

REPORT TO THE EIGHTY-NINTH LTD FULL BOARD

Re: Rehabilitation Report #33

Date: February 17, 2006

**From: Tom McLeod
Manager, LTD Benefits & Rehabilitation**

This report covers the year 2005

LTD Cases

We started 2005 with 1309 members collecting full LTD benefits, which include both a cheque and collateral benefits. As is the norm, the numbers on claim fluctuate and near the second half of 2005 started to go up. As of December 31, 2005 we ended the year with 1401 members collecting benefits.

The increase is in the number of members in category 01, where the total jumped from 824 members at the beginning of the year, to 882 at the end. This total includes 226 category 01 members that were only collecting collateral benefit and were 100% offset for LTD Benefits. At the end of 2004 the number of members collecting full Benefits (a cheque and collateral benefits) was 706, while this year the total was 745 members collecting full Benefits only.

We constantly hear about our aging workforce in Canada and in reviewing claimants age, this fact becomes quite obvious. The chart below shows the average age of our claimants at the end of 2005.

Category	Claimants Average Age end of 2005
01	53
02	42
02A	46
03	47

The following chart gives a comparison between the number of members on claim and those in category 01 during the past five years:

Year	Category 01	Total LTD Claimants
2001	729	1163
2002	797	1314
2003	796	1327
2004	824*	1309
2005	882	1401

* In last years year end report, I showed the number of LTD category 01 claims to be 706 which is the correct number of members with both a cheque and collateral benefits, but in all other reports and in the chart I reported the total number who are collecting just collateral benefits as well as those collecting both a cheque and collateral benefits.

New Claims Approved

We had predicted that with the 26 week qualifying period, which began on January 1, 2005, we would expect an increase in the total number of new claims approved for LTD Benefits. As of this time last year we predicted there would be between 350 and 450 new claims approved. The actual total for 2005 is 359, which is at the low end of our prediction and is good news. We remain convinced that our Early Intervention activities have a significant effect on disabled members. The chart below shows a comparison of the number of new LTD claims approved since 2000:

Year	Total Approved
2000	216
2001	270
2002	361
2003	261
2004	253
2005	359

We would expect that the 2005 number would become closest to the future average unless there is another major change in the industry.

Placements & Early Intervention

During 2005 we continued to work with a high volume of activities and cases. This continues to translate into high productivity from each counsellor and shows up most obviously in the number of members we assist in returning to work during the year. This year we had 316 members return to work. The breakdown shows that 114 were on LTD Benefits while the other 202 were still on WI Benefits when assisted to return to work.

As always, when counting returns to work, we count all those who were referred to us and were sent our standard introductory letter, but in reality 66 of these 202 members actually return to work without any help from our counsellors. As per our agreements with the WI plans, we only bill them for our service if we actually assisted the member return to work before his WI Benefits ran out. During the year we billed the WI Plans for returning 136 of their members back to work. How many of the 66 members who returned to while still on WI were influenced by the prospects of our future involvement is any ones guess, but you can be sure a few were.

We continue to have good news about our placements, in that more members are returning to work with their old employers than was the case a few years ago. For example of the 316 members who returned to work last year, 82 % or 260 claimants returned to their old employers. We also assisted 56 other members into new occupations outside the industry. Of the 56 members who left the industry 10 were retrained and 5 found employment in self-employment endeavours.

Why is it good news to have members return to their old employers rather than be retrained or forced to find new employment? There are several reasons that this is preferable including the benefits to the employer of having experienced skilled employees returning to jobs they are familiar with and able to do with a minimum of training and orientation. This is a cost saving for the employer and also creates a better working relationship between the employer and employees than operations that show no willingness to accommodate disabled employees. Employees tend to feel more valued when accommodated than when not.

For employees, it is much less stressful to return to work at a place you are familiar with than someplace new. You know your coworkers; the culture of the workplace and the job and reintegration is less of a problem.

By contrast, almost always there is some degree of hardship, both emotional and financial with seeking new employment and starting work with a new employer. For a good many people, job loss for whatever reason from an employer you have worked with for a number of years, results in various degrees of depression not unlike the grieving process that occurs with the loss or death of someone close to you.

Members working in the Industry are generally well paid and have good benefits while those locating work, outside the industry, tend to find they don't always have the same starting wage or the same benefits. This is especially true with those members who have limited skills and little or no formal education. They are sent on a job search and often times do not succeed in getting employment that has much of a future as compared to the Forest Industry.

The Plan usually benefits from this type of a return to work. Clients who are sure of returning to their former employers are easier to work with and a rehabilitation plan can almost always be set up earlier. Also, the over all costs to the Plan, in both the rehabilitation and LTD benefits budgets, tend to be less. When disabled members are accommodated, the Plan pays for the cost associated with the conditioning program, but as a rule conditioning programs almost never last more than a month. By comparison retraining programs vary in length with the type of retraining, but some can take the maximum of two years to be completed and the costs are considerable.

Early intervention continues to work well although we have recently had a setback as Canfor just hired Sun Life to do both the medical adjudication and provide rehabilitation services for the STD period. It appears that in their haste to rid themselves of BC Life and sign on with Sun Life no one bothered to educate him or herself on the fact that we have been providing an extremely good cost effective rehabilitation services for the Canfor Weekly Indemnity Plan since October 2001. To our surprise we were invited to a meeting where Sun Life was introduced as the experts in rehabilitation, who will be providing the service in the future. Naturally, although we had heard that Sun Life had won the adjudication work, we were shocked that suddenly they would also do the rehabilitation for the duration of the WI period.

We already have concerns over how they intend to carry on with the work, as it appears they operate similar to the other contractors who have no vested interest in much beyond the monetary value of their contract. Through a good source, we have been told of a case where a rehabilitation program was started on a member, but once Sun Life realised he would not return to work in the short-term period, it was discontinued. The member will be without any important rehabilitation service until he reaches the end of WI and the file is taken over by our counsellor.

The sad part is that they have not referred the file to our counsellor and are not prepared to gamble on the well being and return to work of the member as compared to a couple of thousand dollars in conditioning. They are it seems, prepared to have their staff make useless counselling visits to him until his WI runs out. I can understand they are new at this and are reluctant to admit that there is nothing useful they can do because he will not be returning to work in the STD period, but I hope that in the future they will simply refer these kind of cases to us and let our qualified and experienced counsellors resolve the rehabilitation issues that will help these individuals return to work as quickly as possible.

What are the ramifications for the LTD Plan in cases like this? If the case is referred to us, at 90 day point, we will implement any and all the rehabilitation programs necessary to help the member return to work as quickly as possible because in the long run getting members back to work quickly saves everyone money. We implement programs regardless of the cost and regardless of the worry of who will pay? Who will pay is not an issue as we know that if there is a delayed return to work, the LTD Plan will be paying for unnecessary extended LTD benefits when the appropriate intervention at a timely point would have helped the member return to work earlier. Who will pay always appears to be the big issue where outside contractors are concerned. This was an issue when we first started getting 90-day referrals form BC Life, when the real issue is getting the individual back into the work force before he is beyond getting back to work and on LTD for a life time. So, the ramifications for the LTD plan are that members

who don't receive the appropriate rehabilitation in the first six months of their disability will result in added disability payments for our Plan.

During the last 10 years the LTD Plan has made many pro-active changes to the way it manages it's claimants and the result has been that we have managed to control both our benefit and rehabilitation costs in the most savage period the Forest Industry has ever experienced. Without things like early intervention our costs would have risen uncontrollably and now we are seeing well meaning actions by forces outside or in control of the Weekly Indemnity Plan, roll back history to a bygone time we were glad to see the end of, more than five years ago.

This chart is a history of the Plan's placements since 1995 – 2001, before early intervention and 2002 – 2005 with early intervention:

Year	LTD RTW in the Industry	LTD RTW Outside Industry	LTD Totals	WI RTW in the Industry	WI RTW Outside the Industry	WI Totals	Total all LTD and WI RTW
1995	N/A	N/A	49	N/A	N/A	N/A	49
1996	63	29	92	N/A	N/A	N/A	92
1997	81	25	106	N/A	N/A	N/A	106
1998	88	26	114	13	N/A	13	127
1999	89	41	130	22	0	22	152
2000	76	47	123	38	4	42	165
2001	66	47	113	45	5	50	163
Sub Total	463	215	727	118	9	127	854
2002	37	56	93	198	10	208	301
2003	43	61	104	156	10	166	270
2004	50	59	109	212	11	223	332
2005	70	44	114	190	12	202	316
Sub Total	200	220	420	756	43	799	1219
Grand Total	663	435	1147	874	52	926	2073

Counsellors Caseloads, Duties & Territories

We continue to have the same staff assigned to our regional offices as in the last report with Brian Smith in Prince George, Brian Lukyn and Cliff Dundas on Vancouver Island and Lincoln Cundiff in Penticton. John Kim remains on contract and manages the caseload at Terrace and the Queen Charlotte Islands. He also has cases in the lower mainland. Gordon Philip, our resident CPP expert, manages the caseload from the Kamloops Union Local and travels to that territory from Vancouver. Gabriel Horvath and Steve Matovic, our other CPP appeal expert both manage claims of the lower mainland.

To our surprise, the caseloads did not increase with the reduced qualifying period and the counsellor caseloads have remained at the more manageable levels. The territory counsellors tend to have the larger caseloads, and with exception of Brian Lukyn, are also the most experienced of the counsellors. Mr. Lukyn has performed very well as he was well trained by Cliff Dundas. They still meet every couple of weeks for case conferences and to some degree Brian remains under Cliff's tutelage although there is no question he can do well independently.

Overall, our rehabilitation staff like the LTD clerks and other support staff continue to demonstrate a high level of competency and dedication to the organization and the members being served. All counsellors are well qualified to provide exceptional cost effective rehabilitation with the clear goal of assisting member's return to the work force with the companies they were working for. True to our rehabilitation guide lines and the hierarchy of rehabilitation, our counsellors are able to concentrate on returning members to their old employers. Of course, the Industry is in better shape than previous years and accommodation is more likely to happen than when there is a economic down turn, but still good counselling and timely intervention are keys to success and we certainly have been successful.

Rehabilitation Expenditures

Final totals were unavailable at the time of writing, but the year-end statement shows some very unpredictable variations in the expenditures for 2005. As I mentioned in the last rehabilitation report many of the items budgeted for have come in considerably under budget while one or two are over. Regardless, overall we are very close to the amount budgeted for to provide rehabilitation to the members of our Plan.

For example, the costs to provide retraining have come in at 54% below the \$110,00 budget, for last year. This is a result of a combination of factors including the types of disabilities the members experienced and more accommodation by employers. It is also the result of efforts by our counsellors to extract funding from Human Resources Development Canada for our membership. They have done this each year, but this year we tracked the savings to the Plan from HRDC funding.

Reports from the Island show one counsellor was able to have HRDC pick up \$12,000 tuition costs of a \$15,000 program with the member paying \$900 and the Plan paying the balance plus 43 weeks of LTD.

In another case we helped a member who was still on WI, with a significant disability and no chance of every being accommodated, into a sponsored program by HRDC. They paid over \$10,000 for books and tuition for this retraining. This member never applied for LTD once his WI ran out because of HRDC funding continued until he finished retraining.

In the Okanagan, where accommodation remains difficult in many operations and where we do not get the files till all efforts at accommodation have ended, our counsellor has used HRDC funding in a number of cases to offset the costs of retraining members. For example, HRDC paid \$48,000 in tuition for one member to be retrained as a helicopter pilot while our costs were limited to 40 weeks of LTD benefits. This is a case that would not have gone ahead, had HRDC not funded it. In total, the Okanagan clients received about \$60,000 in HRDC funding that our counsellor worked to arrange for them.

A member from Terrace also received HRDC funding for a Super B-Train driver training which included 4 weeks training plus tuition, books and room and board at Kelowna where he took the training. The total cost of this was almost \$9,000. Our costs were for 8 weeks of LTD benefits.

Another benefit of having HRDC involved is that they will do the entire standard vocational tests needed in retraining free, which results in another area of savings to the Plan.

Getting HRDC funding is not a new occurrence; our counsellors have been making efforts to have HRDC fund retraining for a number of years, with varying degrees of success. For some reason, they tend to have more success in rural BC than in the bigger Urban centres.

The total cost of HRDC funding to LTD claimants is \$91,000 with the bulk of that money spent in tuition and books.

Although, the costs for retraining have gone down, the costs for physical rehabilitation have gone up and this year we managed to spend 15% more than was budgeted for. We budgeted \$277,000 but actually spent \$313,900 on these services. As I mentioned before, as we get more accommodation it is necessary to do more conditioning and evaluation programs to be sure members are physically ready to physical work in the Industry.

In addition to physical rehabilitation, we also were 30% over budget on claimant travel and accommodation. Our budget for these items was set at \$108,000 and we have actually spent \$143,500. This figure include members who attend conditioning programs away from their homes and need to put up in a motel or hotel for a period of up to one month while being rehabilitated.

Two other areas that came in under budget were self-employment programs that were 70% under budget using just \$7,000 of a \$30,000 allocated and vocational consultants where just 50% of the \$65,000 that was budgeted for.

The budget for these items in total was \$590,000 and our expenditures totalled \$556,000, which amounts to approximately 6% under budget.

Expedited Medical Intervention

This year, in an effort to speed up the medical process on some claimants we had budgeted \$75,000 for expedited medical procedures. I asked FIDAS to review every case on LTD and where expedited services could be utilized, to advise me of the procedure and the costs.

Three surgeries were paid for by the Plan at a cost of \$14,197. A fourth was approved, but the member was able to take advantage of a cancellation and had it done in the public system.

The other costs were for three MRI's at a cost of \$875 each, for a total of \$2,625. The total amount spent on LTD claims for expedited medical services in 2005 was \$16,822.

By comparison, we have participated in 3 surgeries from the Southern Interior H&W Plan and paid for 1 CT scan. Before the 26 week qualifying period came into effect last January we had cooperated in cost sharing with the southern Interior H&W Plan, now they see no value in cost sharing and any action required is paid for totally by the LTD Plan. Fortunately, when their services provide runs across cases that expedited medical intervention is of value, they advise me promptly. During 2005 we paid a total of \$7,015 for surgeries and another \$875 for the CT scan, for a total of \$7,890.

We believe there has been a significant saving to the Plan from these interventions, as members were able to get the procedure very quickly, shortening the time on claim for all but one of the six members approved for expedited surgery. In that case, a further operation is needed to correct the member's knee. All in all, 5 of 6 have been successful.

Other Activities

Please review the attached report by Gordon Philip and Steve Matovic regarding their work on Canada Pension Plan appeals.