swift resolutions for the parties as well as avoiding the unnecessary expenditure of State and Commission resources.

CLAIMS ADMINISTRATION SECTION

Mission Statement

The Claims Administration Section seeks to provide reliable, accurate, and efficient claims servicing to employees, employers, insurance companies, third party administrators, and the citizens of North Carolina.

About the Claims Administration Section

The Claims Administration Section receives documents filed at the inception of a workers' compensation claim and during its pendency. At the outset of a new claim, Claims Administration is responsible for researching insurance coverage, assigning Industrial Commission file numbers, identifying any discrepancies in information provided by employers, insurers, and/or injured workers, and notifying injured workers of their rights under the Workers' Compensation Act. As the claim progresses, Claims Administration processes forms sent in by insurers and employers relative to the acceptance or denial of claims, initiation and termination of benefits, and return to work status. Additionally, Claims Administration processes form agreements for payment of death, disfigurement, and permanent partial disability benefits. Claims Administration handles occupational disease claims, including the initiation of those claims and research on multiple employer/insurer situations. Claims Administration also assesses penalties against employers/insurers who fail to timely file forms required by statute.

Most Frequently Processed Claims Administration-Related Forms

Employers/insurers are required to file a first report of injury (FROI) when an injured worker has missed 1 or more days of work, OR where more than \$2,000 in medical benefits have been incurred. The FROI is commonly referred to as the Form 19. All FROI's for injuries occurring after April 1, 1997 must be filed electronically via the Electronic Data Interchange (EDI).

The Form 18 is the Notice of Accident to Employer and Claims of Employee, Representative, or Dependent. This is to be filed by an injured worker or his/her representative within two years of the date of injury or occupational disease, or the claim may be barred.

The Form 26A is the Employer's Admission of the Employee's Right to Permanent Partial Disability pursuant to N.C. Gen. Stat. § 97-31. The form is used when the parties agree the employer will pay the injured worker the permanent partial disability rating assigned once the injured worker receives maximum medical improvement.

The Form 60, 61, or 63 is filed by an employer/insurer in response to a claim for benefits made by an injured worker or his/her representative. One of these three forms must be used in order to admit, deny, or pay the claim without prejudice for an investigatory period pursuant to N.C. Gen. Stat. § 97-18 (see below).

Compliance with N.C. Gen. Stat. § 97-18

When an injured worker files a claim for compensation with the Industrial Commission, the Industrial Commission may order reasonable sanctions against an employer or insurer which does not, within 30 days following notice from the Industrial Commission of the filing of a claim, or within such reasonable additional time as the Industrial Commission may allow, file a Form 60, 61, or 63 with the Industrial Commission and the injured worker.

Claims Administration keeps track of all Form 18's filed and Form 60, 61, and 63's filed with respect to various claims. If an employer or insurer has failed to comply with N.C. Gen. Stat. § 97-18, Claims Administration is tasked with assessing a \$200.00 penalty against the employer and insurer. If an employer and/or insurer feels the penalty has been assessed in error, Claims Administration investigates the claim and corresponds with the inquiring party in order to determine whether the penalty is indeed warranted. There are certain circumstances in which a claim may be reported as not being in compliance with N.C. Gen. Stat. § 97-18 and/or why a penalty may be waived. These include:

- **Duplicate files:** Two or more files were created for the same injury due to variations in key information provided by the parties at the outset of the claim. These files will be combined, with one number deleted from the NCIC database.
- **Combined files:** The parties requested the combination of two or more files because of similar issues. Although combined, both file numbers would remain in our database.
- **Settled claims:** The claim settled prior to the expiration of the 30-day time period.

Claims Administration Accomplishments in FY 2015-16

- Processes have been put in place to reduce the number of penalties waived. In FY 2012-13, the percentage of penalties waived to penalties issued pursuant to N.C. Gen. Stat. § 97-18 was 22%. This figure dropped to 16% in FY 2013-14, and again the percentage decreased to 14% in FY 2014-15. In FY 2015-16, the ratio of penalties waived to penalties issued dropped even further to 12%. The reduction in the number of penalties waived is the result of stricter guidelines concerning whether penalty waiver is warranted.
- Answered an additional 2,000 calls to the Industrial Commission after assuming the responsibility for an additional customer service line midway through the fiscal year, while processing in excess of 143,000 forms and agreements sent to Claims Administration in FY 2015-16.

Claims Administration Section Summary FY 2015-16

Claims Opened via Form 18 Filing	8,063
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Claims Opened via Form 19 Filing	61,223
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Total Claims Opened	69,286
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Forms 60, 61, 63 Filed	53,882
Death Claims Filed	204
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Form Agreements (Form 26A) Received ¹	6,588
Form Agreements (Form 26A) Approved	6,162
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Telephone Calls Answered ²	30,954

Forms Compliance Summary Pursuant to N.C. Gen. Stat. § 97-78(g)

Total of Form 18's Processed FY 2015-16	18,883
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Forms 60, 61 or 63 Processed Before Form 18 Filed	5,718
Forms 60, 61 or 63 Filed within 30 days of Form 18	7,759
Total Number of Compliant Forms	13,477
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Forms 60, 61 or 63 Filed between 31 and 60 days of Form 18	1,573
Forms 60, 61 or 63 Filed between 61 and 90 days of Form 18	354
Forms 60, 61 or 63 Filed 91 or more days after Form 18	730
Form 18 with no Forms 60, 61 or 63 Processed by end of FY 2015-16	2,705
Total Number of Claims not in Compliance³	5,362

¹ Each fiscal year, there is a slight discrepancy between number of form agreements received and the number of form agreements approved because some agreements may have been received in one fiscal year and approved in the next fiscal year.

² Total calls answered by Claims Administration, including 16,006 direct calls/transfers, and 14,948 calls from the Industrial Commission help line/telephone queue.

³ Major reasons for noncompliance may be found on preceding page.

Clerk's Office

Mission Statement

The mission of the Clerk's Office is to ensure that all filings intended for the Executive Secretary's Office, the Deputy Commissioner Section and the Full Commission are promptly and appropriately catalogued in the Industrial Commission's electronic document repository and routed to the appropriate Industrial Commission staff. All cases to be heard by the Industrial Commission are to be timely placed on a docket and moved through the system efficiently and expeditiously. These functions are done consistent with providing excellent customer service to our outside stakeholders and the sections we serve within the Industrial Commission.

About the Clerk's Office

The Clerk's Office was established in February, 2016 to be the clearinghouse for documents filed pursuant to the Industrial Commission's new filing rule, Rule 108, which also became effective in February, 2016. Rule 108 requires that most documents filed with the Industrial Commission be sent electronically, whether through dedicated filing email addresses or through the Industrial Commission's Electronic Document Filing Portal (EDFP). During the first four months after the adoption of Rule 108, the Industrial Commission saw nearly an 850% increase in documents filed via EDFP over the same period the previous year. It is anticipated that in the next fiscal year, expansion of Rule 108 will require almost all documents to be filed through EDFP, saving the Industrial Commission and our stakeholders more time, money, and other resources.

The Clerk's Office administers and facilitates this new, largely paperless system. The Clerk's Office ensures that filings are properly identified and delivered electronically to the appropriate Industrial Commission staff. The Clerk's Office provides customer support to stakeholders who have questions about filing procedures or who may initially misfile documents. Ultimately, the Clerk's Office is responsible for the integrity of the Industrial Commission's files. To accomplish these tasks, the Clerk's Office absorbed the staff and responsibilities of the Docket Section and added four additional personnel. The Clerk's Office also absorbed the Industrial Commission's scanning team, whose work is essential to the Industrial Commission's goal of keeping all our files paperless.

Docketing responsibilities of the Clerk's Office include processing requests for hearings and appeals, as well as processing related documents filed in all types of cases administered by the Industrial Commission, including Workers' Compensation and State Tort Claims. For cases appealed to the Full Commission, the Clerk's Office organizes the record evidentiary exhibits, orders official hearing transcripts, and provides copies of the transcripts to the parties. The section assembles exhibits and filings into electronic working files for each member of the Full Commission panel assigned to review each case on appeal and prepares and electronically distributes the Full Commission hearing calendars. The section also serves as the custodian for recordings of Industrial Commission hearings and coordinates assignments of court reporters for hearings before the Deputy Commissioners and the Full Commission.

The Clerk's Office maintains the Industrial Commission's attorney database by adding new attorneys and updating attorney contact information in the Commission's database. The section assigns Industrial Commission file numbers for State Tort Claims, for claims filed under the Law Enforcement Death Benefits Act, and for Erroneous Conviction cases. The Clerk's Office also processes requests for copies of files.

The Clerk rules on various administrative motions including attorney withdrawals, motions to withdraw requests for hearing, and motions to consolidate cases for hearing.

Clerk's Office Summary for FY 2015-16

Requests That Claim be Assigned for Hearing	8,230
Requests for Hearing in Non-Insured Cases	155
Amended Requests that Claim be Assigned for Hearing	330
Administrative Appeals to Deputy Commissioners	517
Appeals (Requests for Hearing) in Penalty Assessment Cases	270
Responses to Hearing Requests	5,643
Attorney Representation Letters and Other Correspondence	9,656
Requests for Copies of Files	5,426
Tort Claims Filed	680
Appeals to Full Commission	404
Medical Motion Appeals	28
Cases Sent for Transcription	347
Full Commission Calendars Generated	47
Attorney Withdrawal Orders	526*
Orders/Dispositions on Administrative Motions	106*
Scanned documents uploaded to Electronic Case Files	101,335**

*since March 1, 2016

**since February 1, 2016

COMPLIANCE AND FRAUD INVESTIGATION SECTION

Mission Statement

The Compliance and Fraud Investigation Section works with businesses operating in North Carolina to ensure compliance with the Workers' Compensation Act's requirement to maintain adequate insurance and to enforce the rules and regulations of the North Carolina Industrial Commission.

About the Compliance and Fraud Investigation Section

The Compliance and Fraud Investigation Section is divided into two units: **1) the Compliance Unit; and 2) the Criminal Investigation Unit.**

Compliance Unit

The Compliance Unit handles civil cases involving employers who are operating as non-insured employers in violation of N.C. Gen. Stat. § 97-93 and N.C. Gen. Stat. § 97-94. Once an investigation is complete and evidence is gathered, it is presented by the Office of the Attorney General during Industrial Commission's non-insured penalty hearings. Civil penalties can be assessed covering the entire time-frame that the employer is not insured. The Compliance Unit also assists the Office of the Attorney General with the enforcement and collection of penalty actions.

The Compliance Unit uses a database known as the Noncompliant Employer Tracking System (NETS). NETS is a software tool that analyzes data sources from various state agencies and identifies potentially noncompliant employers who may be in violation of the N.C. Workers' Compensation Act. During the latter part of the 2015-16 fiscal year, the 2nd release of NETS was implemented. This release contains new sources of data to assist in the identification of businesses who are potentially noncompliant. As a result of the leads generated by the NETS system the collection of our penalties and fines grew from \$992,965 in FY 2014-15 to \$1,495,963 in FY 2015-16, an increase of over 50% year over year. Additionally, 475 noncompliant employers were brought into compliance by obtaining workers' compensation coverage.

Non-Insured Cases for FY 2015-16

Non-Insured Hearings Docketed before the Industrial Commission	284
Non-Insured Cases Investigated Pursuant to a Form 33 (<i>Request for Claim Be Assigned for Hearing</i>)	186
Non-Insured Cases Investigated Pursuant to a Form 18 (<i>Notice of Accident and Claim of Employee, Representative, or Dependent</i>)	356
Non-Insured Cases with No Injury Reported (category represents cases received and investigated by the Compliance Officer)	2,656 ¹
Non-Insured Cases with No Injury Reported (category represents cases received and investigated by the Criminal Investigations Unit)	1,661 ²

¹ The 2,656 cases included 95 cases that were investigated and closed outside of the Noncompliant Employer Tracking System (NETS) database tool as the result of calls received on our investigation hotline.

² The 1,661 cases addressed allegations of fraud such as an employer not carrying Workers' Compensation insurance if required, unlawful deductions made by employers, and similar fraudulent activities.

Criminal Investigation Unit

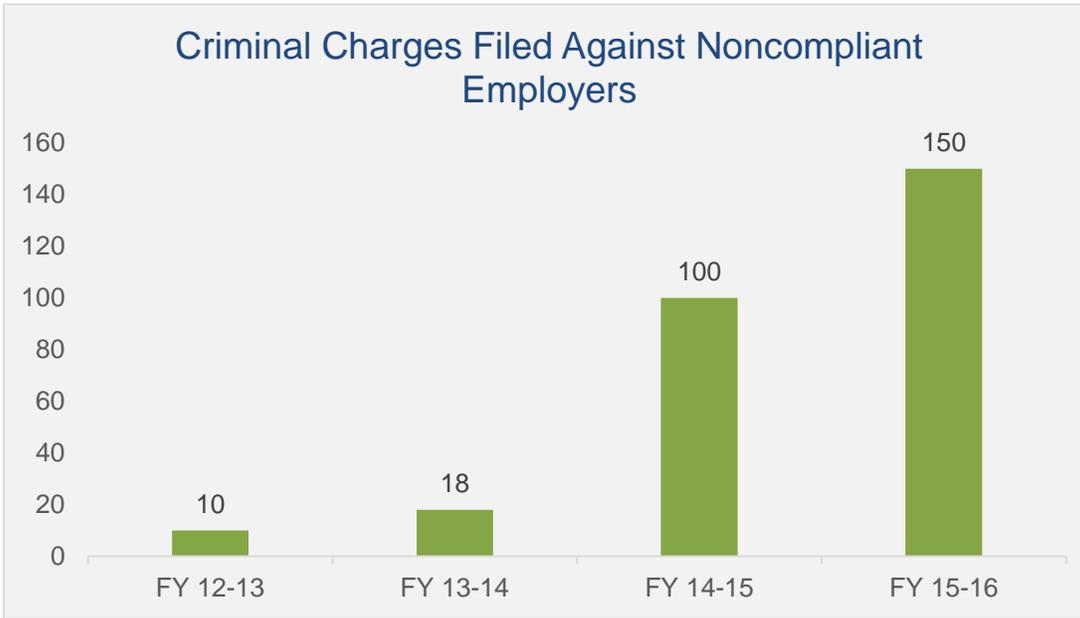
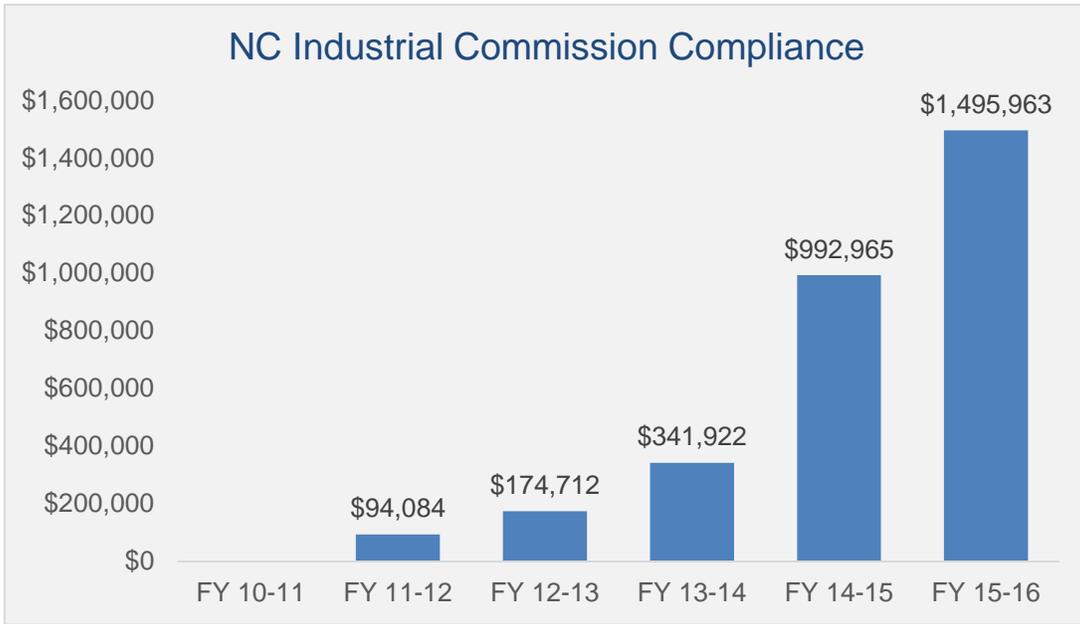
The Criminal Investigation Unit operates as a law enforcement agency and is responsible for conducting criminal investigations into cases of suspected workers' compensation fraud and violations related to workers' compensation claims involving employees, employers, insurers, health care providers, attorneys, and vocational rehabilitation providers. Fraud Investigators investigate all criminal complaints filed with the Industrial Commission regarding failure of employers to maintain workers' compensation insurance (N.C. Gen. Stat. § 97-94(d)); fraud on the part of employees with regard to collecting or obtaining workers' compensation benefits (N.C. Gen. Stat. § 97-88.2); fraud on the part of employers with regard to payment or collection of workers' compensation premiums from employees' salaries (N.C. Gen. Stat. § 97-21); medical payment fraud; and any other claims arising out of violations of Chapter 97 by employees or employers. The Criminal Investigation Unit also works with judicial officials and other law enforcement agencies throughout the state to resolve cases in criminal court.

This year is the first year our expanded Fraud Investigation section has been fully staffed. The staff now consists of six sworn law enforcement officers and one administrative staff personnel. Being fully staffed has had an enormous impact on our ability to pursue noncompliant employers and engage in proactive activities to identify and bring employers into compliance. During FY 2015-16 we issued 147 misdemeanor charges and 2 felony charges against business owners for Failure to Maintain Workers' Compensation Insurance in violation of N.C. Gen. Stat. § 97-94(d), as well as one count of Obtaining Property by False Pretense and Obtaining Benefits after Making a Material Misrepresentation in violation of N.C. Gen. Stat. § 97-88.2 against an employee.

Persons Investigated for Fraud under the Workers' Compensation Act for FY 2015-16³

	Employees	Employers	Insurers	Heath Care Providers	Attorneys	Rehabilitation Providers	Totals
Number of Fraud Cases Reported	181	1,661	7	1	5	0	1,855
Number of Fraud Cases Pending	35	150	0	0	0	0	185
Number of Fraud Cases Closed	146	1,511	7	1	5	0	1,670

³ The summary is provided in accordance with N.C. Gen. Stat. § 97-88.2(e).



DEPUTY COMMISSIONER SECTION

Mission Statement

The Deputy Commissioners, Special Deputy Commissioners, Paralegals, and Legal Assistants of the North Carolina Industrial Commission endeavor to fairly, impartially, and efficiently adjudicate contested claims by careful application of the law; by adherence to rules and procedures; by encouraging settlement wherever possible; and by providing timely and excellent customer service to all parties.

About the Deputy Commissioner Section

Deputy Commissioners expeditiously resolve all controversies between injured workers, employers, carriers, providers, various citizens of the State of North Carolina and the State of North Carolina that arise under the Workers' Compensation Act, the State Tort Claims Act, and the Eugenics Compensation Program. The Deputy Commissioners provide citizens an opportunity to be heard in a professional, ethical, and courteous manner, and render legally sound and impartial decisions after thoroughly considering the positions of all parties and the law.

Deputy Commissioners conduct full evidentiary hearings throughout the State, hear administrative motions, conduct administrative appeal hearings, review complex form agreements, review settlement agreements, and handle other matters. In addition to the cases described in the tables below, the Deputy Commissioner Section reviewed 164¹ Form 26A agreements and made 5 Law Enforcement Officer Death Benefit Act Determinations.

In early 2016, the Deputy Commissioner Section opened the last of five regional offices which were established to better serve the people of North Carolina. Offices are now open and fully operational in Asheville, Charlotte, Elizabethtown, Greenville, and Winston-Salem in addition to the central office in Raleigh. Hearings are held in local courthouses and other government facilities.

Claims Set for Hearings

Number of Claims Docketed for Hearings	5,072 ²
Cases Settled	1,805
Cases Continued and/or Removed from the Hearing Docket	1,937
Cases Heard	1,305
Cases Dismissed With Prejudice	232
Cases Dismissed Without Prejudice	168

¹ Form 26A Agreements reviewed by the Deputy Commissioner Section make up a portion of the total Form 26A Agreements received by the Claims Administration Section.

² Excludes Penalty and Contempt hearings.

Summary of Final Determinations Entered and Cases Settled

Compromise Settlement Agreements Approved	2,169
Final Determinations Entered (Opinion & Awards and Decision & Orders)	665
Total Cases	2,834

Employer Noncompliance

To address noncompliance by employers who are obligated by insurance coverage requirements of the Workers' Compensation Act, the Industrial Commission substantially increased the number of Penalty Enforcement and Contempt Dockets during this fiscal year. Effective July 1, 2015, the Deputy Commissioner Section began to hear Contempt matters on a monthly basis. Processes have been established for the Deputy Commissioner Section to begin hearing Penalty matters on a monthly basis beginning September 1, 2016. In FY 2015-16, the Deputy Commissioner Section resolved a total of 493 penalty and contempt matters.

Expeditious Resolution of Emergency and Expedited Medical Motions

Pursuant to SB 794, the Deputy Commissioner Section disposed of 297 Emergency and Expedited Medical Motions in FY 2015-16. N.C. Gen. Stat. § 97-25 requires that Expedited Medical Motions be fully resolved within 75 days of filing, including calendaring, conducting a full evidentiary hearing, completing all discovery, and the filing of an Opinion and Award. Importantly, the statute further requires that the discovery phase, including depositions of physicians and experts, be completed within 60 days of filing. This brief time frame for discovery regularly presents scheduling challenges for medical providers and other experts who must be deposed prior to a 60-day mandated deadline. Deputy Commissioners disposed of all 297 Emergency and Expedited Medical Motions within the statutory-mandated time frames.

Full Evidentiary Medical Motions/Emergency Medical Motions

Expedited Medical Motions	208
Emergency Medical Motions	89
Total Medical Motions	297

EMPLOYEE CLASSIFICATION SECTION

Mission Statement

The Employee Classification Section is charged with identifying businesses that classify workers as independent contractors in order to avoid the payment of unemployment insurance and workers' compensation insurance and/or shift the burden of paying taxes to workers. This section collaborates with multiple state agencies who conduct independent investigations to determine if there have been violations of the agency's operational statutes.

About the Employee Classification Section

The Employment Classification Section was established through Executive Order No. 83, which was signed by Governor Pat McCrory on December 18, 2015. The Section was actually formed on January 11, 2016, when the Director was appointed. The Section was established in order to receive employee misclassification reports, gather information, share information with impacted agencies, and track the disposition of each case. Employee misclassification occurs when workers are inappropriately designated by employers as independent contractors instead of employees. When employers engage in this prohibited practice, they avoid the liabilities and obligations imposed by state and federal law.

Since its inception, the Employee Classification Section has focused on three initiatives. First, through our work with liaisons from various state agencies, including the NC Department of Commerce – Division of Employment Security, NC Industrial Commission – Fraud Investigations Section, and NC Department of Revenue, we have prepared individual Memorandums of Understanding (MOUs). The MOUs allow for consistent streams of communication that generate leads of possible misclassification activities within the state and track violations of each agency's operational statutes. Additionally, the Section has been in discussion with the U.S. Department of Labor – Wage and Hour Division to execute a MOU that will allow for collaboration from the Federal level.

Our second initiative is our collaborative effort with SAS, the Government Data Analytics Center (GDAC), and other state agencies to develop a software system to proactively generate misclassification alerts. In order to develop this system, the Section has engaged in bi-weekly meetings to provide feedback and input. The system is anticipated to launch during the late first quarter of FY 2016-17 and will allow our office to proactively pursue Employee Misclassification throughout North Carolina.

Our third initiative is our Educational Outreach. We share information with various groups, including business owners, attorneys, and other interested stakeholders as to who needs to carry workers' compensation insurance and the ramifications of being non-insured.

EXECUTIVE SECRETARY'S OFFICE

Mission Statement

The Executive Secretary's Office is committed to assisting all parties to workers' compensation claims in a professional manner through informed administrative rulings, consistent processes, and prompt and courteous communication.

About the Executive Secretary's Office

The Executive Secretary's Office handles administrative review of issues for the Industrial Commission. This office is responsible for the review and approval or disapproval of the vast majority of Compromise Settlement Agreements filed with the Industrial Commission. This section is responsible for reviewing and deciding Form 24 Applications to Terminate or Suspend Payment of Compensation and Form 23 Applications to Reinstate Payment of Disability Compensation. Telephone hearings are often held in regard to these applications. In addition, Orders are issued after review of Administrative Motions, Third Party Settlements, and a variety of other issues.

Orders on Compromise Settlement Agreements	9,881
Orders on Third Party Distributions	563
Orders/Dispositions on Form 24 Applications to Terminate or Suspend Payment of Compensation	1,779
Orders/Dispositions on Form 23 Applications to Reinstate Payment of Disability Compensation	238
Attorney Withdrawal Orders	1,135*
Orders on Medical Motions	2,434**
Orders/Dispositions on Administrative Motions	3,160*
Total Orders	19,190
Total Number of Calls and Voicemails Answered by Executive Secretary's Assistant	2,109
Certified Copies of Files	15

*Following the creation of the Clerk's Office in February 2016, the Clerk began ruling on motions to withdraw as Counsel and certain Administrative Motions (motions to remove a claim from the hearing docket, motions to consolidate claims, and motions for expert witness fees) as of March 1, 2016. Those orders, which total 632, are reflected in the Clerk's Office section of this report. This change decreased the number of Attorney Withdrawal Orders and slightly decreased the number of Administrative Motions reported in this section of the report.

**Motions to compel compliance with medical treatment and vocational rehabilitation were previously counted as Administrative Motions. FY 2015-16 is the first full year that they have been counted under Medical Motions, resulting in a large increase over last year for Orders on Medical Motions and a decrease in the count of Administrative Motions.

REPORT PURSUANT TO N.C. GEN. STAT. § 97-78(g)(2) REGARDING EXPEDITIOUS RESOLUTION OF DISPUTES FOR MEDICAL COMPENSATION

The Executive Secretary's Office issued 2,434 Administrative Medical Orders for FY 2015-16, none of which was filed more than 75 days after the filing of the motion requesting relief.

EXECUTIVE SECRETARY WORKERS' COMPENSATION INFORMATION SPECIALISTS

Mission Statement

The Information Specialists strive to provide callers and visitors with accurate and knowledgeable information in a prompt and courteous manner.

About the Workers' Compensation Information Specialists

The Executive Secretary's Office also includes the Information Specialists Program (formerly the Ombudsman Program), which is operated in accordance with N.C. Gen. Stat. § 97-79(f) to assist claimants who are not represented by an attorney, employers, or other parties in protecting their rights. In addition, the Workers' Compensation Information Specialists can provide information regarding Tort Claims against State Departments and Agencies and other matters under the jurisdiction of the Industrial Commission and related statutes and rules.

Number of Calls Answered and Returned (English)	24,903
Number of Calls Answered and Returned (Spanish)	552
Total Calls Answered	25,455*
Number of Walk-Ins Assisted	26
Correspondence (letters & e-mails) Answered	2,068
Informational Packets Mailed to Citizens	773

*The total calls answered rose significantly in FY 2013-14 compared to previous years when the Information Specialists began answering one of the call center lines assigned to the Claims Administration Section. In November 2015, the duty of answering calls to that line returned to Claims Administration. Therefore, the total calls answered by the Information Specialists for FY 2015-16 are lower compared to the last two years, but are comparable to the numbers prior to FY 2013-14.

INFORMATION TECHNOLOGY SECTION

Mission Statement

The mission of the Information Technology Section is to support the use of technology as an enabling agent for the work of the Industrial Commission.

About the Information Technology Section

The Information Technology section provides support for the agency's hardware, software, and network connections; develops and implements procedures for technical and operations processes; develops, implements, and upgrades software to support the Industrial Commission's workflows; administers the Industrial Commission's information databases; and provides storage and retrieval of the agency's documents.

Accomplishment Summary for FY 2015-16

- Completed the third phase implementation of the Electronic Document Filing Portal (EDFP) that enables external stakeholders to submit multiple document types to the Industrial Commission electronically and to pay associated fees online. Prior to the upgrade, 5 documents requiring a filing fee were accepted for online filing. Since the upgrade, 41 documents are accepted for online filing, including documents not requiring payment of a fee.
- Implemented information technology infrastructure for three new regional offices in Greenville, Elizabethtown, and Winston-Salem.
- Completed comprehensive hardware and software upgrade of the agency's document imaging (scanning) system.
- Completed agency-wide upgrades for desktop computing hardware and software.

MEDIATION SECTION

Mission Statement

The Mediation Section is responsible for effectively, fairly and efficiently administering the Industrial Commission's mediation program with the goal of empowering the parties in pending cases to take an active role in the resolution of their disputes, to minimize the need for hearings and appeals, to expedite the dispute resolution process, and to enable the Industrial Commission to devote its adjudicatory resources to those cases not conducive to settlement.

About the Mediation Section

When a claim is contested, the parties are generally referred to mediation as a way of resolving the claim without a formal hearing. When an injured worker is not represented by an attorney, the case usually bypasses mediation. The Mediation Section oversees this process by educating the stakeholders concerning mediation theories and procedures, ruling on any motions related to mediation, and by ensuring that the parties and mediators adhere to certain timelines, move the case forward, and submit the required forms and reports. While the mediators who serve in these cases are generally not state employees, the mediators on the Industrial Commission's appointed list must complete a formal mediation training program and be certified by the Dispute Resolution Commission. On November 1, 2014, pursuant to Rule 04 NCAC 10E .0203, the Mediation Section began issuing \$200.00 fee invoices for the processing of the *Report of Mediator* form. The Industrial Commission collected \$1,618,400 in processing fees for this form in FY 2015-16.

Mediation Section Summary for FY 2015-16

Cases Referred to Mediation ¹	9,613
Settlement Rate at Mediation Conferences	72.95% ²
Overall Settlement Rate	75.71%

¹ Most cases ever referred to mediation in a single fiscal year. More than 8,500 cases were referred to mediation for the 15th straight fiscal year.

² Industrial Commission Mediation Program's third highest annual settlement rate ever recorded. The program started in 1994.

MEDICAL FEES SECTION

Mission Statement

The Medical Fees Section is committed to providing prompt and efficient service by performing timely and accurate bill processing when needed, answering inquiries regarding the Industrial Commission's Medical Fee Schedule, and assisting with the resolution of medical fee disputes.

About the Medical Fees Section

The Medical Fees Section reviews bills for medical services provided as a result of a workers' compensation claim when a carrier or employer needs assistance. Medical bills are reviewed and adjusted in accordance with the Industrial Commission's Medical Fee Schedule and then returned to the insurance carrier, third-party administrators, or self-insurer handling the claim. The Medical Fees Section also responds to medical bill inquiries, resolves medical fee disputes, and assists in updating the Medical Fee Schedule. In accordance with N.C. Gen. Stat. § 97-26(i), the Industrial Commission has adopted a Medical Provider Fee Dispute Resolution Procedure by rule (04 NCAC 10A .0614).

Medical Bills Processed

Total Bills Processed	1,370¹
Inpatient Hospital	420
Physician	920
Miscellaneous, Dental, & Chiropractic	30
Bills Awaiting a Response	0

Summary of Medical Provider Fee Disputes Processed

Total Cases Received	133
Paid	57
Resolved, payment pending	23
Referred for legal review	0
Unfounded	45
Closed	0
Pending	8
Amount Paid to Providers following fee dispute resolution (may include payments from disputes filed in prior fiscal years)	\$309,540

¹ The decline in total bills processed for the last two fiscal years is the result of a change in Industrial Commission rules allowing carriers and other payers to apply the fee schedule and pay health care providers without first seeking Industrial Commission approval.

MEDICAL REHABILITATION NURSES SECTION

Mission Statement

The North Carolina Industrial Commission Medical Rehabilitation Nurses Section administers the mandatory training courses for Rehabilitation Professionals and collaboratively facilitates and coordinates high quality and effective medical care and rehabilitation such that an injured worker's maximum level of functionality is optimized, both physically and mentally.

About the Medical Rehabilitation Nurses Section

The Nurses Section is responsible for the provision of NCIC Mandatory Rehabilitation Professional Training, acknowledgment of the Form 25N *Notice of Assignment of Rehabilitation Professional*; and the maintenance of the NCIC Registry of Workers' Compensation Rehabilitation Professionals. The mandatory training is required for all Rehabilitation Professionals who work on cases in North Carolina. The mandate requires a comprehensive initial training course for all Rehabilitation Professionals and a "refresher" course that must be taken every five years to maintain "Qualified" status.

Effective July 1, 2011, every Rehabilitation Professional providing rehabilitation services has been required by the Industrial Commission to complete an initial comprehensive educational course, in order to be "Qualified" per the Industrial Commission's rules for Rehabilitation Professionals. Five initial educational presentations on the NCIC Rehabilitation Rules were conducted via recorded webinar, and one live class was conducted in Gastonia. A total of 217 Rehabilitation Professionals attended these presentations and \$16,000 in fees were collected.

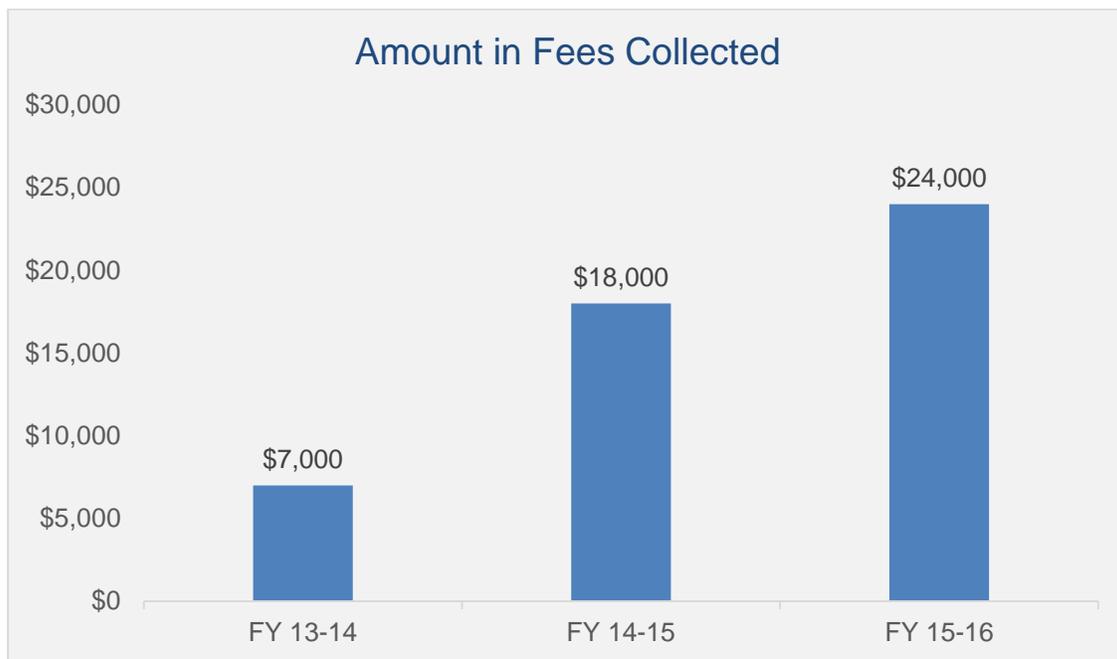
In order to maintain "Qualified" status every Rehabilitation Professional is required to attend a refresher course every five years. The first refresher course was first offered at the NCIC Fall Conference. Following its debut at the conference six refresher course presentations were held throughout the state during Q3 and Q4. A total of 193 Rehabilitation Professionals attended these presentations and \$8,000 in fees were collected for a total of \$24,000 in fees collected for both courses.

The Medical Rehabilitation Nurses Section is also tasked with providing medical rehabilitation consultative services to a variety of NC Workers' Compensation audiences, including injured workers, insurance carriers, attorneys, rehabilitation professionals, and health care providers when ordered. Our current nurse assists with case management and medical rehabilitation needs in the event difficulties interfere with the ongoing progress of returning injured workers to their maximum functional capabilities.

The number of new referrals, in-person meetings, and the total number of cases handled has decreased due to the retirement of another nurse very early in FY 2015-16, coupled with the provision of mandatory training.

Nurses Section Summary of FY 2015-16

Total Cases	192
Acknowledged Form 25N's (Notice of Assignment of Rehabilitation Professional)	14,634 ¹
Rehabilitation Professionals Trained	193



¹ Form 25N filings decreased by 6% from FY 2014-15.

SAFETY EDUCATION SECTION

Mission Statement

The Workers' Compensation Act of 1929 created the Safety Education Section of the North Carolina Industrial Commission. Our mission includes education, training, and public outreach to promote safety and accident prevention in the industrial workplace. We strive to help employers reduce injuries and their costs resulting from accidents.

About the Safety Education Section

Our workshops and training sessions provide competent, practical instruction in the area of workplace accident prevention. Workshops and training sessions are specifically designed to meet the production needs of North Carolina companies. This approach to reducing Workers' Compensation claims and costs is, at its core, proactive. During this fiscal year, our training staff was reduced to a single instructor. As a result of this downsizing, there have been some changes to our curriculum, but we will continue to offer the Safety and Health classes that are required to maintain the Water/Waste-Water Certification. In FY 2015-16, our staff trained approximately 3,000 employees and collected nearly \$70,000 in fees.



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