

Workers' Compensation Claims Management

Legislative Auditor's Conclusion:

Claims management by L&I is unbiased and decisions are generally timely.

Outcomes could be improved if systems were more focused on prompt and safe return to work.

Presentation to House Labor & Workplace Standards Committee

JLARC Staff

Valerie Whitener • John Bowden • Rebecca Connolly

Joint Legislative Audit & Review Committee

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Joint Legislative Audit & Review Committee (JLARC)

16-member, joint bi-partisan committee

Senators		Representatives	
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Conducts performance audits and other studies for the Legislature

- Since 1973
- Non-partisan staff conduct work using Generally Accepted Government Auditing Standards
- Study assignments made by the Legislature and the Committee
 - This review is from 2011 legislation (EHB 2123)

Study of workers' compensation claims management

- Legislative requirement: JLARC performance audit of the claims management system
- JLARC staff contracted with nationally-recognized experts in workers' compensation
- Review focused on 2010-13
- Methods:
 - Data analysis of >600k claims and appeals
 - Interviews and formal, statistically valid surveys
 - Claim file review (statistically valid sample)
 - Review L&I policies, procedures
 - Comparison to national best practices

Expert review of claims management at L&I led to four major themes

2 Recommendations

L&I concurs

OFM had no formal response

L&I can
**improve its
return-to-
work efforts**

1 Recommendation

L&I has
**mixed
results for
timeliness**

L&I appears to make
**unbiased
decisions**

L&I uses
**many tools to
communicate**

First, some background

L&I is responsible for managing the workers' compensation system

State Fund

L&I Managed

Includes Retrospective Rating
Optional program, potential for refunds

Self-Insurance

Employer Managed

L&I Oversight
360 employers statewide



166,000
employers



2 million
workers



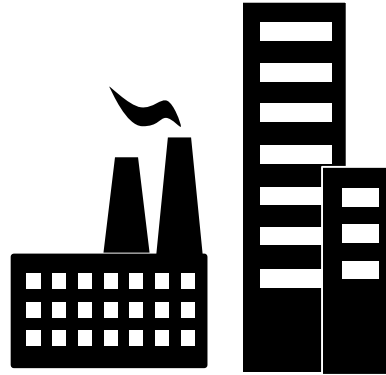
87,000
claims accepted



L&I can improve its return-to-work efforts

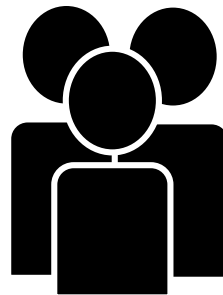
Benefits of prompt and safe return to work

Employers



- ✓ Stable workforce
- ✓ Helps limit future premiums

Workers



- ✓ Fewer health impacts
- ✓ Less risk of new injury
- ✓ Less income loss

Many return to work paths, but not always prompt

80%

little or no time away from work

AVERAGE COST:
\$1,300

20%

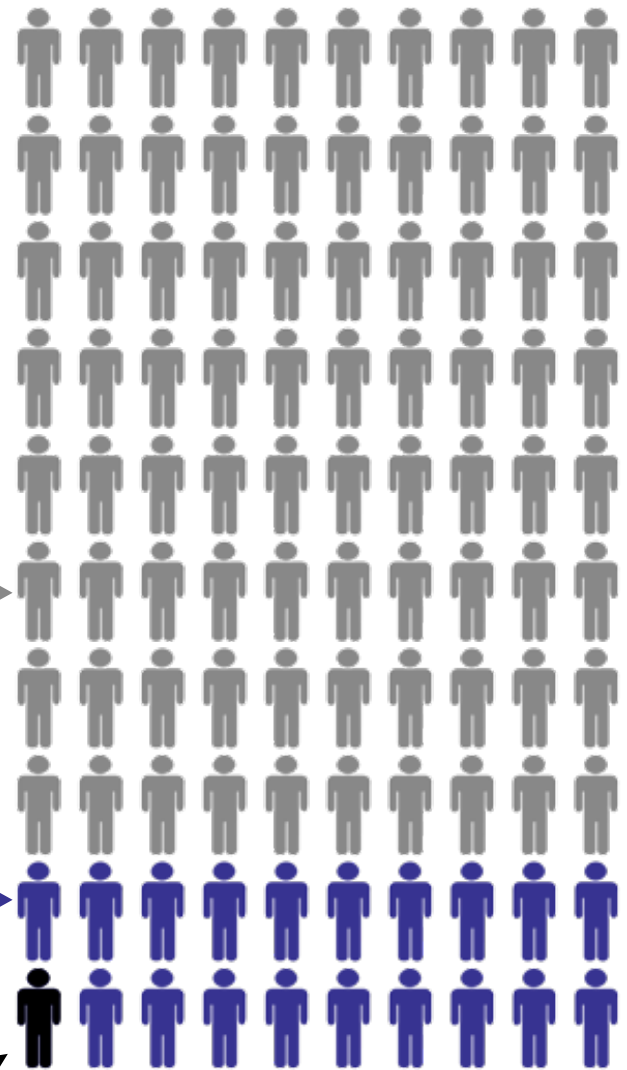
away from work, receiving lost wages

AVERAGE COST:
\$11,000

1%

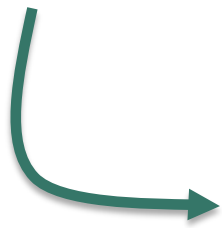
unable to return to work, may get pension

AVERAGE COST:
\$760,000

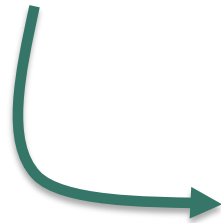


Claims management contributes to claim duration and high pension rate

Having **a few claims represent a large share of costs** is common in workers' compensation



Compared to national average, **Washington has longer claim durations and more pensions**



Contributing **factors include claims management** and statutory framework

L&I Management of Lost Time Claims Did Not Reflect Key Best Practices

Best Practice, Industry Standards

Claim manager (CM) calls within 1-2 days

CM develops written claim plan

CM documents actions and results



15% called within 30 days

Few claims have a written claim plan

Minimal documentation, not standardized

Observed L&I Practice for Claims with Lost Time

Recommendation
#1

L&I should institute standards for **early phone contact, claim management planning, and clear documentation** in claims management.

Response

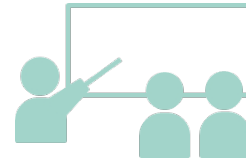
L&I **Concurs**

Pilot programs and support systems could improve return-to-work focus



Pilot Programs

Two programs provide key return-to-work services earlier in claim process



Training

Newly focused on skills that improve return to work outcomes



Performance Measurement

Return to work not reflected in claims management measures



Technology

Complex and not integrated with planning and documentation

Recommendation
#2

L&I should **expand pilot programs** and **enhance claims management support systems** with a focus on return to work.

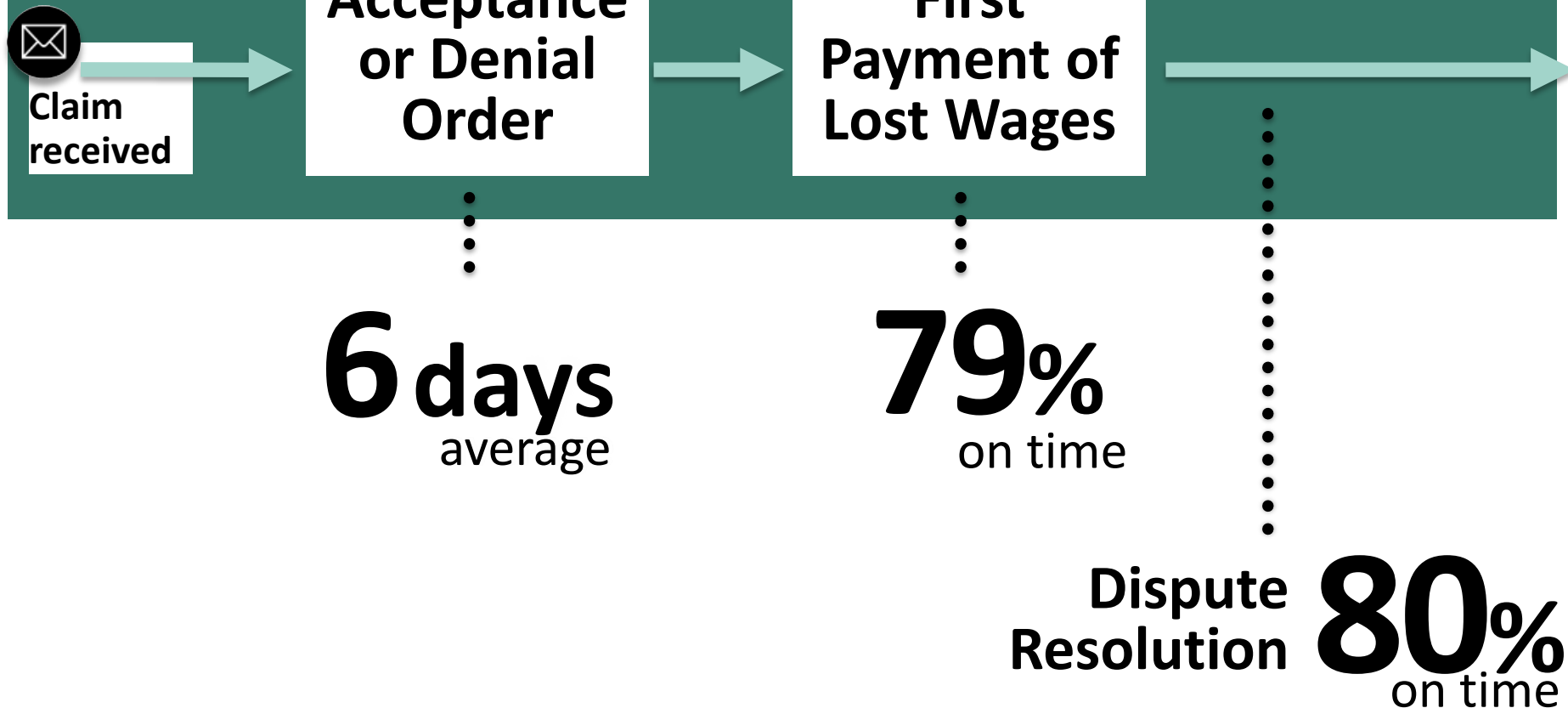
Response

L&I **Concurs**

**L&I has mixed
results for
timeliness**

State Fund claims management decisions are generally timely

State Fund Claims Management



L&I review of employer acceptance decisions adds time and little value

Self-Insured
Employer
Accepts
Claim

Statute requires L&I review

L&I Process Adds
30-45 Days

L&I
Issues
Formal
Order

99%

L&I Agreement with
Employer Decision

Recommendation
#3

The Legislature should allow **self-insured employers to issue formal acceptance orders.**

L&I should incorporate a **review of the orders** in its audits of self-insured claims management.

Requires Statutory Change

**L&I claims
management
decisions appear
unbiased**

Review of files and procedures found no evidence of decision bias

Decisions Reviewed

- Statistically valid sample of files
- Did not evaluate legal framework

Individual Characteristics

- Worker gender or age
- Employer type or size
- Worker vs. employer

Coverage Type

- Self-Insured
- State Fund

State Fund non-Retro and Retro claims treated equally

- Retro refunds not affected by L&I organization or service delivery.
- Retro employers benefit from their own actions to help control costs and improve overall outcomes.

Summary: 3 Audit Recommendations

Three Legislative Auditor Recommendations

Return to Work

L&I should:

- 1 Institute standards for early phone contact, claim management planning, and documentation
- 2 Expand pilot programs and enhance support systems

Timeliness

Statutory change:

- 3 Allow self-insured employers to issue formal orders to accept claims
 - Review orders during L&I audits of employers

Contacts

John Bowden, Project Leader

john.bowden@leg.wa.gov

360-786-5298

Rebecca Connolly, Research Analyst

rebecca.connolly@leg.wa.gov

360-786-5175

Valerie Whitener, Project Supervisor

valerie.whitener@leg.wa.gov

360-786-5191

<http://leg.wa.gov/jlarc/reports/2015/WorkersCompPhase2/f/default.htm>

www.jlarc.leg.wa.gov

