

I. INTRODUCTION

A. Overview

The primary purposes of this study are;

1. to compare the level of the administration costs incurred by the Yukon Workers' Compensation Health and Safety Board (YWCHSB) to the corresponding administration costs in other Workers' Compensation Boards in Canada, and
2. to examine the historical pattern of administration costs in the Yukon.

This study does not analyze the internal administrative efficiencies of the Yukon or any other Board.

B. Data and Methodology

Data required for the study was obtained from the financial statements issued by the Workers' Compensation Boards for the calendar years 1995, 1996 and 1997. A summary of the information extracted from the financial statements is presented in the Appendices.

To compare administration costs, a statistical regression analysis was applied to the 1995, 1996 and 1997 administration costs of the various Boards to develop a "best fit" expense standard and "expense index". No single measure is appropriate to compare the expenses of one Board to another. Accordingly, the "expense standard" was constructed by using a blend of the following measures.

- Total amount of claims paid by the Board;
- Assessment revenue, including revenue from self-insured employers; and
- Total assessable payroll.

The expense standard also incorporates a fixed dollar component that represents the cost associated with the establishment of the basic infrastructure necessary before a Workers' Compensation Board can become operational.

In effect, the expense standard represents a standard level of administration cost that can be used as a benchmark against which the administration costs of each Board can be compared. The expense index is the relationship between the actual administration costs and the expense standard.

C. Limitations

Precise comparison of administration costs between jurisdictions is not possible because of the many differentiating factors such as geographic location, different administration requirements or procedures, variances in the services offered, different mandated authorities and accounting differences. The methods employed in this study are intended to provide a general comparison of administration costs between jurisdictions, but care must be taken in interpreting the results because the effect of some of the differentiating characteristics cannot be objectively quantified. Where possible, commentary on the differentiating characteristics has been included to provide an explanation for any significant deviations from the expense standard.

The analysis of administration costs also does not recognize the possible relationship between a Board's commitment to preventative measures and its claims costs. A Board with an above average commitment to preventative measures may have a higher expense index value, but, on the other hand, enjoy a reduced level of claim costs.

II. EXECUTIVE SUMMARY

A. Overview

The primary purposes of this study are;

1. to compare the level of the administration costs incurred by the Yukon Workers' Compensation Health and Safety Board (YWCHSB) to the corresponding administration costs in other Workers' Compensation Boards in Canada, and
2. to examine the historical pattern of administration costs in the Yukon.

This study does not analyze the internal administrative efficiencies of the Yukon or any other Board.

Data required for the study was obtained from the financial statements issued by the Workers' Compensation Boards for the calendar years 1995, 1996 and 1997.

B. Administrative Costs

For the purpose of this study, administration costs have been determined on the basis of the gross, unallocated administration costs published in the notes to the financial statements issued by each Board. Since there is not a consistency in methods used by the Boards to allocate administration costs between their claim costs and general administration, the expense reported in the Statement of Operations is not an appropriate basis for an interjurisdictional comparison.

C. Methodology

In order to compare administration costs, a statistical regression analysis was applied to the 1995, 1996 and 1997 administration costs of the various Boards to develop a "best fit" expense standard and "expense index". No single measure is appropriate to compare the expenses of one Board to another. Accordingly, the "expense index" was constructed by using a blend of the following measures.

- Total amount of claims paid by the Board;
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The expense standard also incorporates a fixed dollar component that represents the cost associated with the establishment of the basic infrastructure necessary before a Workers' Compensation Board can become operational.

In effect, the expense standard represents a standard level of administration cost which can be used as a benchmark against which the administration costs of each Board can be compared. The expense index is the ratio of the actual administration costs to the expense standard.

D. Comparison Measures

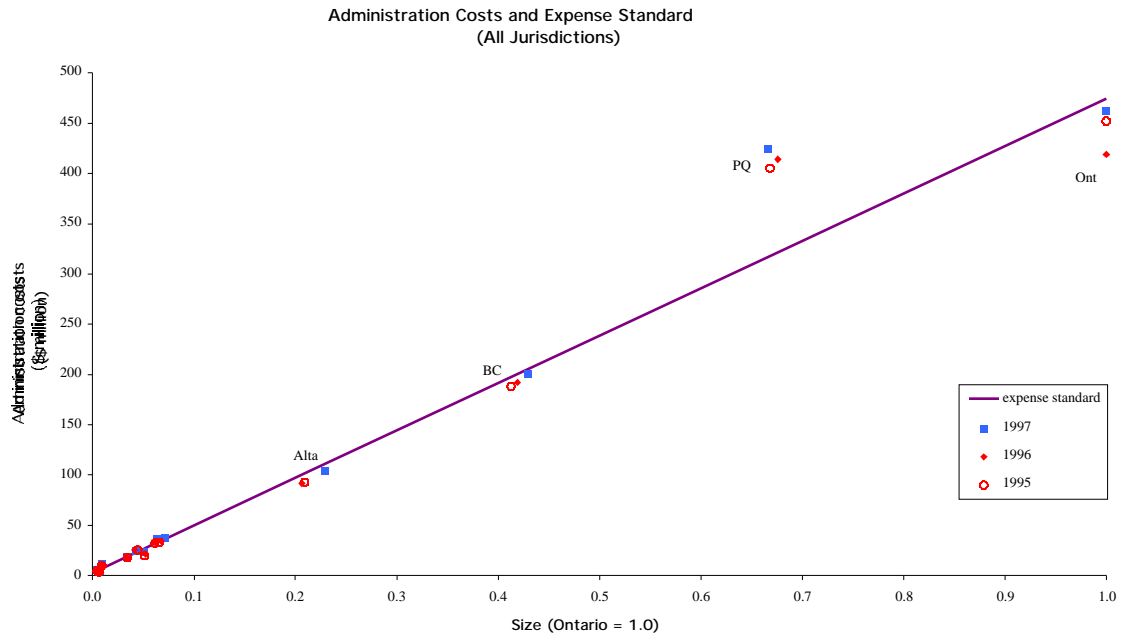
A variety of measures is available for comparing the administration costs of the different Workers' Compensation Boards. No single measure is appropriate on its own, but some are more appropriate than others for specific components of administration costs.

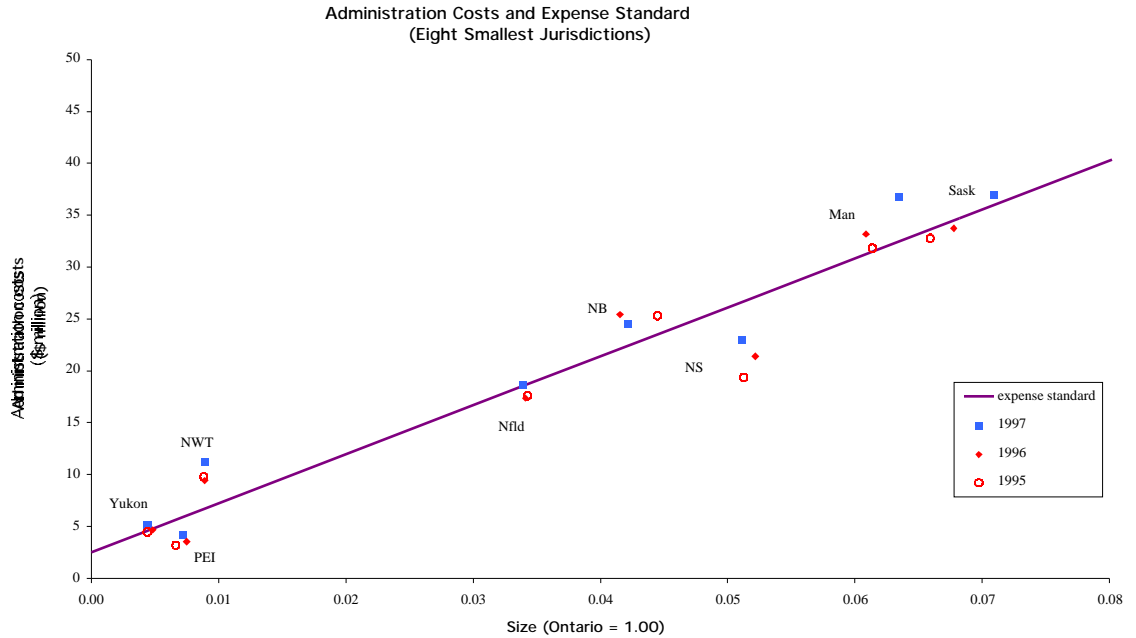
The measures incorporated in the expense standard are paid claims, assessment revenue and assessable payroll. A variety of other measures are available for comparison of administration costs. Some of these are not appropriate as a basis of comparison, while others could be used but are less appropriate than these incorporated in the expense standard.

E. Expense Standard

Using the three selected measures, a regression analysis was applied to the total administration costs of the 8 smallest jurisdictions in 1995, 1996 and 1997 to create an expense standard based on the combination of measurers which resulted in the "best fit".

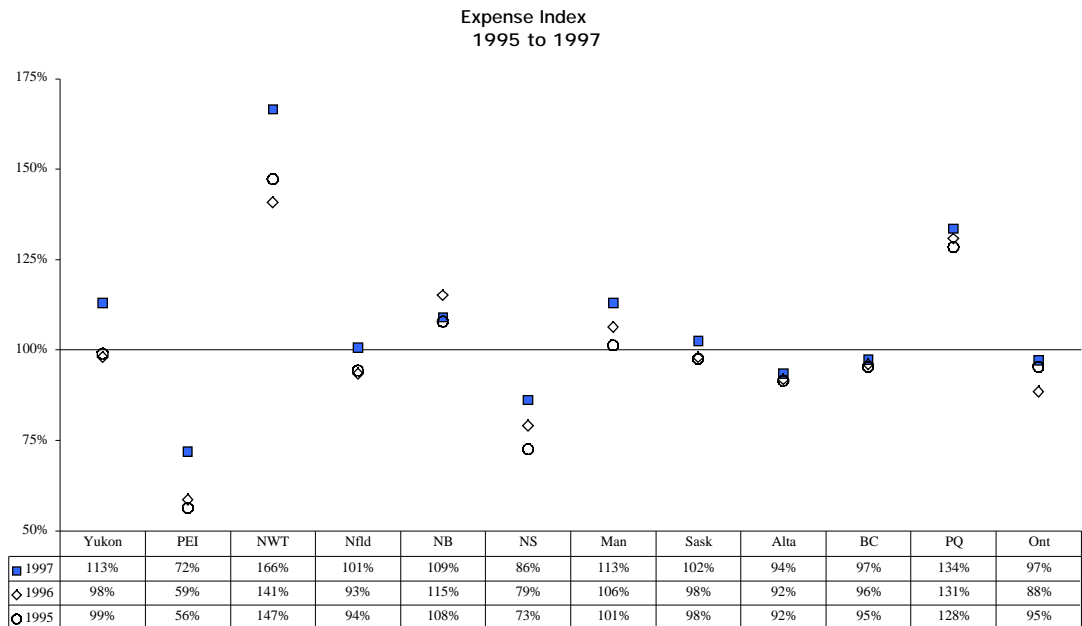
The following charts illustrate how the resulting expense standard fits the administration costs of the various jurisdictions. All 12 jurisdictions are included in the first chart, while the second chart is limited to the 8 smallest jurisdictions.





F. Interjurisdictional Comparison

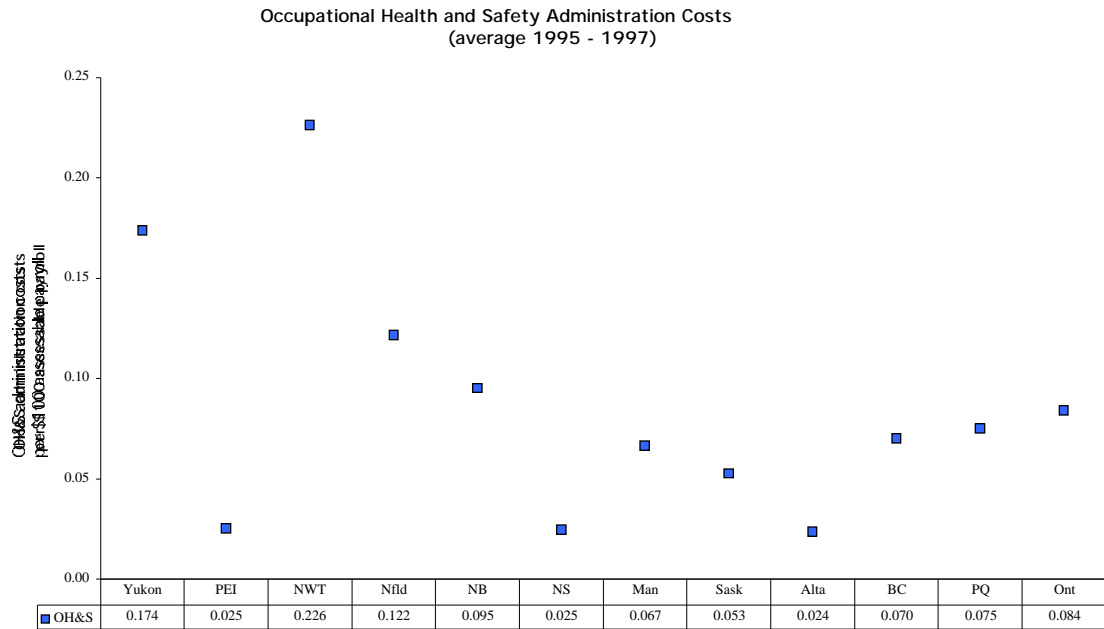
The following chart illustrates the ratio of the actual administration costs of all 12 jurisdictions for the years 1995, 1996 and 1997 to the corresponding costs based on the expense standard. This ratio is referred to as the “expense index”.



The Yukon’s expense index is sensitive to changes in the factors incorporated in the standard, particularly the infrastructure component. However, variations in this component do not materially change the Yukon’s index rating relative to the other smaller jurisdictions.

Occupational Health and Safety expenses represent a significant component of the Yukon Board’s overall administration costs. The following chart compares

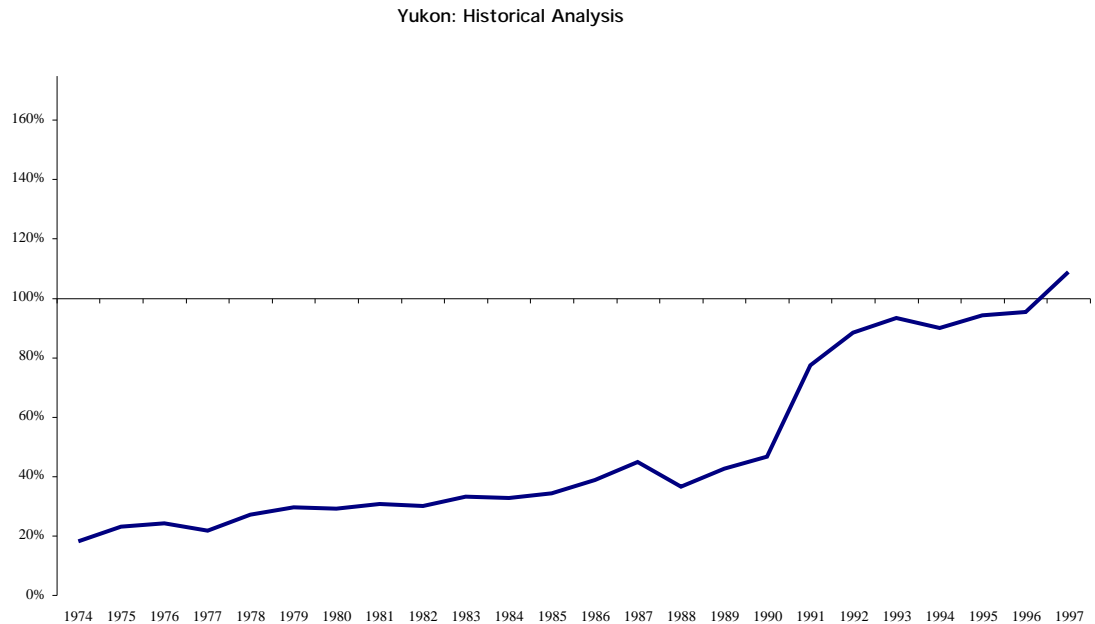
Occupational Health and Safety administration costs in the different jurisdictions, expressed as a cost per \$100 of assessable payroll.



The above chart indicates that for the majority of Boards, OH&S costs represent between \$0.05 and \$0.10 per \$100 of assessable payroll. PEI, Nova Scotia and Alberta appear to spend much less on OH&S services, representing closer to \$0.025 per \$100 of assessable payroll, while the OH&S costs for the Yukon and NWT are high relative to the other jurisdictions. Higher OH&S costs in the Yukon and NWT are attributable to the fact that natural resource industries, which draw most heavily on OH&S services, represent a larger portion of the overall economy in these jurisdiction.

G. The Yukon: Historical Analysis

The chart below illustrates the pattern of historical administration costs in the Yukon since the Board's inception in 1973. The costs have been expressed as a percentage of the average of the Board's administration costs in 1995, 1996 and 1997, after removing the effects on inflation and increases in the levels of paid claims, assessments and payrolls. In other words, the graph depicts the growth in the Board's administration costs due to changes in its services, programs and delivery procedures.



The gradual increase in costs between 1974 and 1990 and after 1990 can be attributed to a number of enhancements to the services provided by the Board during these periods. The significant increase in administration costs after 1990 is attributable to; an increase in OH&S costs, the planning and construction of the Board's offices, more intensive rehabilitation efforts, and extensive consultations regarding proposed amendments to the system of workers' compensation.

H. Conclusions

Total administration costs for the Yukon Board appears to be reasonably consistent with those incurred by other Boards when costs are compared on a basis that properly recognizes variations in the sizes of the various Boards.

Relative to the smaller Boards, the Yukon's administration costs are lower than the NWT but higher than PEI. A significant part of the difference relative to PEI is explained by PEI's relatively low expenditure on Occupational Health and Safety.

Due to the impact of economies of scale, the Board's administration costs represent a higher proportion of the Board's overall operations than for larger Boards. Although service levels and other legislated obligations are similar in the Yukon to most other jurisdictions, the infrastructure costs associated with the delivery of those services has to be spread over a much smaller base.

Over the last 25 years since the Board's inception, administration costs have increased significantly. Like other Workers' Compensation Boards, much of this increase is attributable to the expansion of the Board's mandate, particularly in the last 10 years. In addition, costs have also increased as a result of the Board's more pro-active management of claims; however, these costs have likely been partly offset by reductions in claims costs.