

REPORT TO THE EIGHTIETH LTD FULL BOARD

RE: Rehabilitation Report # 24
Date: March 12, 2003
From: Tom McLeod
Manager, LTD Benefits & Rehabilitation

LTD Cases

During 2002 we saw a significant increase in LTD applications and in the number of new LTD claims being accepted. The previous high of 285 new LTD claims, which was set in 1998, was surpassed this past year by 76 claims and our new high is now 361 approved LTD claims for 2002. This is also an increase of 25 % or 91 claims over 2001 when we approved 270 new claims. The increase appears to come as a result of economic pressures in the Industry where operations have either closed or have cut back production drastically.

The chart below shows the history of new LTD approved claims since 1997.

Total yearly approved LTD claims:

1997	=	234
1998	=	285
1999	=	276
2000	=	216
2001	=	270
2002	=	361

Previous 5 year average (1997 – 2001) = 256 new LTD claims per year.

At the same time as the number of new claims approved has increased during the year, the number of members on LTD at the end of the year has also increased slightly to 1313. This breaks down into 1124 members receiving both collateral benefits and an LTD cheque with another 189 members receiving collateral benefits only. This is a total of 1313 members on LTD as compared to the year-end in 2001, which broke down into 1010 receiving a cheque and benefits and another 148 members on collateral benefits which gave us a total of 1158 members on LTD.

The chart below compares the members on claim for each of the past 5 years:

Year Receiving Benefits Only	Total Members Receiving Benefits	Members Receiving Full Benefits	Members Receiving Collateral Benefits Only
1998	1040	928	112
1999	1119	971	148
2000	1105	972	133
2001	1159	1010	148
2002	1313	1124	189

The breakdown of the year-end LTD claims and their categories is as follows:

Members Receiving Both a Cheque and Collateral Benefits Only		Members Receiving Collateral Benefits	
Category	Count	Category	Count
01	693	01	793
02	73	02	95
02A	24	02A	38
03	334	03	386
Totals	1124		1313

The following chart shows a comparison of the LTD category 01 claimants at the year-end over the past 5 years.

Year Category "01"	Category "01" with Full Ltd Benefits	Category "01" with Collateral Benefits Only	Total Members
1998	731	65	796
1999	736	77	813
2000	694	72	766
2001	655	74	729
2002	697	100	797

Early Intervention and Placements

With the implementation of Early Intervention strategies early last January we have seen all the Weekly Indemnity Plans come on side with the exception of the Southern Interior Plan. This Early Intervention strategy of referring Weekly Indemnity claimants to our Rehabilitation Counsellors at the 90-day point in their WI claim plus the economic factors currently at work has increased the workload of our Rehabilitation Counsellors significantly as caseloads increased to over 100 cases per counsellor. These caseloads remained at this level throughout the year and necessitated the hiring on contract, of two additional Rehabilitation Counsellors to assist with the overload on both Vancouver Island and the Lower Mainland.

For large geographic areas such as the Northern and Southern Interior caseloads are also too large. Numbering as high as 130 in the North and 110 in the South where we do not do the Early Intervention work, but have economic pressures to deal with. For these two areas we have implemented other measures to help deal with the increased workload. It does not appear practical, at least at this point in time to commit ourselves to a permanent contract for additional counselling help but rather we are using independent counsellors on a fee for service basis. Although not a great fan of contracting out, it has been useful in these areas where a few individual cases are assigned with specific goals and directions that are easy for the contactor to attain and easy for us monitor. We have also authorized some secretarial help for each of these two counsellors in order to cut down on their time spent doing paper work.

With Early Intervention we have promised and committed ourselves to providing timely service and assisting members back into the workplace as quickly as possible, thus saving the WI Plans money on benefit payments. Employers gain back valuable trained workers and

sick or injured employees are assisted through difficult recovery periods with timely and appropriate rehabilitation intervention. At the same time, we also see Early Intervention as a strategy to control the LTD Plan's costs by reducing benefit periods. If we are unable to accomplish these goals because we are at the saturation point with too many cases then the whole theory will be in jeopardy and Early Intervention will fail.

Fortunately we were able to react promptly to the overload situation and take the steps necessary to avoid these problems. The counsellors still work with large caseloads as referrals continue to come to us from WI Plans at a pace that is virtually unchanged during the year. The two counsellors that have been hired on a contract basis have lived up to our expectations and are almost up to full speed and are proving they can handle a reasonable sized caseload. If referrals continue at the same pace, my expectation is that we will offer both of them employment once their contracts are up at the end of February.

My audit shows we have had extremely good success during the past year in helping both the WI and LTD Plan members return-to-work. Our counsellors helped return 188 Early Intervention Weekly Indemnity claimants return to work for their old employers during the year and were able to assist another 15 Weekly Indemnity claimants return to work in occupations outside the Industry. Eighteen of the above members who returned to work did so within a week prior to becoming eligible to apply for LTD.

One of the benefits to the LTD Plan, of returning all these Weekly Indemnity claimants back to work is that we eliminate the need for these members to apply for LTD benefits. This is a major financial bonus to the LTD Plan while at the same time, those members who don't need to apply for LTD, are saved the cost of a medical examination and the two-week waiting period each Employment Insurance claimant must endure without pay.

From those who were on LTD, we returned 48 back to the Industry and helped 52 into new occupations. In total 304 $\{(48 + 188 = 236 \text{ members inside the Industry}) (52 + 16 = 68 \text{ members outside the Industry}) (236 + 68 = 304)\}$ members returned to work during 2002. The breakdown of this total is that 236 members returned to work to their old employers and 68 members returned to work in new occupations outside the Forest Industry. The chart below gives a comparison of the placements over the past 5 years.

Year	RTW in the Industry	RTW Outside the Industry	WI RTW in the Industry	WI RTW Outside the Industry	Total all RTW
1998	88	26	10	3	127
1999	89	41	22	0	152
2000	76	47	38	4	165
2001	66	47	45	5	163
2002	48	52	188	16	304

Under the terms of the agreement between the LTD Plan and the Weekly Indemnity Plans, we only bill for those members who either were declared fit for work or returned to work before the end of WI. Assistance provided could be as little as some counselling or as extensive as setting up and paying for the members travel and conditioning program. We do not bill for members who returned to work before we had an opportunity to meet with them even though they would have received a letter from us and in most cases a phone call as well. There were also cases where members returned to work before either the letter or the phone call reached them. In the above placement stats we have included all members that were referred to us and returned to work.

During 2002 we billed the Weekly Indemnity Plans for 107 cases and were reimbursed almost \$65,000 in total. This includes \$17,000 for counselling and counsellor travel, \$3,000 for member travel and accommodation and \$44,500 for services purchased for the clients, such as gym passes, evaluations and conditioning programs. We feel very strongly that without Early Intervention most if not all of these 107 cases would have ended up applying for LTD. Many would have been accepted on claim and collected the average of at least three months benefits before returning to work. We also know that without a letter and phone call to the new WI referrals, many in this group that we did not bill for, would not have returned to work as soon as they did either. In these instances our letters and calls tend to stir things up and get claimants moving.

We feel there is a real saving in benefits costs to the WI Plans, which more than offsets their cost of rehabilitation counselling and the services purchased for their members. One hundred and eighty-eight members returned to work with their old employers while 16 returned to work outside the industry all before their WI ended and we charged the WI Plans for services on 107 of these cases. As a conservative estimate we can assume that without our intervention, all 107 of these members may well of collected at least an additional month of WI benefits. Weekly Indemnity benefits are paid at a monthly rate of approximately \$1,945.

These claims could have cost the WI Plans an additional \$208,000 without our intervention. (107 members x 1 month x \$1,945 = \$208,000) When our costs are deducted the WI Plans are still ahead by \$143,000. (\$280,000 - \$65,000 = \$143,000).

The obvious financial benefits to the LTD Plan are that everyone who is helped return to work while still on weekly indemnity would not apply for LTD. If we are conservative in our assumptions and assume just 53, or one half of those 107 members applied and were accepted on LTD history tells us they would have stayed on for about three months, the normal length of a Commitment Agreement. If this were the case, the LTD Plan could have paid out an additional \$286,000 in LTD benefits in 2002.

Without the benefit of early referrals our task of returning members to work would have been much more difficult and our entire LTD system would have been strained both financially and administratively last year. Our counsellors know first hand how much more difficult it is to get clients motivated and active after 12 months than it is after 3 months. They have all commented to me that this is a different group of people than LTD claimants are. Members are still optimistic about recovery and have not yet started the downward spiral into depression that comes with disappointment, frustration and financial hardship, which go hand in hand with extended layoffs. The strategy of Early Intervention not only reflects real dollar savings to the LTD Plan, but a savings in other aspects to the members as well.

Rehabilitation Cases - Territories

Our regional offices continue to prove their worth in enhancing our service delivery to members and to employers by being able to act on situations much more quickly than when all staff were located at head office. I delight in the story one of our counsellor told about a conversation with an employer shortly after the opening of a regional office. This employer called the counsellor wanting a personal meeting to arrange a graduated return to work for a member. He wanted to know what time next month the counsellor would be in the area so the employer and counsellor could arrange the RTW. The employer was both shocked and pleasantly surprised when the counsellor responded by saying he would drive out to the mill that afternoon so the employee could start immediately.

Instant reaction to situations is not always possible as it was in this case, but this still remains as a classic example of the enhanced service and potential LTD benefit savings that occur with the regional offices. We could not have successfully managed the early intervention project without having these regional offices in place. Both the size of the caseload and it's related activity plus the time it would take Counsellors to commute to the territories would have been too much.

The Nanaimo office recently relocated from Victoria Road to 3137B Barons Road, Nanaimo and the new telephone number is (250) 760 – 0310. Both Cliff Dundas and our contract counsellor, Brian Lukyn work from this office, but Brian Lukyn can also be reached at his Courtenay location at (250) 792 – 1188.

The Prince George office is still located at Suite 101, 1811 Victoria Street and the telephone number remains unchanged at (250) 564 – 922.

The newest office, in the Southern Interior, is located at #2/103 – 3115 Skaha Lake Road in Penticton. The telephone number for that office is (250) 487 – 1182.

I have mentioned that the caseloads assigned to each counsellor remains high on Vancouver Island and in both the Southern and Northern territories. All caseloads experience a higher degree of activity than in the pre Early Intervention period. The department was able to rise to the occasion as rehabilitation counsellors have closed 571 cases during the year. This includes the 304 members who returned to work, 23 who were receiving rehabilitation services, but were rejected for LTD and another 18 who were closed as uncooperative. We had 10 cases where we had open files on members, but they passed away and another 22 who was closed after winning WCB appeals. One hundred and eighty-eight rehabilitation files were also closed when the member was adjudicated into a category “01” and another 6 members retired.

The volume of work and activities increased by almost double from the year before and there is little reason to expect that our workloads will change much in the next couple of years. Our experience with Early Intervention in the Northern Interior WI Plan show that when these initiatives are introduced there is a huge block of the accumulated cases that have been on WI benefits from 3 to 12 months that are referred all at once. It takes more than two years for this block to move through the system and all the while new 90-day referrals are coming onto the caseload. It is understandable that the volume of work would increase and closures would also increase. The chart below shows the annual number of rehabilitation cases closed and the cost per closure as well as the average age of the closed members over the past 5 years.

Year of Closure	Total Closures	Average Cost/Closures	Average Claimant Age at Closure
1998	159	\$4,024	44 years
1999	249	\$4,467	45 years
2000	316	\$3,616	45 years
2001	289	\$3,422	45 years
2002	571	\$2,527	47 years

Rehabilitation Expenditures

Fortunately for us we were able to keep our rehabilitation costs within reason even though we did exceed our 2002 budget by \$90,000 or 20%. The fact that new LTD claims approved in 2002 increased 29% from the previous 5-year average of 256 new claims per year to 361 new claims. Although LTD claims increased by 29% our rehabilitation costs did not keep pace and increased by just 20%.

The largest item that came in over budget was a \$36,500 increase in costs for vocational contractors. These people were contracted to help us out when it became evident volume of WI referrals was not going to taper off as we originally expected it might. Lack of information on the number of cases to be referred by the WI Plans caused us to delay hiring contractors longer than we should have and our own counsellors had to do double time to keep pace. We eventually contracted a former LTD Manager Jennifer Wonders, a Vancouver Island Counsellor Brian Lukyn and Vancouver Counsellor John Kim to help out with the overload. These counsellors were given specific tasks to accomplish they were monitored closely and all gave fair value for what they were paid. We paid these contractors almost \$26,000 to do this work and these costs were not charged back to the WI Plans.

Counsellors in both the North and Southern Interior continue to use other vocational consultants for specific tasks to help with the increase in caseloads. The use of vocational consultants in the Lower Mainland region did not change appreciably during the year as these consultants are only used for job search assistance and vocational testing. Those that are used for job search assistance are really job brokers, people who specialize in finding jobs for our unemployed members. Many of our members have skills to market, but need help marketing themselves to find employment and job brokers are able to help in this capacity.

The second area that resulted in over budget expenditures was for claimant travel, which came in \$33,000 over budget. This is an item that fluctuates from year to year and covers claimant travel and accommodation.

From time to time we have members who must live away from home or travel long distances in order to complete a formal retraining program and we assist in their living cost by providing financial assistance to cover reasonable expenses. We were reimbursed approximately \$3,000 from the WI Plans for their members who returned to work before the end of the WI period. Undoubtedly, there were other WI Plan members who were also paid for travel and who did not return to work till they came onto LTD that we were not able to charge the WI Plans for.

The next item over budget was for education. The end results show we overspent our education budget by 25% or \$26,000. Part of the reason for this is that Human Resources Canada has quit cost sharing for tuition, to the extent they did in past years and we have also

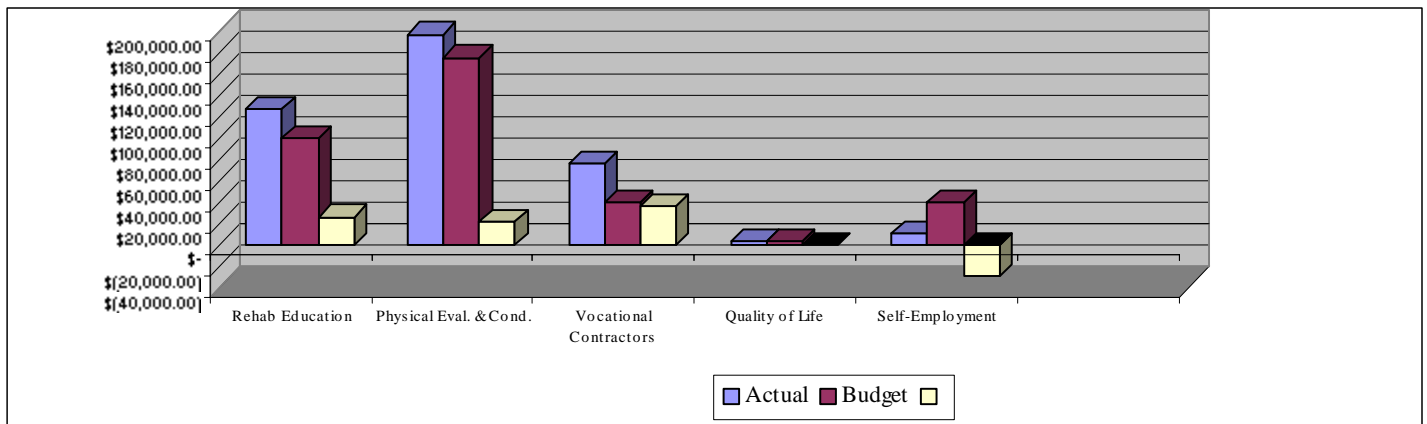
had the experience of finding that tuition for, most of the training programs, has increased by a least 50% during the last year.

We were also over budget in the area of physical conditioning. Our cost exceeded our budget by \$20,000 or 11%. Again, this increase was a result of the increase in claims and the Early Intervention cases from the WI Plans. The good news here is that we recovered almost \$45,000 of these costs from the WI Plans. That is the amount that was spent on conditioning programs for their members.

One line item that came in under budget is in self-employment programs where we were under budget by about \$18,000. This item is never constant and varies from year to year. Last year we had less demand for self-employment programs than in other years.

The bottom line on the increases can be traced to the increase in LTD claims during the past year and an increase costs for tuition in most intuitions.

The graft below is a comparison of between budgeted rehabilitation expenses versus actual expenditures.



Canada Pension Plan Update

Please refer to Gordon Philip's attached summary of the CPP appeal activity that shows he has successfully appealed 9 cases for a potential saving of has taken place during 2002.