

**State of Michigan  
Department of Information Technology  
And  
Bureau of Worker's & Unemployment Compensation**

**Employer Filed Claims Project**

**2003 NASCIO Awards Recognition**

**Digital Government: Government to Business (G to B) nomination**



**Title of Nomination: Employer Filed Claims Project**  
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## **Executive Summary**

Michigan is submitting our Employer Filed Claims project for consideration in the Government to Business category. This system allows employers to electronically submit an unemployment claim on behalf of a laid-off worker. The major presence of the Big 3 automakers in Michigan often meant long delays for workers in receiving unemployment checks during periods of mass layoffs (typically during model changeovers). These layoffs resulted in long lines at branch offices, and tremendous amounts of time manually processing paper filed claims (and correcting claims filed in error). This increased workload on unemployment claimant workers was significantly exasperated with the Summer 2002 early retirement program offered to State of Michigan employees. Upwards of 50% of unemployment claims workers took advantage of this early retirement option.

To help employees receive payments faster, simplify the reporting burden on businesses, and to mitigate the impact of early retirement, The State of Michigan has developed a system that allows employers to electronically submit unemployment claims on behalf of their workers – Employer Filed Claims (EFC). This system has made Michigan a leader in Government to Business interaction for the following reasons:

- Government operations have improved by dramatically reducing paperwork and manual processing steps. Over 80,000 face-to-face intake interviews and companion paper forms were eliminated by having companies submit claims electronically for their employees.
- Benefits accrued to all parties – The employer, the employee and Government. Prior to EFC, companies would need to complete a form for every employee laid off. The time and costs required to complete and mail in the form have been eliminated. Employees receive their checks faster and do not have to waste time with a visit to a branch office to file a claim face-to-face. Government has been able to reduce staff costs while speeding-up delivery of services.
- There has been a large return on investment for this project. Businesses personnel offices have avoided the expense of preparing individual forms for each person they lay off. Follow-up mailing, verifications and error corrections between government and business have been eliminated. The State of Michigan has been able to reduce staff intake costs and close branch offices by migrating to a paperless, face-less claiming strategy.

This employer filed claims project has served as an excellent example of how Government and Business can partner together to jointly reduce costs and improve efficiencies by using technology to replace antiquated paper processes.

## **A. Description of Project**

### **Background**

Employer Filed Claims, or EFC, is a method for filing unemployment claims via electronic transfer by an employer (using Electronic Data Interchange (EDI) and magnetic tape). The employer transfers claimant and employer information for the purpose of processing a claim for unemployment benefits. Employer Filed Claims are initiated by the employer and are processed without branch office or claimant action. This project began with requirements gathering sessions with the 'Big Three' automakers in Michigan, Daimler-Chrysler, General Motors, and the Ford Motor Company in July 2001. This project was embraced by both business and Government because it would eliminate problems commonly associated with mass layoffs, including:

- Logistics planning - During the high claims load periods; Government staff would go to the employer site for the purpose of taking new or additional claims. This prevented a large influx of claimants to the branch offices, but was a logistical planning challenge for our automakers.
- Increased workload on Business – Every person who filed a claim needed to have verifying information submitted, via paper, from business to government.
- Turn-around time – Every laid-off worker must visit an unemployment office. While the intake interview averages less than 30 minutes, the waiting time can exceed 4 hours. Once a claim is submitted, processing and verification time may exceed 6 weeks (this involves processes by both business and government). Error adjudication adds more time.

In Spring 2002, the Ford Motor Company and Daimler Chrysler had successfully piloted the EFC process at targeted manufacturing plants. Following this pilot period, both Automakers made plans to expand EFC. Beginning in May 2002, Daimler-Chrysler expanded the use of EFC to include all hourly and salary workers who were laid off from all Michigan Daimler-Chrysler plants. In July of 2002, Ford Motor Company went state-wide in filing EFC claims for full-time hourly workers laid off from all Ford Motor and Visteon plants. Finally, following another successful pilot test at General Motors plants, General Motors and Delphi, in November of 2002, joined other major Michigan companies using the EFC claim system.

### **Technical Infrastructure/Architecture**

The current mainframe environment provided for UC is a 9672-R53, which is a CMOS server. The DASD provided is a progressive utilization of disk technology that provides

cost effective on-line storage. The RAMAC Virtual Array family of disk storage is current technology. The mainframe tape strategy is 3490 Model E drives.

Software highlights include a recently completed upgrade of the CICS system to CICS Transaction Server version 1.3. The version of IMS installed on the system is version 7.1 at maintenance PUT0008. UNIX Services with TCP/IP's currently active support File Transfer Protocol (FTP). The Netview Performance Monitor is used to track network performance. There are over 80 IBM and Independent Software Vendor products installed in the UA environment.

## **B. Significance to the Improved Operation of Government**

Michigan's strategy is to migrate all unemployment claimant transactions from manual submission to electronic submission. This strategy is allowing Michigan to begin the closure of many of the 43 branch unemployment offices. The EFC system is the first step towards this goal. Government operations have noted improvements in the following areas:

- Staff time savings – Face-to-face customer intake, manual data entry, and mailroom operations have been eliminated from the processing cycle. The time associated with each activity has been redeployed towards processing and completing claims and eliminating a backlog in claims and increasing turn-around time for existing claims.
- Cost Savings – Mailing costs, data entry costs, help-desk calls associated with claim adjudication, and staffing costs needed to process over 80,000 claims in our first year have been eliminated. These savings have been directed into other critical areas of the unemployment claimant process - tax and business processes.
- Customer satisfaction - Since Employer Filed Claims are initiated by the Employer, and processed without branch office or claimant action, customers are not required to visit a branch office. The businesses initiating the claim have no additional follow-up activity. Both the businesses and laid-off workers have responded favorably to this project in questionnaires and satisfaction surveys conducted post implementation.

## **C. Benefits**

The Employer Filed Claims system had a demonstrated benefit of showing how Government and Business can partner together to reduce costs for both parties. Our 'big-three' automakers enthusiastically supported this initiative. Benefits have accrued to Government, Business, and employees of these businesses. Specific measures of program benefits include:

**Multiple Channels** – This initiative is the beginning steps of replacing manual filing channels with fast electronic channels for business and claimants to file and receive unemployment benefits. Our success here has given both business and government the confidence to continue with this new and innovative approach.

**Convenience** – The workers who are idled by mass layoffs don't have to apply for unemployment benefits at a Bureau customer service office. The claim is filed for them via electronic media. This saves both travel and parking costs, and a minimum 4-hour office visit. Businesses no longer need to complete and submit a paper form for every employee laid off. This information is part of the electronic submission. This allows businesses to file only once per employee, and allows them to drive the submission schedule, not Government.

**Improved Customer Service** – Filing mass claims electronically allows the Bureau to begin processing the claims immediately. There is no need to correct errors in paperwork submitted by the claimant. The possibility of human error by a Bureau employee while entering the data via computer screens is eliminated. Customers can begin receiving benefits in a timely manner. Businesses are pleased to help their workers begin receiving checks faster. Likewise, businesses no longer need to prepare for onsite intake clinics between claims examiners and laid off workers.

**Improved Workload throughput** – Bureau service staff normally deployed to handling this paperwork have been re-assigned to process other claims, answer customer queries (most notably from businesses) and increase the turn-around time for claims still submitted through traditional channels. Businesses personnel offices are not deluged with thousands of forms from the State of Michigan verifying that a claimant did work for the company. Businesses are able to redeploy personnel office staff to other mission critical tasks (workforce safety, worker training etc.).

**Reduced costs** – Since the claims are filed via electronic media, several forms supporting a claim have been eliminated. Mail room operation costs are eliminated, errors associated with data entry follow-up and correction are eliminated. These costs reductions are applicable for both the State and each business. Businesses no longer need to spend time and money contesting a worker claim – either because of a worker misreporting wages or a calculation error. The electronic submission of data, using electronic payroll data, has eliminated misreporting and calculation errors. These cost avoidance items for both businesses and government have been key elements in the EFC adoption and on-going support within our business community.

## D. Return on Investment – Short Term / Long term payback

### Short Term Payback:

In 2002, over 80,000 claims were submitted using (EFC). Absent the EFC system, staff costs associated with customer intake, data input, error correction, paper handling, help desk calls from customers ‘querying’ on the status of a claim, would have been incurred. Travel expenses are also reduced because there is no need to send staff on-site to the employer to process the claims on an individual basis. This claim activity resulted in the following short-term savings.

This system was developed internally and with some contractual staff, at a cost of approximately \$200,000. Minimal first year savings of \$750,000 have been identified for Government. **The short-term payback, when reduced for start-up costs of \$200,000, net out at \$550,000.**

Parameter	Current	Savings
Employee Costs (Business and Government)	Each unemployment intake worker costs approximately \$75,000 yr in wages and benefits.	A minimum of 10 staff would normally handle claim activity associated with 80,000 submissions on an annual basis. This will result in staff savings of \$750,000.  If businesses submitting claims had a similar ratio of staff preparing verification data for each laid-off employee, these same savings will accrue to business.
Mailroom operations	10 Staff work in mailroom operations for the Unemployment Agency. An unknown number work in mailroom facilities for our businesses.	Time and motion savings data not available.
Time savings (Business and Government)	Each claim interview averages 24 minutes to complete.	32,000 hours of intake time are avoided (80,000 * 24 / 60). These time savings accrue to both the client and Government.
Legal costs (Business and Government)	Because payroll data is submitted by the employer,	Actual savings to business not available.

	no costs associated with claims challenging and re-verification are incurred by Business. Assuming a 2% challenge rate, adjudication costs on 1,600 claims are avoided.	
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Long Term Payback:

Savings will become greater in 2003 as this system is further refined to allow other employers to use. This expansion has the potential of migrating as many as 372,000 claims to EFC. This represents almost 40% of new and additional claims filed in 2002. Using the metrics above, potential savings would expand as follows:

- Employee staff savings for 372,000 EFC claims results in a total staff saving of 46.5 Staff, or \$3.4 million.
  - Every 80,000 claims filed saves 10 staff ( $372,000 \text{ claims} / 80,000 = 4.65$  multiplier.  $10 \text{ staff per } 80,000 * 4.65 = 46 \text{ Staff}$ )

Long term savings, beginning with fiscal year 2003, are estimated at \$3.4 million a year. On-going operational costs of 1.5 staff per year will cost \$120,000. **The long-term payback, when reduced by yearly maintenance costs, will net out at \$3,280,000 per year.**