



PATRICK TESTIN

STATE SENATOR

DATE: May 21st, 2025
RE: **Testimony on Senate Bill 229**
TO: The Senate Committee on Government Operations, Labor, and Economic Development
FROM: Senator Patrick Testin

Thank you Chairman Feyen and members of the committee for accepting my testimony on Senate Bill 229.

A decade ago, the legislature passed 2015 WI Act 55, which transferred the Worker's Compensation Division's (WCD) administrative law judges (ALJ) to the DOA's Division of Hearings and Appeals (DHA) within the newly created Office of Worker's Compensation Hearings (OWCH). The goal of this legislation was to create efficiencies in the litigation processes and reduce their administrative costs. Unfortunately, in this time, efficiencies have not been seen.

This legislation would transfer these adjudicatory functions of DHA back to DWD, which currently has the technology and system to create the efficiencies needed for worker's compensation claims.

According to insurance industry data, the length of time to adjudicate an application and the overall costs have increased since the law passed:

- The average cost of adjudicating a hearing application has grown by 47% from \$968 in 2018 to \$1,424 in 2023.
- An increase in the average time to close an adjudicated application from 420.7 days in 2018 to 600.1 days in 2023.
- A backlog of open cases that has not declined as quickly as the drop in the number of applications that go to hearing. Specifically, the backlog of open cases that were sent to OWCH stood at 4,947 on Dec. 31, 2023, down 18% from 6,019 on Dec. 31, 2017, compared to the 28% drop in applications from Jan. 1, 2018, through Dec. 31, 2023.
- The number of applications that go to hearing has been steadily decreasing. In 2015, prior to the January 1, 2016 transfer effective date, 5,094 hearing applications were filed by parties requesting hearings in disputed worker's compensation cases. In 2018, when adjudication staff were no longer co-located with WC staff, there were 4,309 hearing applications filed, decreasing to 3,956 in 2019 and then again to 2,971 in 2022 before rising slightly to 3,082 in 2023.



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Senate Committee on Government Operations, Labor, and Economic Development
May 21, 2025
Senate Bill 229

Chairman Feyen and members of the Senate Committee on Government Operations, Labor, and Economic Development – Thank you for giving me the opportunity to speak on SB 229, relating to transferring adjudicatory functions for worker’s compensation from DOA to DWD.

A decade ago, the legislature passed 2015 WI Act 55, which transferred the Worker’s Compensation Division’s (WCD) administrative law judges (ALJ) to the DOA’s Division of Hearings and Appeals (DHA) within the newly created Office of Worker’s Compensation Hearings (OWCH). The goal of this legislation was to create efficiencies in the litigation processes and reduce their administrative costs. Unfortunately, those efficiencies have not come to fruition.

According to the Wisconsin Insurance Alliance, the length of time to adjudicate an application and the overall costs have increased since the law was passed. They will be providing the metrics on how bad it has gotten over the years.

This bipartisan legislation would transfer these adjudicatory functions of DHA back to DWD, which currently has the technology and system to create the efficiencies needed for workers’ compensation claims.

I appreciate the opportunity to testify on this legislation and would gladly answer any questions the committee may have.

Written Testimony on SB 229
Amy Pechacek, Secretary Department of Workforce Development
May 21, 2025

Chair Feyen, Vice-Chair Kapenga, Ranking Member Spreitzer, and members of the Senate Committee on Government Operations, Labor and Economic Development, thank you for the opportunity to provide written testimony for information only on SB 229. Thank you to Senator Testin and Representative Sortwell for their interest in transferring the adjudicatory functions for worker's compensation back to the Department of Workforce Development.

SB 229 transfers the adjudicatory functions for worker's compensation from the Department of Administration's Division of Hearings and Appeals (DHA) back to the Department of Workforce Development (DWD). The bill transfers all positions in DHA's Office of Worker's Compensation Hearings (OWCH) and incumbent employees back to DWD on Jan. 1, 2026. Moving OWCH staff back to WC will streamline communications across the worker's compensation program and yield timely adjudications for cases.

The Worker's Compensation Division (WC) oversees the Worker's Compensation Act, ch. 102, to ensure injured workers receive required timely payments from insurers and employers when eligible. From the inception of the Wisconsin worker's compensation program over 110 years ago until the effective date of 2015 Wisconsin Act 55, WC performed all functions related to the program. Act 55 transferred worker's compensation adjudicatory functions from WC to DHA, while WC retained administrative functions. Within DHA, OWCH was assigned those worker's compensation adjudicatory functions.

Under current law, the adjudicatory functions that DHA now performs for worker's compensation applications may include, among other tasks: receiving answers; scheduling prehearings and hearings; conducting hearings and prehearings and receiving testimony; issuing findings, orders, and awards; dismissing parties and applications for hearings; and conducting mediation.

During the 2015-17 budget, in discussion of the transfer, the Legislative Fiscal Bureau identified two metrics to watch: (a) whether the cost of the WC program would decrease, thereby reducing the burden on Wisconsin employers; and (b) whether workflow can be tailored to shorten the time from application to a decision resulting in injured workers receiving just compensation. After nine years, the worker's compensation program has not realized the expected efficiencies after the transfer of the adjudicatory duties to DHA. Program costs have increased. Additionally, the length of time to adjudicate worker's compensation cases for OWCH has increased since the separation. Reunifying the worker's compensation program will allow for efficient coordination of workload without regard to whether the work is "administrative" or "adjudicative" in nature. The enactment of SB 229 will increase efficiency, improve service to stakeholders, and promote stability in the Wisconsin worker's compensation system.

DWD is ready and able to welcome worker's compensation adjudicatory functions back to DWD. Thank you for the opportunity to provide testimony on SB 229. As always, please do not hesitate to reach out with any questions.