

Workers' Compensation Advisory Committee

June 17, 2016





Agenda

Time	Topic	Presenter(s)
9:00 am - 9:10 am	Welcome and Safety Message	Joel Sacks & Vickie Kennedy
9:10 am – 9:25 am	General Updates	Joel Sacks & Vickie Kennedy
9:25 am – 9:45 am	JLARC Report and Implementation Update	Vickie Kennedy
9:45 am – 10:00 am	Insurance Services Dashboard	Vickie Kennedy
10:00 am – 10:25 am	Business Transformation	Joel Sacks & Rachel Mercer
10:25 am – 10:40 am	Break	All
10:40 am - 10:55 am	Preferred Worker Update	Vickie Kennedy
10:55 am – 11:25 am	Catastrophic Care Update	Leah Hole-Marshall
11:25 am - 11:40 am	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:40 am – 11:50 am	Board of Industrial Insurance Appeals Update	Dave Threedy
11:50 am - 12:00 pm	Closing Comments & Adjourn	Joel Sacks & Vickie Kennedy



Washington State Department of
Labor & Industries



WELCOME & GENERAL UPDATES

Vickie Kennedy, Assistant Director for Insurance Services

Joel Sacks, Agency Director



Here is the link to watch the whole video :

<http://www.cityoftacoma.org/cms/One.aspx?portalId=169&pageId=6701>

Note:

1. It must be in Chrome
2. It is the May 26, 2016 video



JLARC REPORT AND IMPLEMENTATION PLAN

Vickie Kennedy, Assistant Director for Insurance Services



What is JLARC?

Joint Legislative Audit and Review Committee

- Equal House and Senate members, Democrats and Republicans
- Conducts performance audits, program evaluations, other analyses
- Assignments come from the Legislature
- Staff provide answers to audit questions and issue recommendations to improve performance



JLARC Claims Management Performance Audit

- Required by 2011 workers' comp reform legislation
- Conducted by an independent contractor with national workers' compensation expertise
- JLARC identified two recommendations from the report for L&I to implement
- L&I agreed with these recommendations



JLARC Recommendations for L&I



1. L&I should institute standards for early phone contact, claim-management planning and clear documentation in claims management.
2. L&I should expand pilot programs and enhance claim-management support systems (training, performance measures, technology), focusing on return-to-work.



Initiatives completed or underway for recommendation #1

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



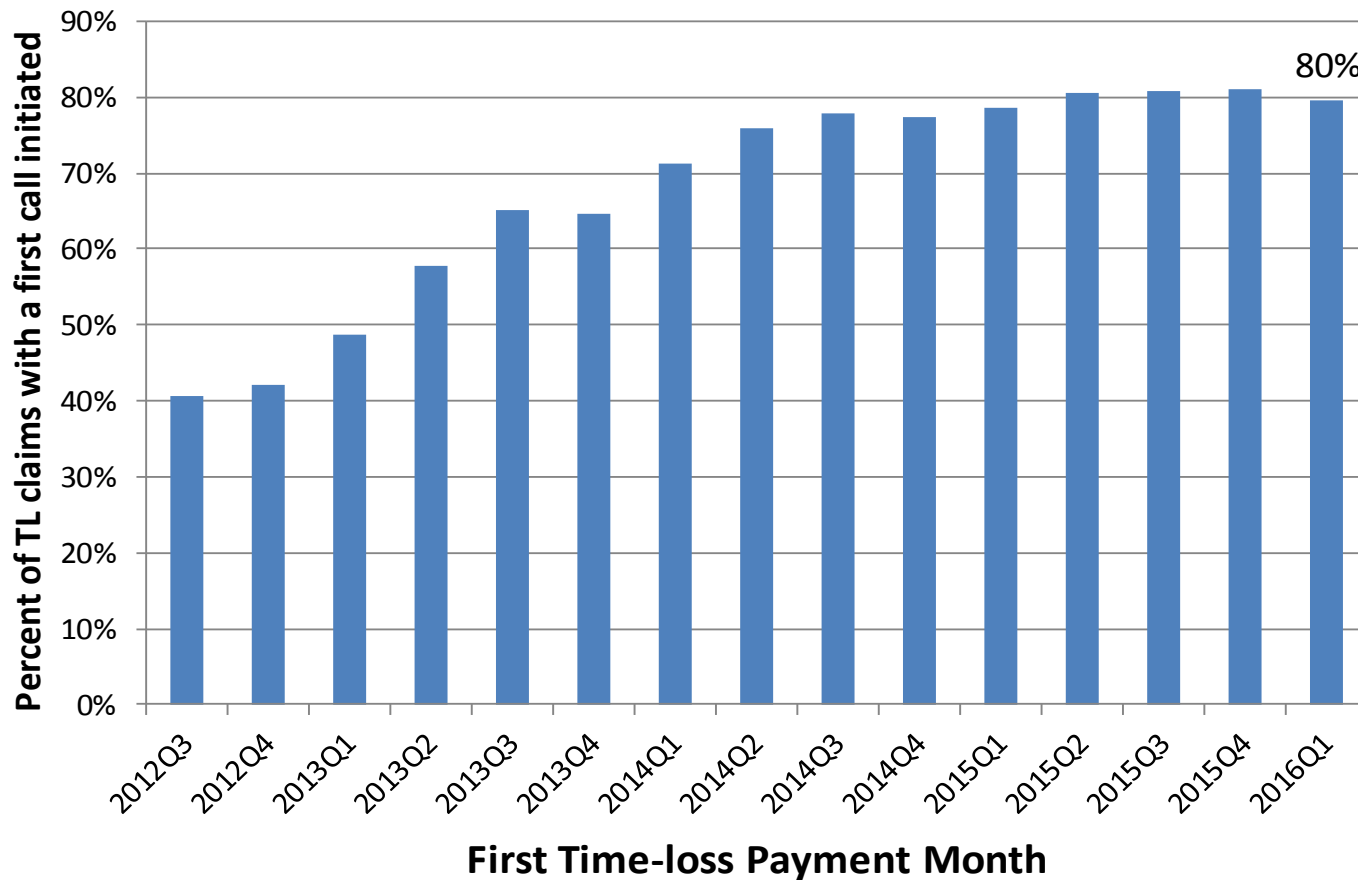


Early phone contact is an important step for cases with a risk of long-term disability.





The share of injured workers missing time from work who get a call from their claim manager has risen dramatically.



The goal is to
increase
this number





Claim-management planning and standardized claim documentation are effective tools for ensuring ongoing action to help return injured workers to work.





Efforts to date, next steps

- Hired claim processors to complete administrative tasks for CMs (May 2014)
- New processing system that starts an action plan – Early Claims Solutions (February 2015)
- New claim review template to support consistent information on claim issues (April 2015)
- ICD Coding Unit to increase coding accuracy (May 2015)
- New return-to-work progress report to improve timing and consistency of communications on a claim (June 2015)
- Improvements to action plan to support a problem-solving model (March 2016)
- Develop strategic claims management training for claims staff (to be determined)
- Implement improvements to the claims management quality assurance review (to be determined)



Initiatives completed and underway for recommendation #2

L&I should expand pilot programs and enhance claim-management support systems (training, performance measures, technology), focusing on return-to-work.





Washington State Department of
Labor & Industries



Implement return-to-work programs as
standard operating practice rather than
pilot programs.





Efforts to date, next steps

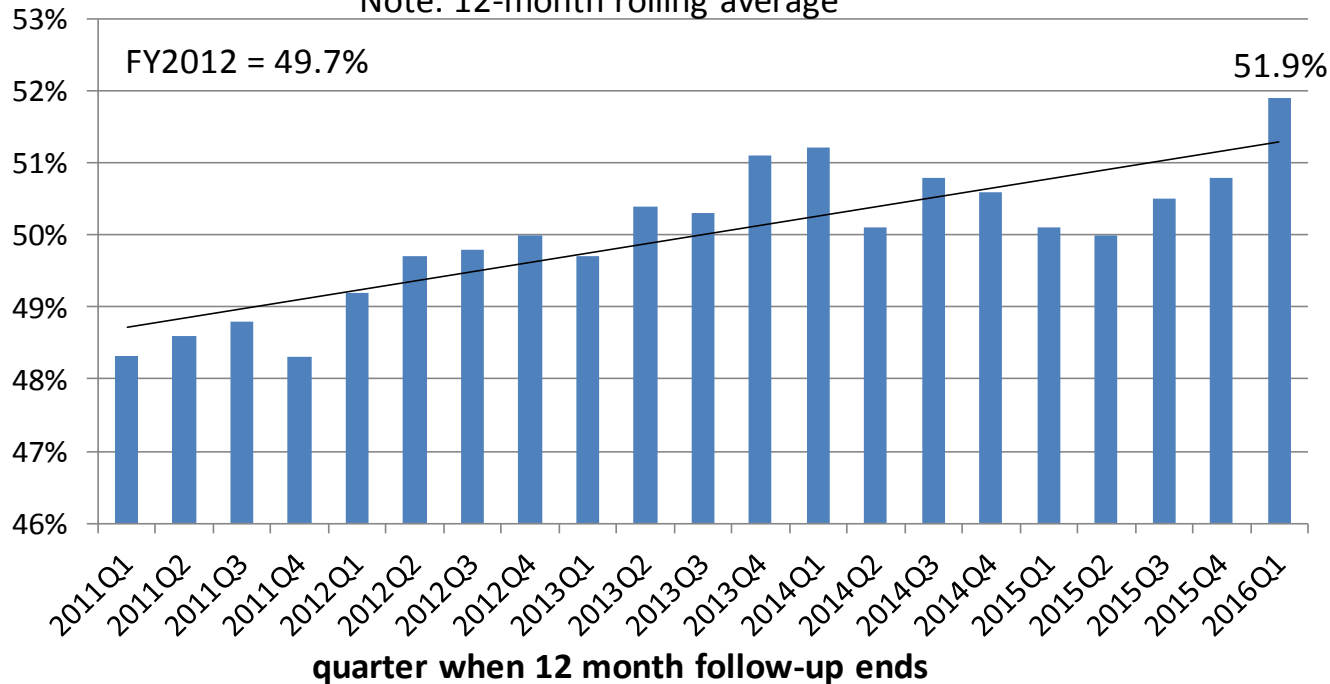
- Added re-employment specialists to the claims floor (August 2015)
- Implemented return-to-work predictive analytics - “RTW score” (October 2015)
- Launched a new early ability-to-work assessment (December 2015)
- Establish early return-to-work field best practices (March 2017)
- Enhance the private sector vocational services provided to injured workers (June 2017)



Initiatives are improving RTW outcomes: the RTW score and ERTW services; Early AWA; COHEs. The RTW score targets ERTW services for injured workers at greatest risk of long-term disability.

**The share of injured workers off work 40 days after claim receipt
who are likely to have returned to work**

Note: 12-month rolling average



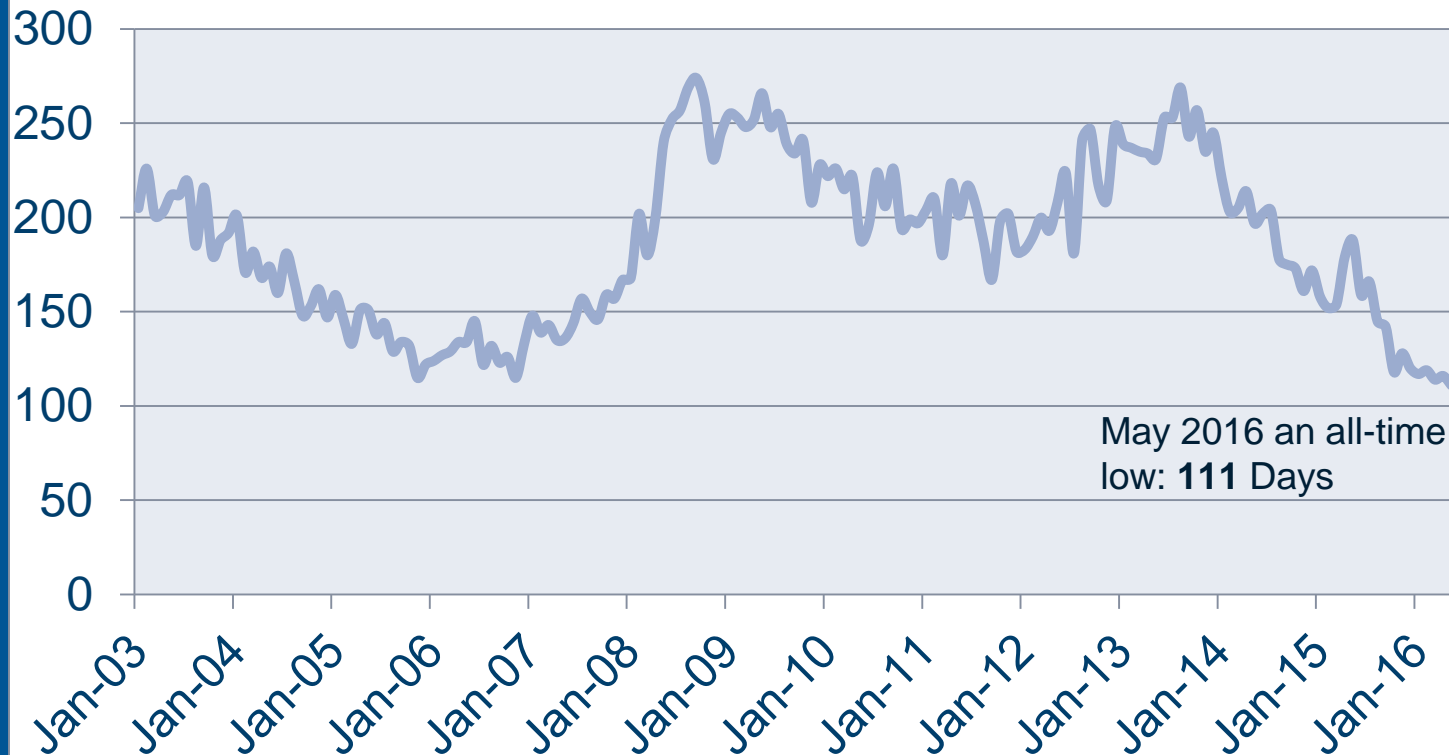
The goal is to
increase
this number





Ability to Work Assessment referrals are now targeted to address the onset of long-term disability.

Median time-loss days paid at first AWA referral.



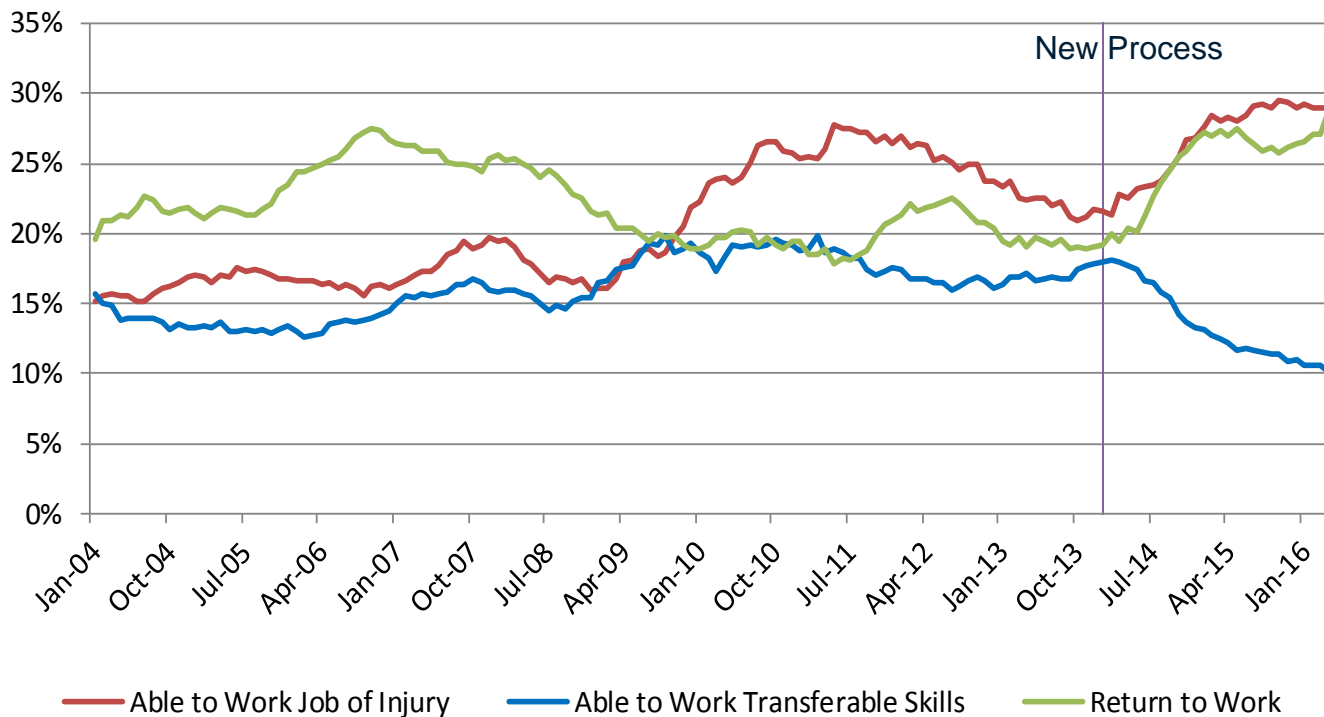
The goal is to decrease this number





New focus on return to work in AWA process has increased positive employable outcomes for early AWAs

Outcome distribution when first AWA referral made with less than 90 days of time-loss

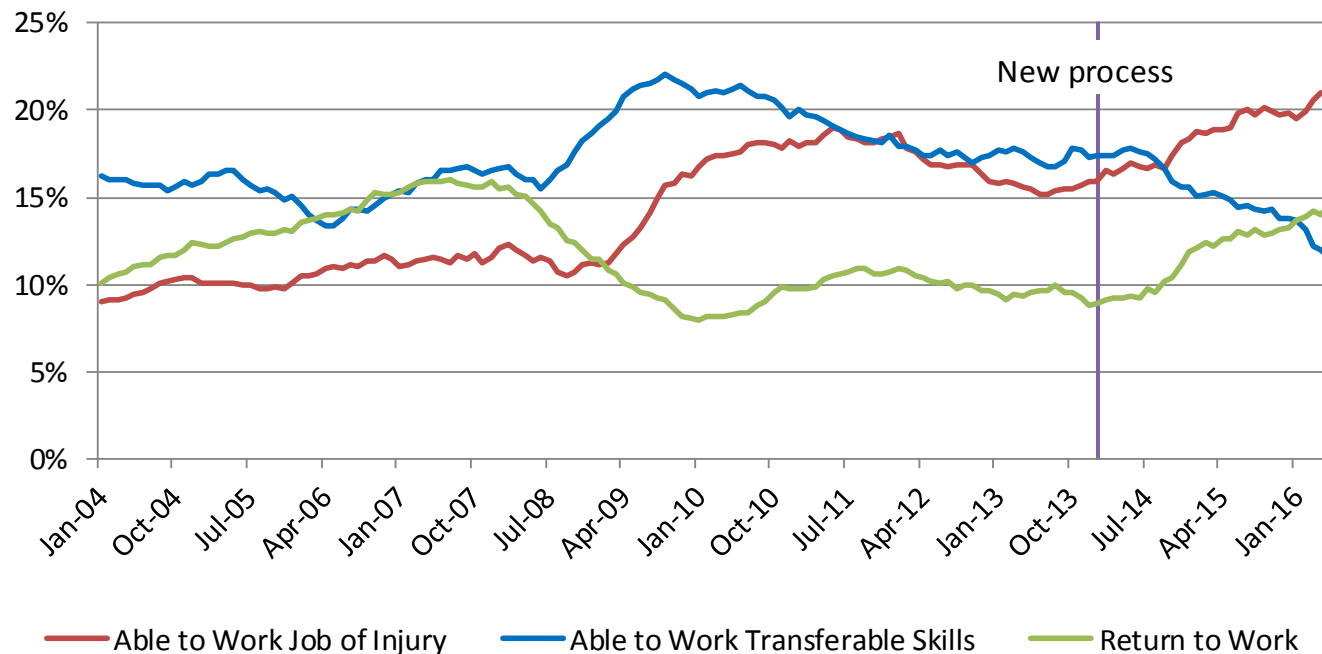


The goal is to increase the share of RTW and ATW JOI outcomes



New focus on return to work in AWA process has also increased positive employable outcomes for later AWAs – but the impact is less pronounced

Outcome distribution when first AWA referral made with more than 90 days of time-loss



The goal is to increase the share of RTW and ATW JOI outcomes



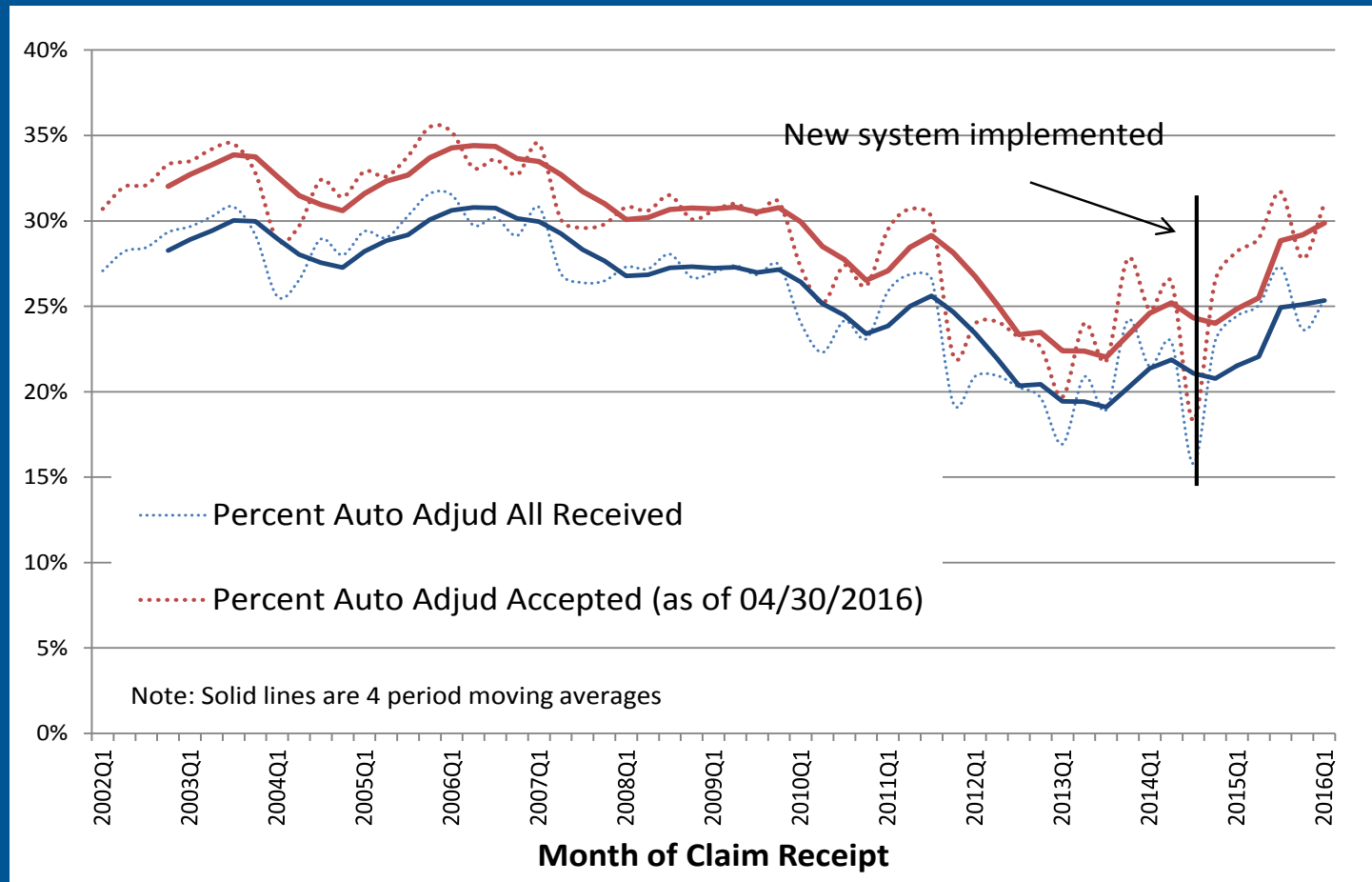


Develop a plan to integrate predictive analytics into claims management processes.





A new auto-adjudication process was implemented in early 2015 and is showing results.



The goal is to
increase
this number





Connect return-to-work goals,
performance measures and training.





Design a new technology system to support data analytics, claim management planning and documentation and internal information sharing.





JLARC Next Steps and Questions

What's Next?

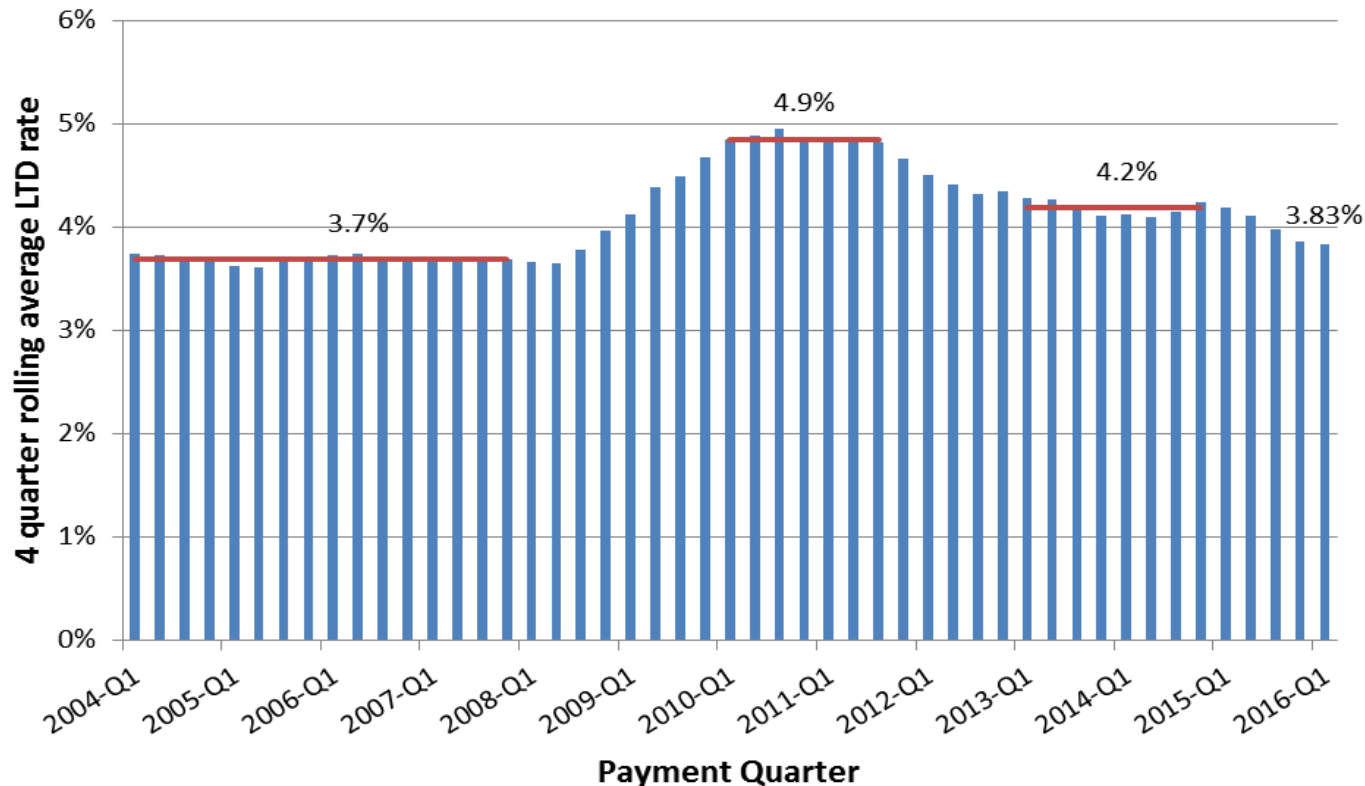


06/02/2016

DASHBOARD – HELP INJURED WORKERS HEAL AND RETURN TO WORK

Our ultimate goal is to reduce the number of injured workers who experience long-term disability.

Long- term disability is the share of ultimate claims that receive a time-loss payment 12 months from Injury

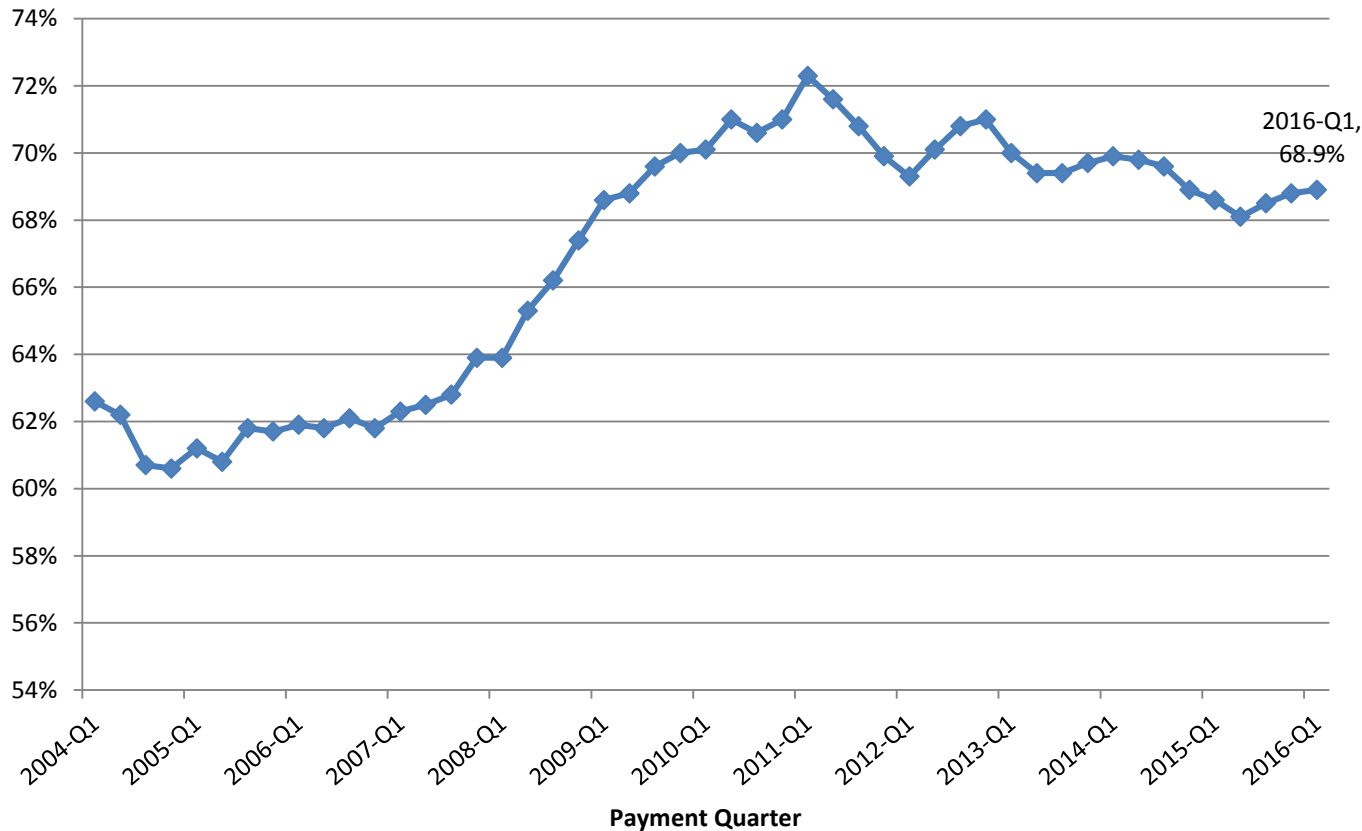


The goal is to decrease this number



The onset of long-term disability is often measured between three and six months after injury.

Claims that receive a time-loss payment 6 months post injury relative to claims that receive a time-loss payment 3 months post injury.

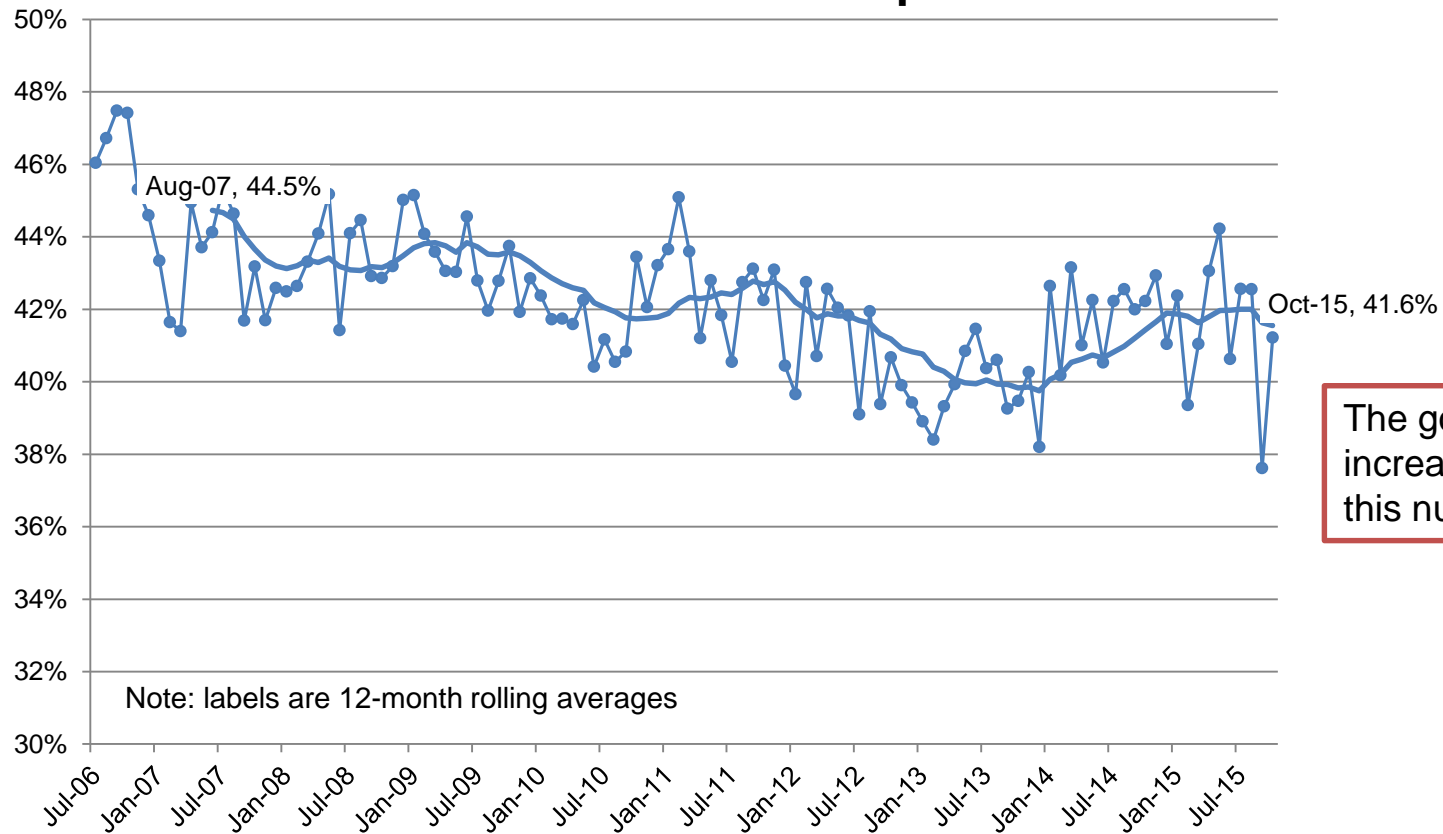


The goal is to decrease this number



The share of time-loss claims resolved six months after claim receipt is holding steady

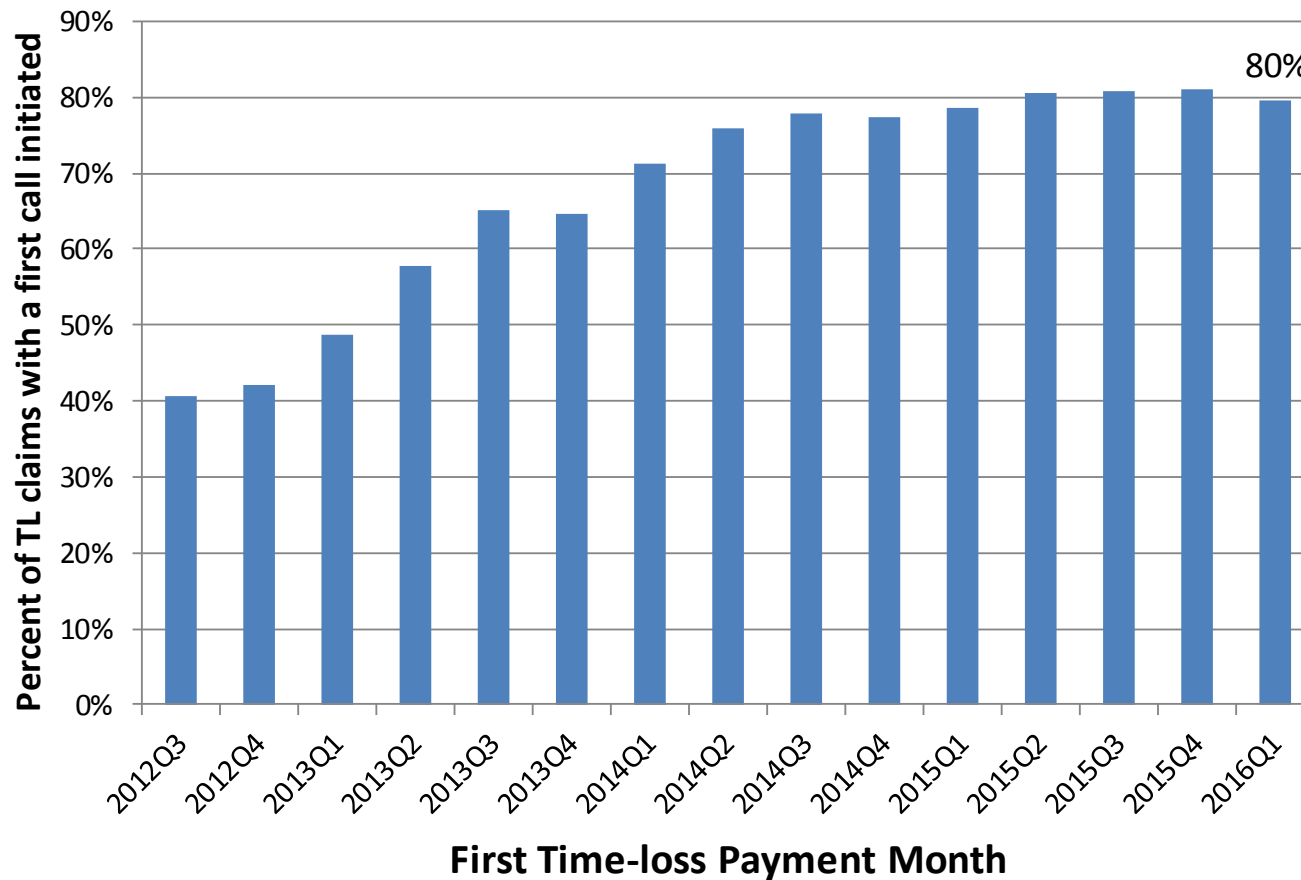
Share of time-loss claims resolved six months after claim receipt



The goal is to increase this number



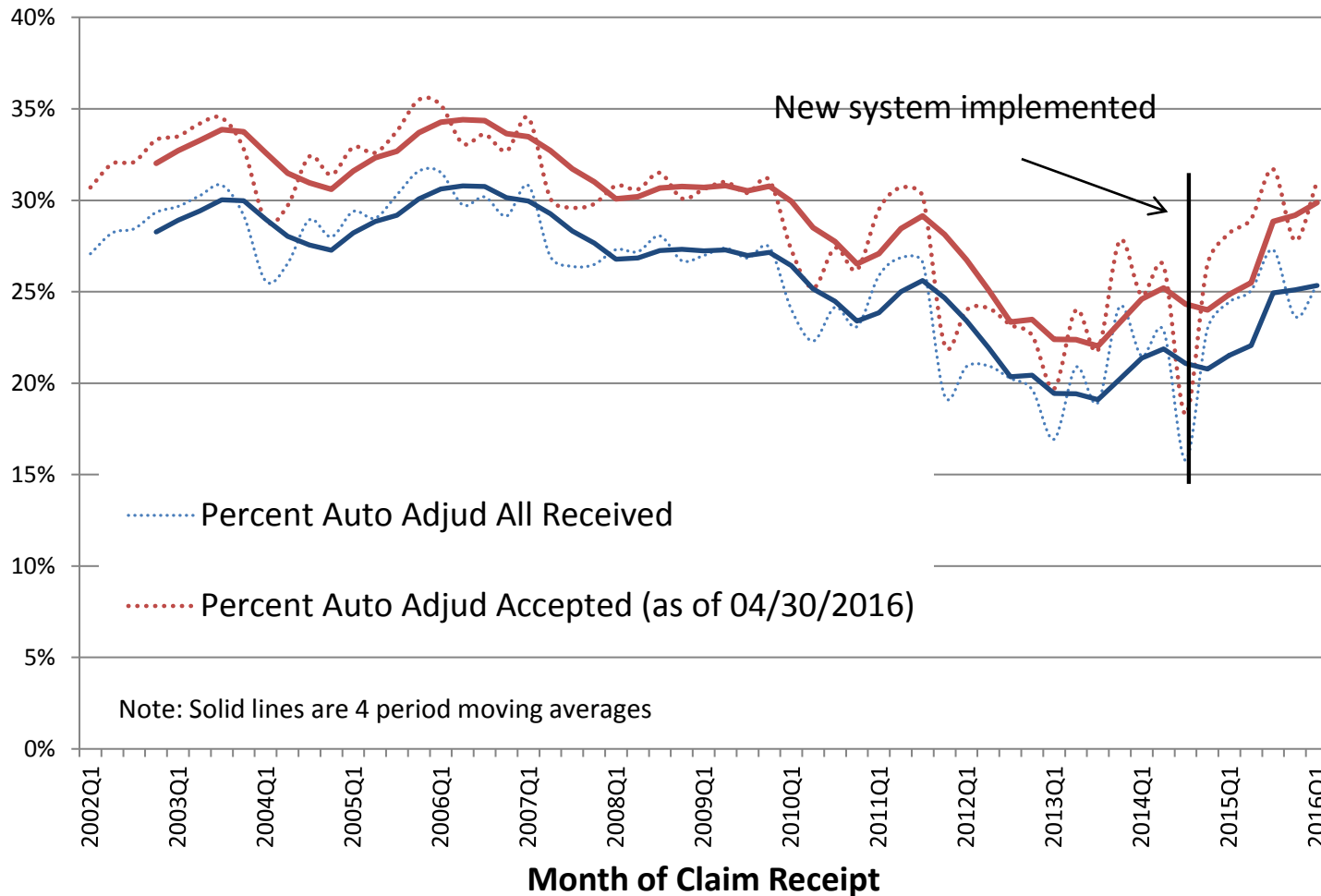
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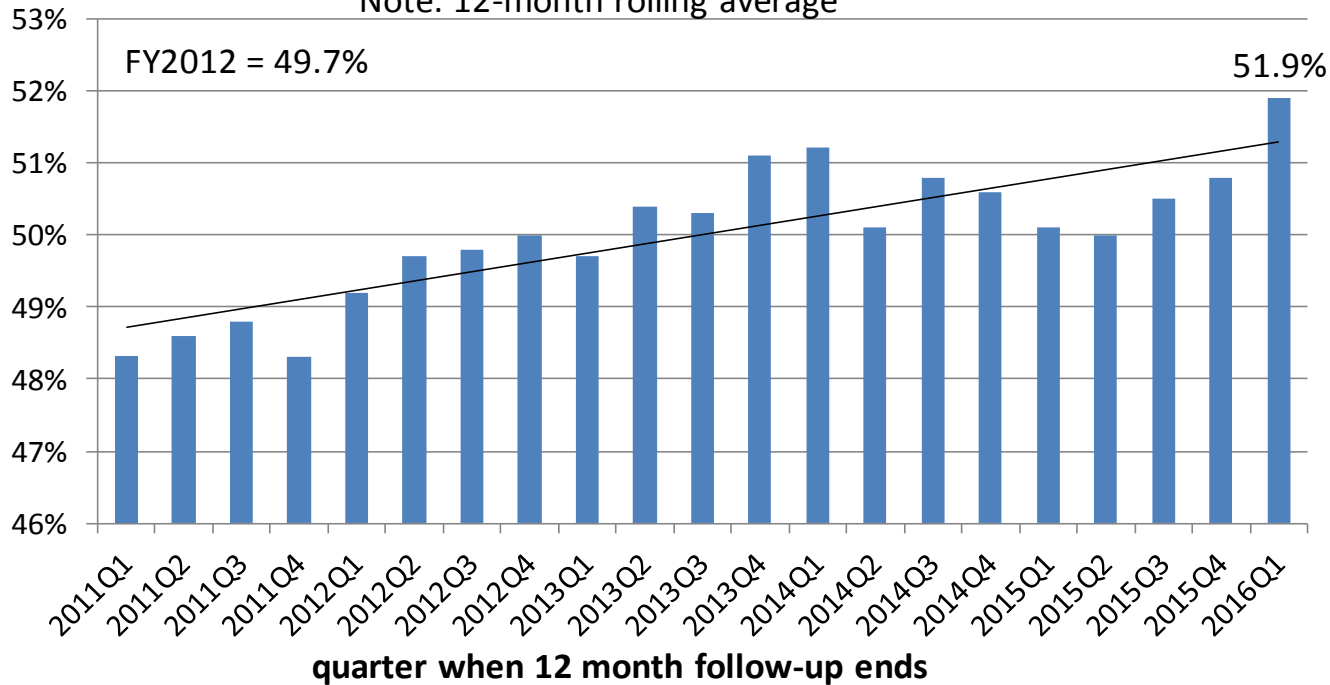
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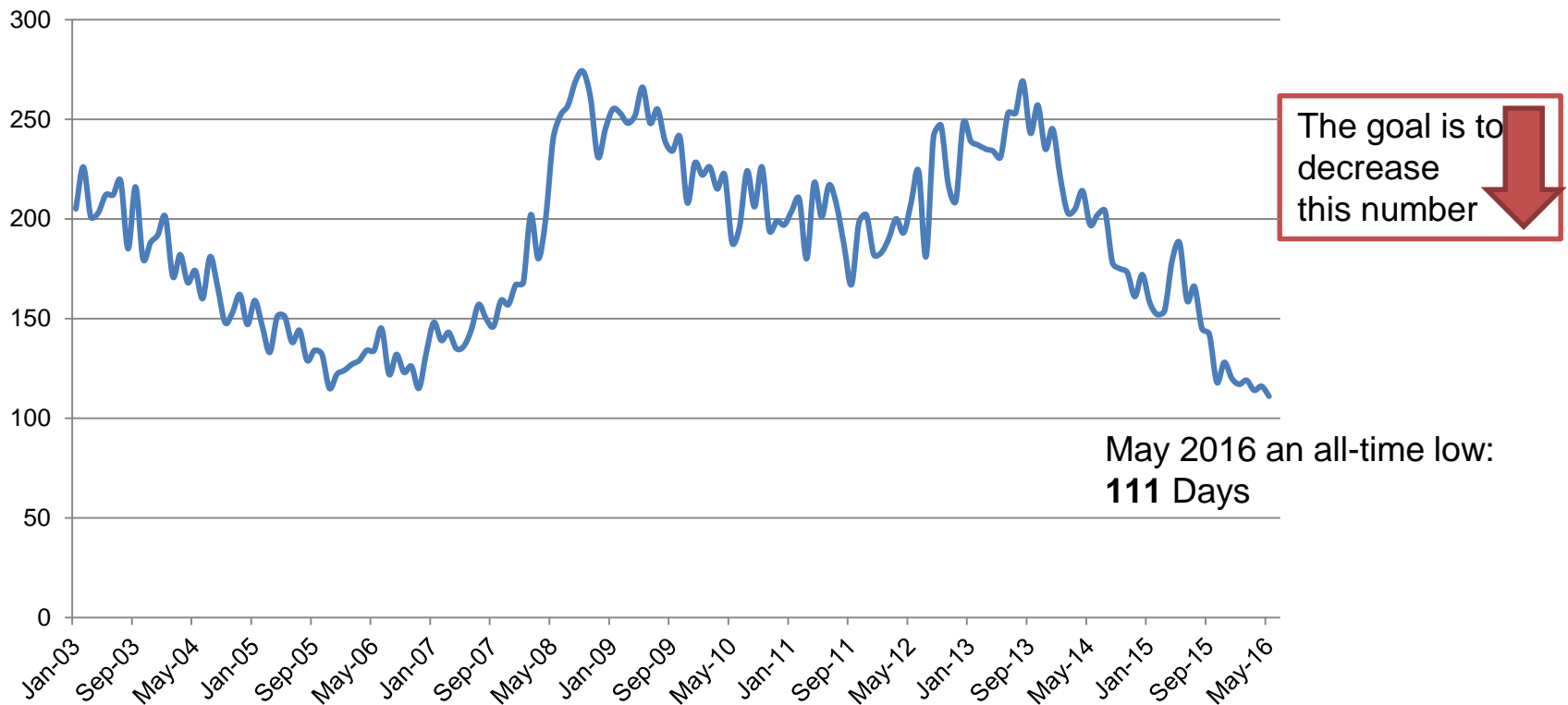
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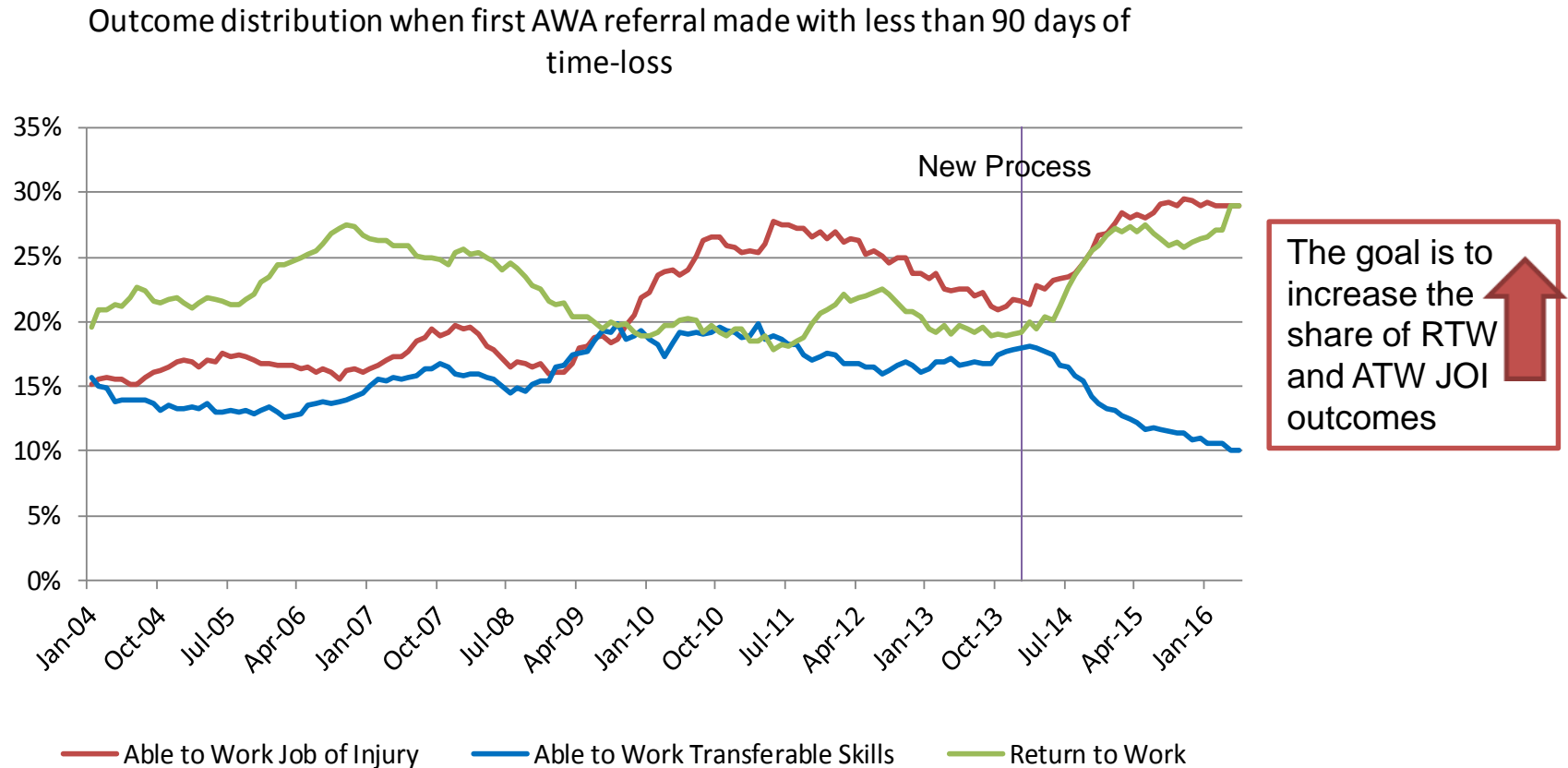


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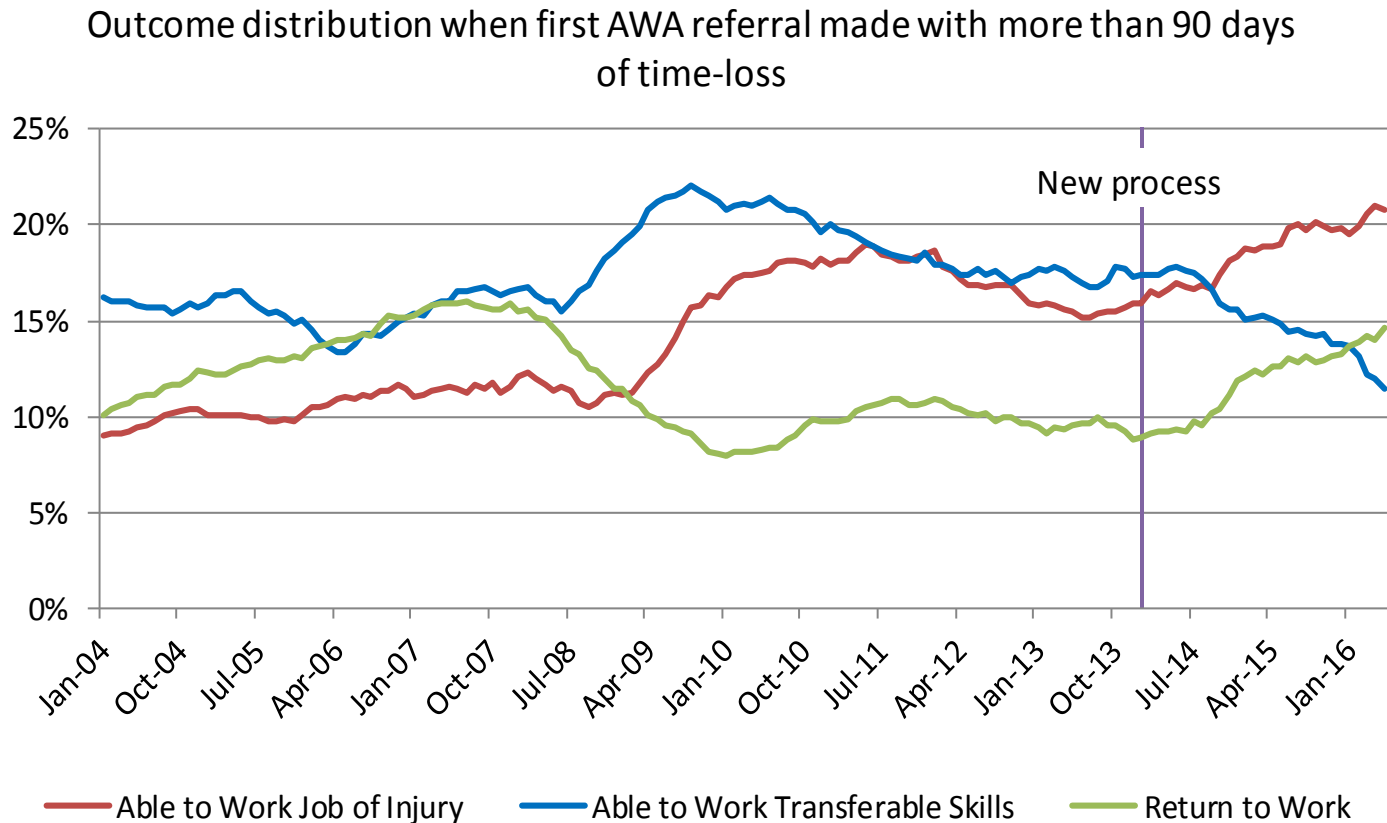
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New focus on return to work in AWA process has increased positive employable outcomes for early AWAs



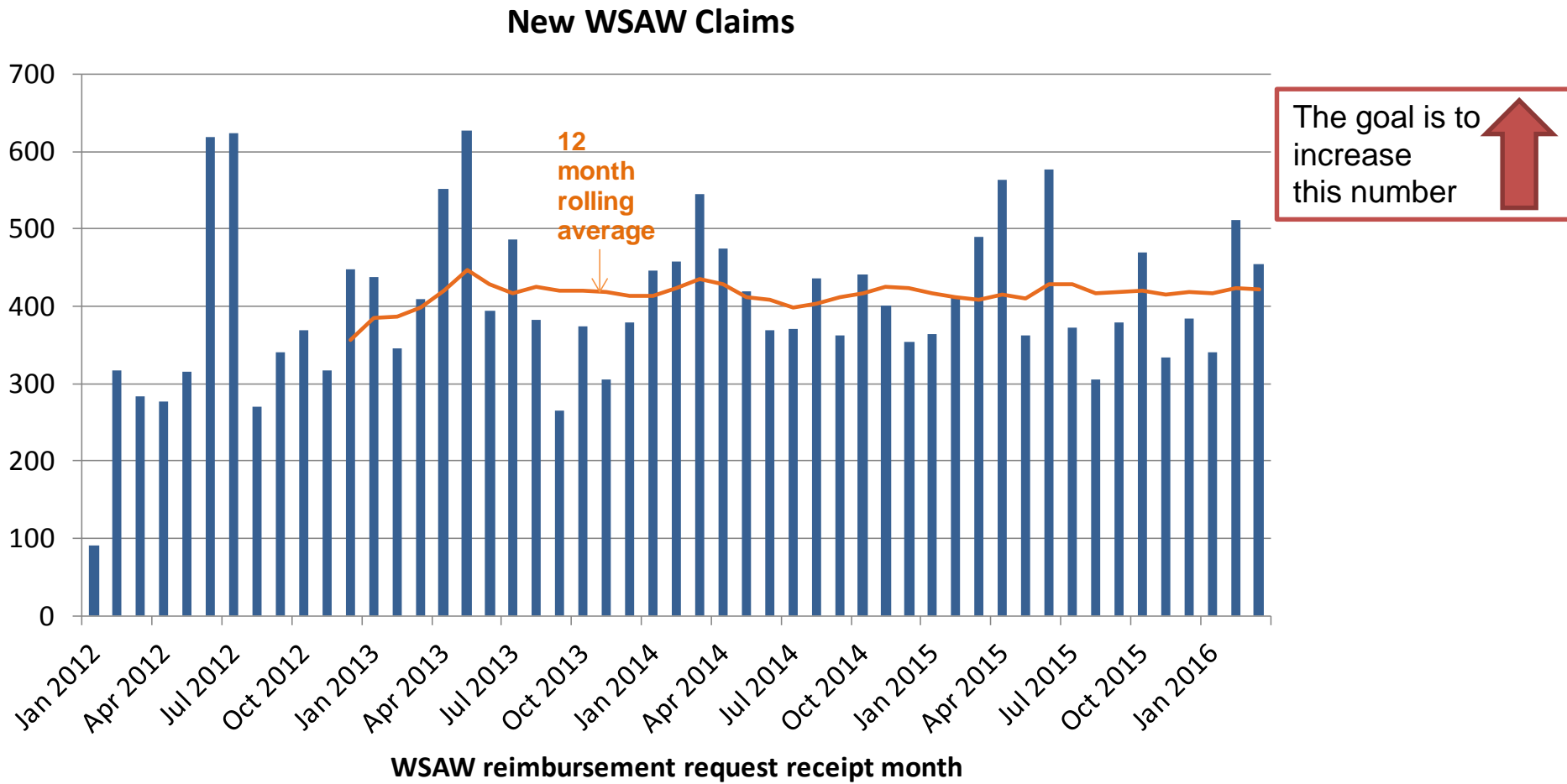
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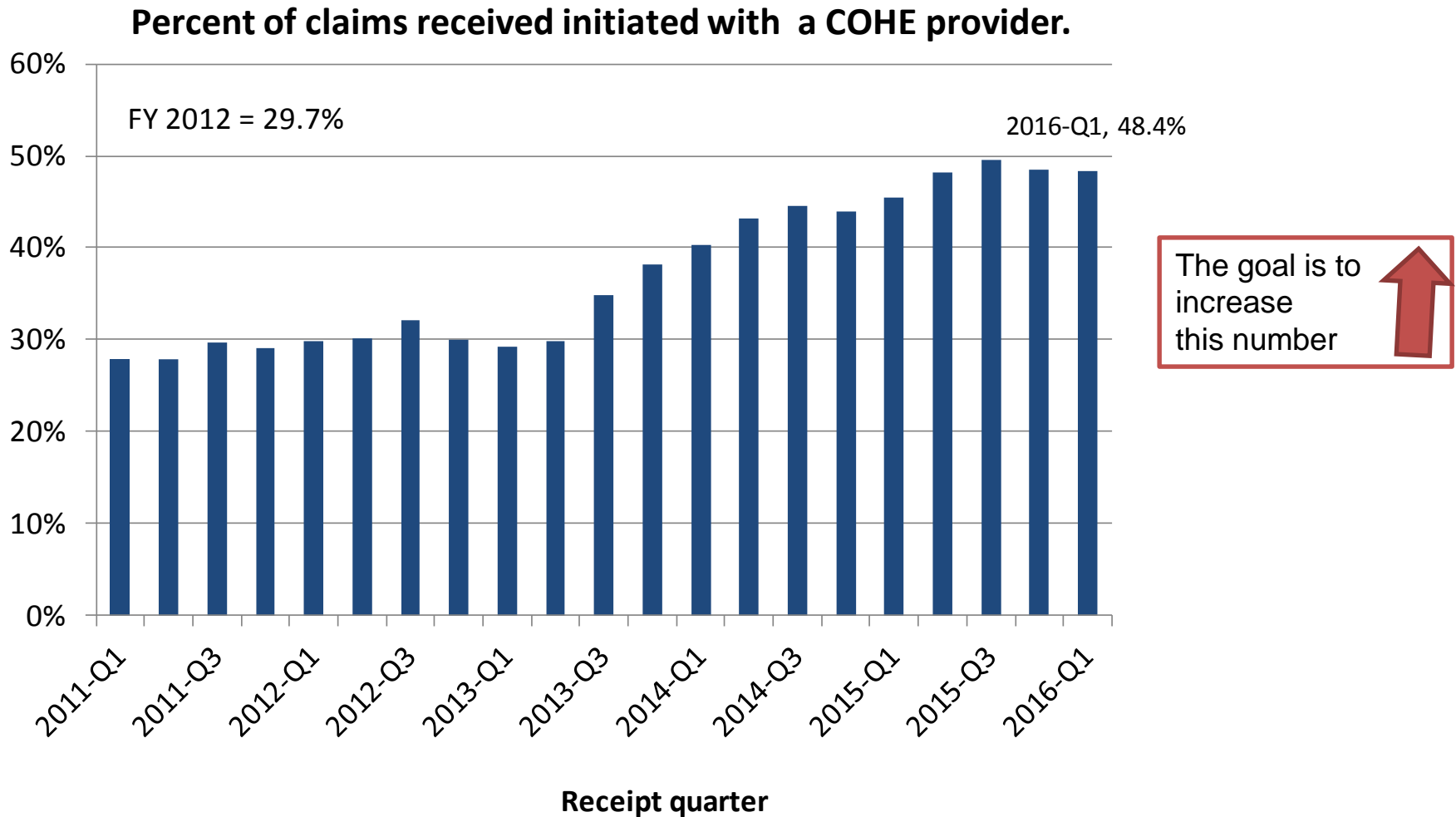
The goal is to increase the share of RTW and ATW JOI outcomes



Participation in light duty job assignments helps maintain the employer/injured worker relationship.



Injured workers whose claims are initiated with a COHE provider, on average, have better outcomes and lower claim costs.





BUSINESS TRANSFORMATION

Joel Sacks, Director

Rachel Mercer, Project Director



Business Transformation

Not just another technology project...

- We deliver good results today with our current resources; we will need to be even better tomorrow.
- In order to better serve our customers, we need to significantly enhance our processes, systems, and technology we use to deliver our programs.



Washington State Department of
Labor & Industries



Workplace
Contractors Investigations
Network Occupational
Collections Discrimination
Crime Self Resources Apprenticeship
Compensation Consultation Standards
Research Industrial Compliance
Injured Employers Workers
Employer Safety Records
Licensing Outreach Public Tracking
Prevention Field Services
Financial Work Human to Employees
Victims Elevators Insurance
Audit FAS Administrative
Rights Fraud Contractor
Wage Information Teen Boilers
Return Audits Health
COHE Appeals
Offices Claims Firm Employment
Plumbers Data Trades Electrical Providers
Detection Medical Vocational
Certifications Agriculture
Prevailing
Workers'



Where are we going

To achieve our aspirations we must do two things extraordinarily well...

- We must prevent those things that threaten the lives and livelihoods of the people who live and work in Washington from ever happening, and...
- We must assure remediation and recovery when they do – striving to make individuals, workplaces, and communities whole again.



Future Customer Experiences

- Personal and customizable
- Easy
- Trustworthy
- Seamless
- Readily accessible



Dad & Son Construction Co.

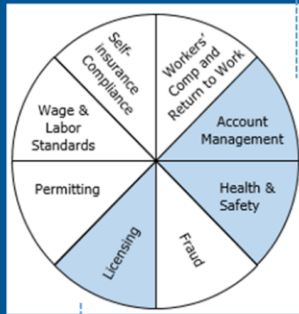


Who they are

George has been working in construction all his life. Thirty years ago he broke out on his own and established an LLC focusing on specialty construction in framing. He was pleased when his son Randall decided to go into the business. After working with Randall by his side for many years, George has decided to step back and pass the business to his son.

Randall is eager to take the helm of the business his father has built. With the upturn in the economy, he sees lots of new building happening in Vancouver and with it an opportunity to grow.

Interaction with L&I



◆ **Account Management** - Randall files a new business application with the Department of Revenue, and an L&I account is automatically created for him. He gets introductory information on L&I and its capabilities. He sets up his workers' compensation policy.

◆ **Health & Safety** – Data analytics flags Randall for an unannounced inspection. The inspector is friendly and stresses the inspection as a safety education opportunity even if a citation/penalty is given.

◆ **Licensing** – He's automatically prompted to apply for a contractor license online.

Randall's experience with L&I felt to him...

- Helpful
- Easy
- Integrated

L&I is my one-stop-shop for all things safety...



What's Next

- 17-19 Budget package development.
- Finalize the roadmap and begin implementing initiatives.
- Partner with WCAC



BREAK



PREFERRED WORKER UPDATES

Vickie Kennedy, Assistant Director for Insurance Services



Expansion of Incentives from SHB 1496

Overview

- SHB 1496 was signed into law in April 2015 and included an expansion of incentives for employers who hire preferred workers
- All changes apply only to Preferred Workers certified on or after January 1, 2016



Expansion of Incentives from SHB 1496

What does the bill do?

- Waives the cost of premiums
- Protects employers against the cost of future claims if re-injured
- Reimburses the cost of wages up to \$10,000
- After 1 year provides up to a \$10,000 durable employment bonus
- Reimburses clothing up to \$400
- Reimburses tools and equipment up to \$2,500



What Hasn't Changed

- Continues providing workers' compensation premium reductions or waivers for qualifying employers hiring preferred workers
- Continues to protect employers against the cost of subsequent claims if worker is re-injured



What is Changing?

- Benefits and incentives are available to the employer of injury or a new employer
- Also available for self-insured employers that hire a preferred worker, if received certification under a State Fund claim
- The certification period is 36 consecutive months, but ends no later than 5 years after claim closure
- Worker has returned to work consistent with the worker's limitations and physical restrictions



What is Changing? (cont.)

Qualified employers may receive:

- Wage reimbursement (similar to Stay at Work).
Half the base wage paid to worker up to 66 days
(up to \$10,000 per claim)
- A one-time durable employment bonus for 12
months continuous employment (one-time equal to
the lesser of 10% of the workers' wages or up to a
maximum of \$10,000)



What is Changing? (cont.)

Qualified employers may also receive reimbursement for:

- Clothing (up to \$400 per claim)
- Tools and equipment necessary for worker to perform the job (up to \$2,500 per claim)



Update on Progress

- CR-102 filed April 19th
- CR-103 drafted and should be filed June 21st
- Streamlined future state business processes
- Developed interim web page and brochure
- Created new Preferred Worker Request form and reimbursement request forms posted on web page



Update on Progress

- Vocational Services Specialists (VSS's) trained on new process June 2nd
- Vocational Rehabilitation Counselors (VRC's) trained on new process June 8th
- Soft launch of new online payment system currently in process



Next Steps

- Rules tentatively effective July 22nd
- Finalize website and brochure
- Launch new online payment system for reimbursements by July 31st



CATASTROPHIC CARE UPDATE

Leah Hole-Marshall, Medical Administrator for the Office of the
Medical Director

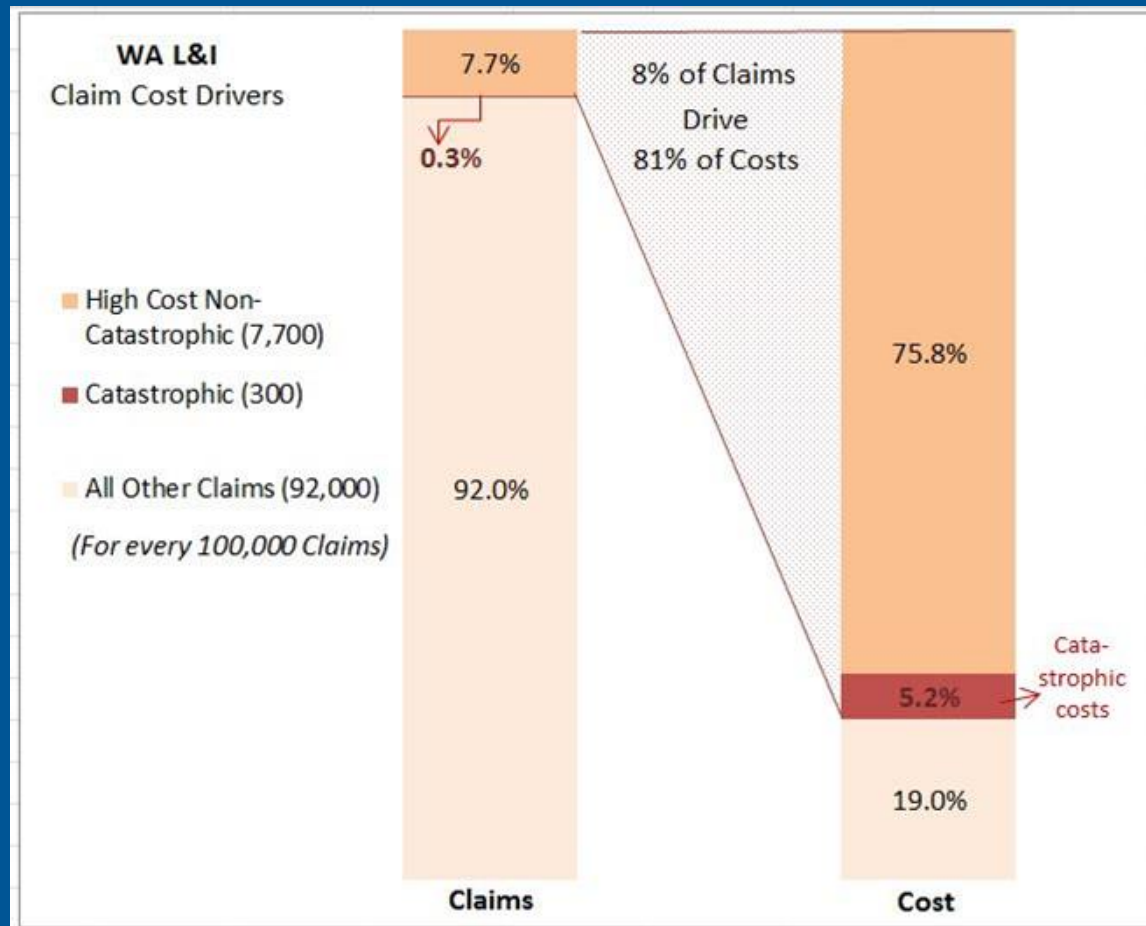


What are Catastrophic Injuries?

- L&I defines catastrophic injuries as having 4+ days of hospitalization and includes:
 - Acute brain and spinal cord injuries;
 - Major amputations;
 - Crush and multiple trauma injuries; and,
 - Severe burns
- Catastrophic claims have dropped significantly:
 - From a high of over 400/year to about 200/year

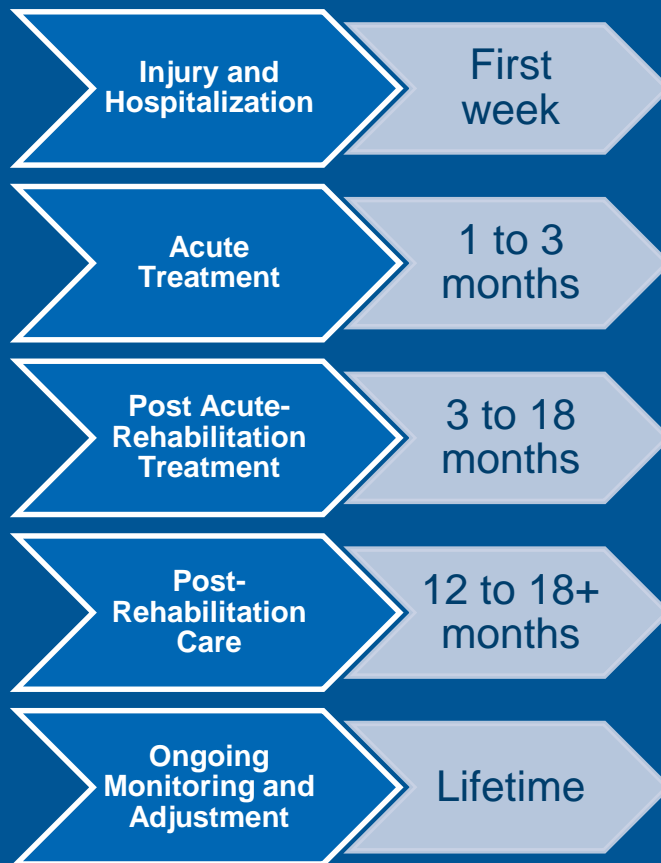


Context





Catastrophic Claims Phases





Catastrophic Claims Analysis (Sep '14)

- Injured workers in WA State have access to world class trauma and rehabilitation services and benefit from a legislated statewide trauma coordination plan
- L&I identified areas it could improve:
 1. Care coordination, communication and planning;
 2. Improved data systems; and,
 3. Improved access to evidence-based medical care through the following



Catastrophic Care Transformation Project

1. **Dedicated L&I experts** focused on catastrophic claims (Gap 1, 2, 3)
2. **Contract** for additional catastrophic nurse case management services (Gap 1, 3)
3. Improve **care coordination** (Gap 1, 2)
4. Establish **Centers of Excellence** for catastrophic injuries (Gap 1, 2, 3)
5. Conduct an **evaluation** of catastrophic management (Gap 3)



A Foundation of Outcomes

Incorporates overall
recovery expectations into
daily decisions

Coordinates successful
care transitions

Relies on clinically
meaningful
measures of
function

Evaluates need / facilitates
timely delivery of mental
health care

Promotes patient and loved
one satisfaction



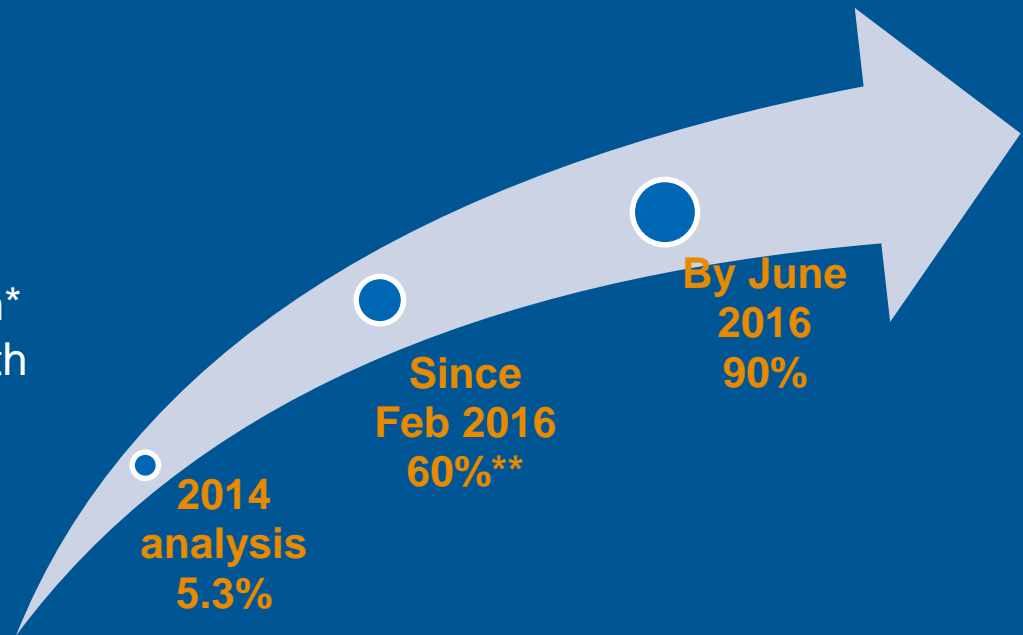
1. Dedicated L&I Team Handling Referrals

- Assigned six nurses and seven claim managers to specialize in catastrophic claims
- Tracking 101 claims since October 2015
- Implemented a centralized system to assign and track catastrophic claims
- Used Lean to improve management of catastrophic claims
 - Address discharge planning, including prescription appropriateness and coordination;
 - Reduce unnecessary medical complications or escalations in care by speeding time-sensitive care decisions;
 - Enhance data collection so that additional information is available to claim staff to increase quality of care
- Next Steps: Ongoing improvement with team; core system enhancement



2. Catastrophic NCM Services

- Enhanced nurse case management services identified
- RFP complete
- 5 added companies: Coventry, Rainier, Stubbe, Qualis Health, and Paradigm*
 - Referrals to Qualis Health for TBI and SCI began June 2016
 - *Paradigm contract pending
- Next Steps: review referral criteria and ongoing process improvement with NCM firms



**IW did not need services, claim was unassigned, or continuing to be reviewed



3. Enhance Care Coordination

- Data collected on multiple coordination activities reviewed and updated
- L&I currently provides/pays for care coordination via:
 - Internal staff
 - Headquarter nurses, regional nurses, medical directors, claim managers
 - External nurse case managers (including new catastrophic care NCM)
 - COHE health services coordinators
 - Centers of Excellence care coordinators
- Reviewing the interaction of the existing and newly developed roles to identify any remaining gaps



4. Centers of Excellence

- The COE for amputee care has been established
 - Contract signed (2/2016) with Harborview
 - First referrals have been placed
 - Working on criteria for existing claims
- The COE for burn care discussions underway with Harborview Burn Center
- Discussions regarding telemedicine begun to further enhance access to specialists
- Next Steps: Will evaluate other injury types for appropriateness of COE



5. Evaluation

- Evaluate catastrophic management
- Aug 2015 – June 2016
 - Obtain a baseline that describes catastrophic injuries in L&I and long-term disability following catastrophic injury
 - A) to evaluate predictors of long-term disability in a severity adjusted analysis combined with DOH data
 - B) to evaluate modifiers of long-term disability in a severity adjusted analysis



5. Baseline Evaluation

- Predictors
 - Injury severity score (ISS)

ISS	Minor	Moderate	Severe
	24.6% (490)	42.6% (847)	32.7% (651)

- Outcomes
 - Warrant data

Time-loss at	12 months	24 months	36 months
	61.8%	44.6%	40%

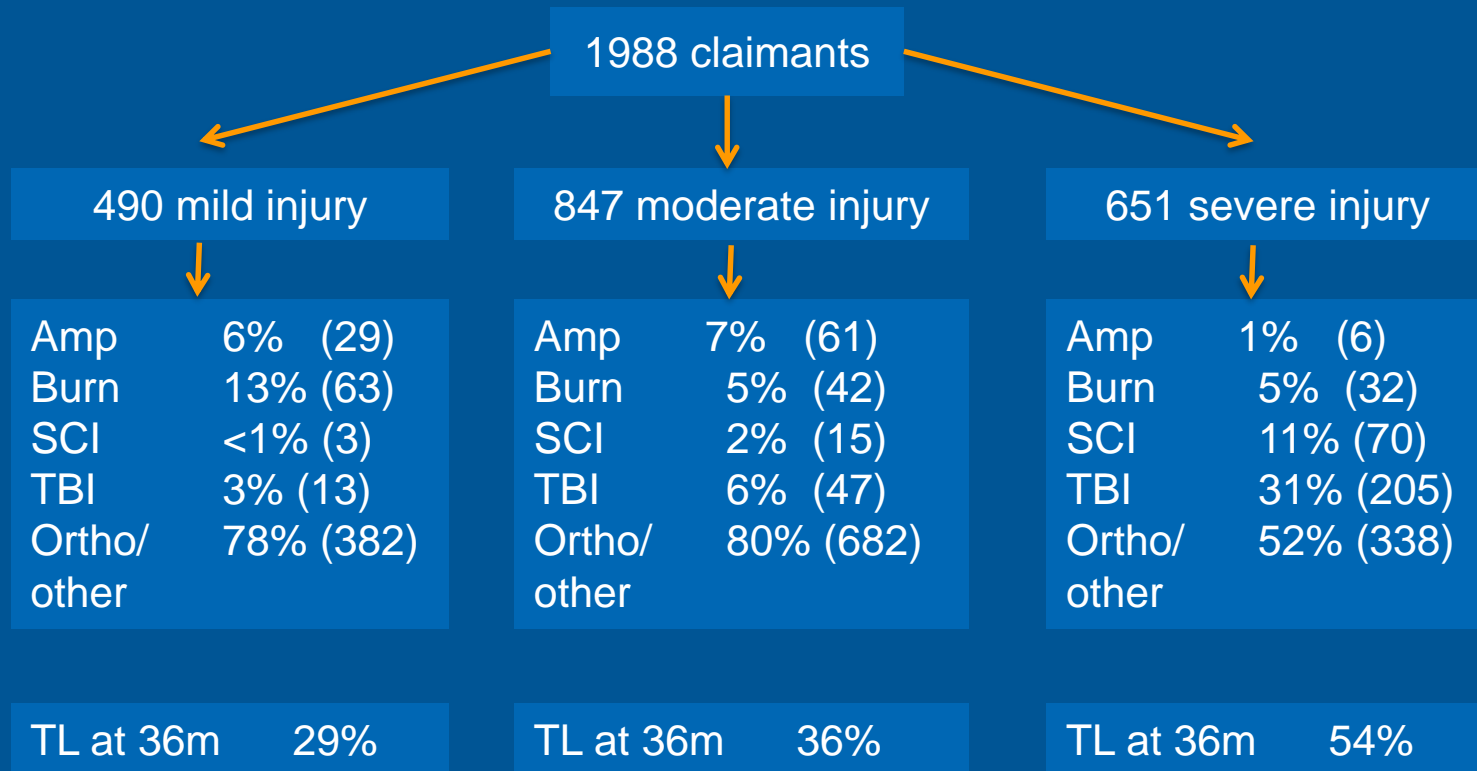


5. Baseline Eval – Key Characteristics

- Standard demographics
 - Age, gender, race, income, marital status
- Job Factors
 - Employer size, history of prior claim, legal services
- Injury Variables
 - Injury severity, concurrent neurotrauma, extremity injury
- Hospital information
 - Harborview, length of stay, readmission within 30 days
- L&I services
 - Nurse case management, vocational services, COHE AP



5. Baseline Eval – Descriptive Statistics





5. Baseline Eval – Key Findings

- Highlight of clinically related variables associated with time-loss (adjusted for severity of injury), included:
 - Increasing age
 - Injury type
 - Mental health diagnosis
 - Opioid use >90 days



5. Prospective Evaluation

- Finalizing study design
- Include different catastrophic care management approaches and intensity of care
- Review for inclusion additional interventions or sub-analysis from baseline
 - Enhanced case management
 - Mental health
 - Activity coaching
 - Opioid use



INDUSTRIAL INSURANCE (STATE) FUND

FINANCIAL OVERVIEW

STATUTORY FINANCIAL INFORMATION
FISCAL YEAR 2016 THROUGH THIRD QUARTER
JULY 2015 – MARCH 2016

Rob Cotton

Workers' Compensation Accounting Manager



WCAC Meeting



Significant Financial Highlights

July 2015 through March 2016

The contingency reserve increased \$44 million, from \$1,225 million on July 1, 2015 to \$1,269 million on March 31, 2016.

	<ul style="list-style-type: none"> • As anticipated premiums are greater than current accident year incurred costs • Realized gains on equities and fixed income from rebalancing investments • Projected liabilities for prior years' claim benefits decreased (favorable development)
	<ul style="list-style-type: none"> • Unrealized losses from equities due to the downturn in the stock market • Unrealized losses from fixed income due to a rating change for a few bonds

Change in the contingency reserve by quarter:

- July 1st to September 30, 2015 – a decrease of \$269 million.
- October 1st to December 31, 2015 – an increase of \$120 million.
- January 1st to March 31, 2016 – an increase of \$193 million.



State Fund Results

“Net Income”

July 2015 through March 2016

$$\begin{array}{|c|} \hline \text{Insurance} \\ \text{Operations} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Investment} \\ \text{Income} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Other} \\ \text{Revenues} \\ \text{and} \\ \text{Expenses} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Net Income} \\ \$286 \text{ M} \\ \hline \end{array}$$



Insurance Operations

July through March
(in millions)

		Nine Months Ended	
		March 31, 2016	March 31, 2015
We took in (Premiums Earned)	+	\$ 1,441	\$ 1,355
We spent (Expenses Incurred)			
Benefits Incurred		1,444	1,617
Claim Administrative Expenses		153	154
Other Insurance Expenses		63	59
Total Expenses Incurred	-	1,660	1,830
Net Loss from Insurance Operations	=	\$ (219)	\$ (475)

Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.

Insurance Operations	+	Investment Income	+	Other Revenues and Expenses	=	Net Income
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Premiums Earned

July through March
(in millions)

Nine Months Ended

	March 31, 2016	March 31, 2015	Difference
Standard Premiums Collected	\$ 1,591	\$1,492	
Less Retrospective Rating Adjustments	(41)	(43)	
Net Premiums Collected	1,550	1,449	
Changes in future Premium Amounts To Be Collected	(20)	(28)	
Changes in future Retrospective Rating Adjustment Refunds	(89)	(66)	
Net Premiums Earned	\$ 1,441	\$ 1,355	\$ 86

Insurance Operations	+	Investment Income	+	Other Revenues and Expenses	=	Net Income
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Benefits Incurred

July through March
(in millions)

Nine Months Ended

	March 31, 2016	March 31, 2015	Difference
Benefits Paid	\$ 1,193	\$ 1,205	\$ (12)
Total Change in Benefit Liabilities	251	412	(161)
Benefits Incurred	\$ 1,444	\$ 1,617	\$ (173)

Insurance
Operations

+

Investment
Income

+

Other
Revenues
and
Expenses

=

Net Income



Investment Income

July through March
(in millions)

		Nine Months Ended	
		March 31, 2016	March 31, 2015
Investment Income Earned from Dividends and Interest			
	+	\$ 376	\$ 370
Realized Gains from Fixed Income Investments Sold			
	+	30 *	33
Realized Gains from Stocks (Equity Investments) Sold			
	+	56 *	17
Total Investment Income	=	\$ 462	\$ 420

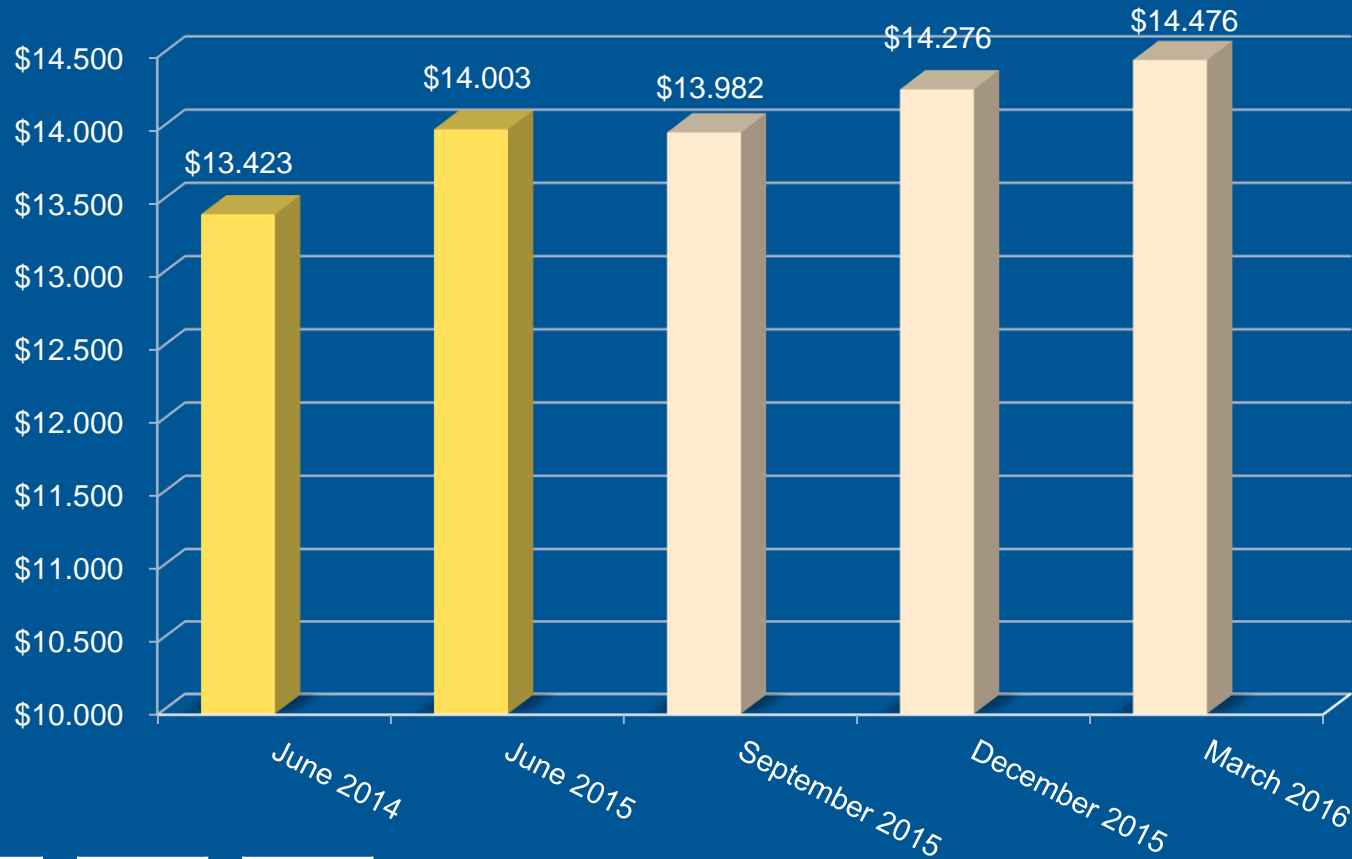
*Rebalanced the investment portfolio.

Insurance Operations + Investment Income + Other Revenues and Expenses = Net Income



Total Investments

(rounded to billions)



Insurance
Operations

+

Investment
Income

+

Other
Revenues
and
Expenses

=

Net
Income



Results of Operations

July 2015 through March 2016

Insurance Operations	+	Investment Income	+	Other Revenues and Expenses	=	Net Income (Loss)
(\$219) million	+	\$462 million	+	\$43 million	=	\$286 million



How Did Contingency Reserve Perform?

July 2015 through March 2016

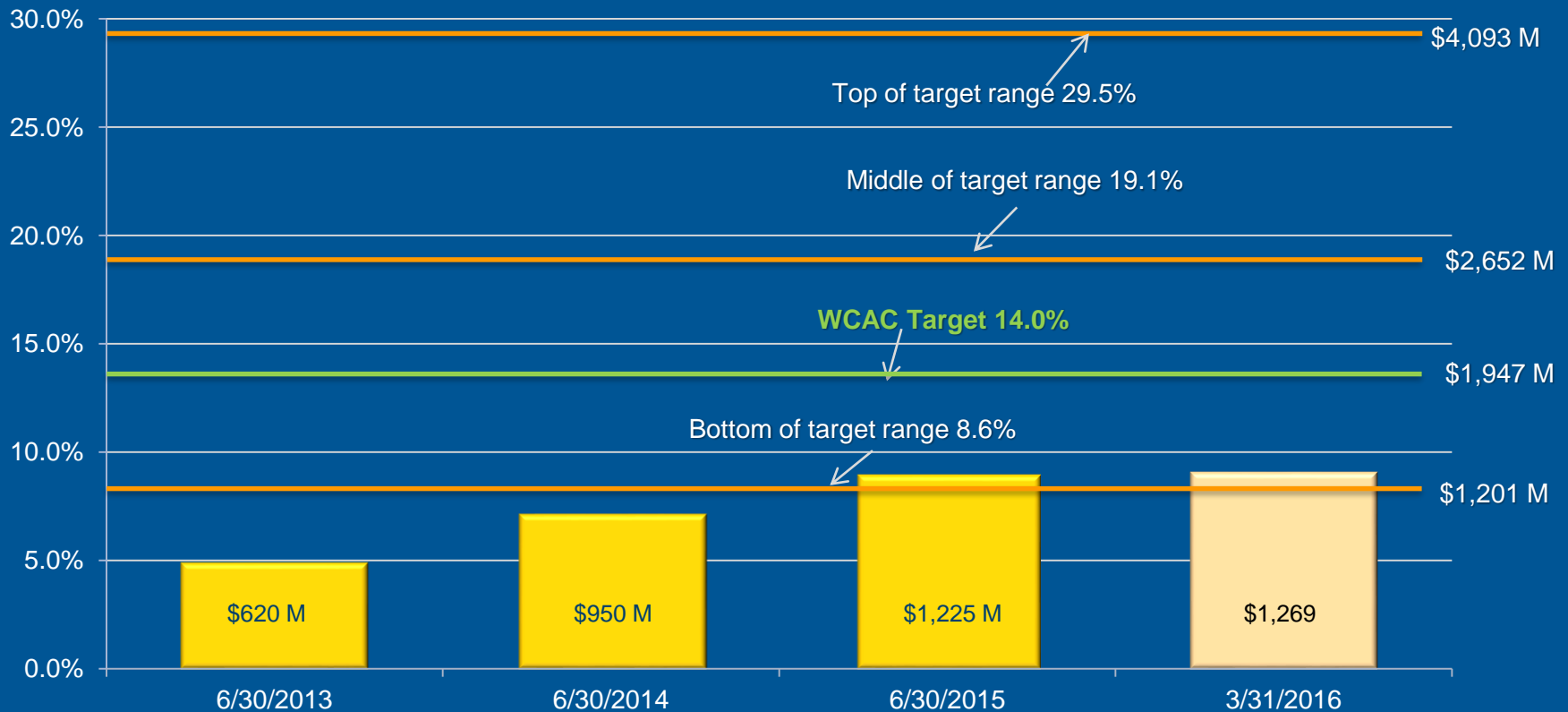
Change \$44 million

Beginning Contingency Reserve as of June 30, 2015	+	Net Income (Loss)	+	Unrealized Capital Gain/(Loss)	+	Non-Admitted Assets	=	New Contingency Reserve as of March 31, 2016
\$1,225 million	+	\$286 million	+	(\$224) million	+	(\$18) million	=	\$1,269 million



Combined Contingency Reserve vs. Targets

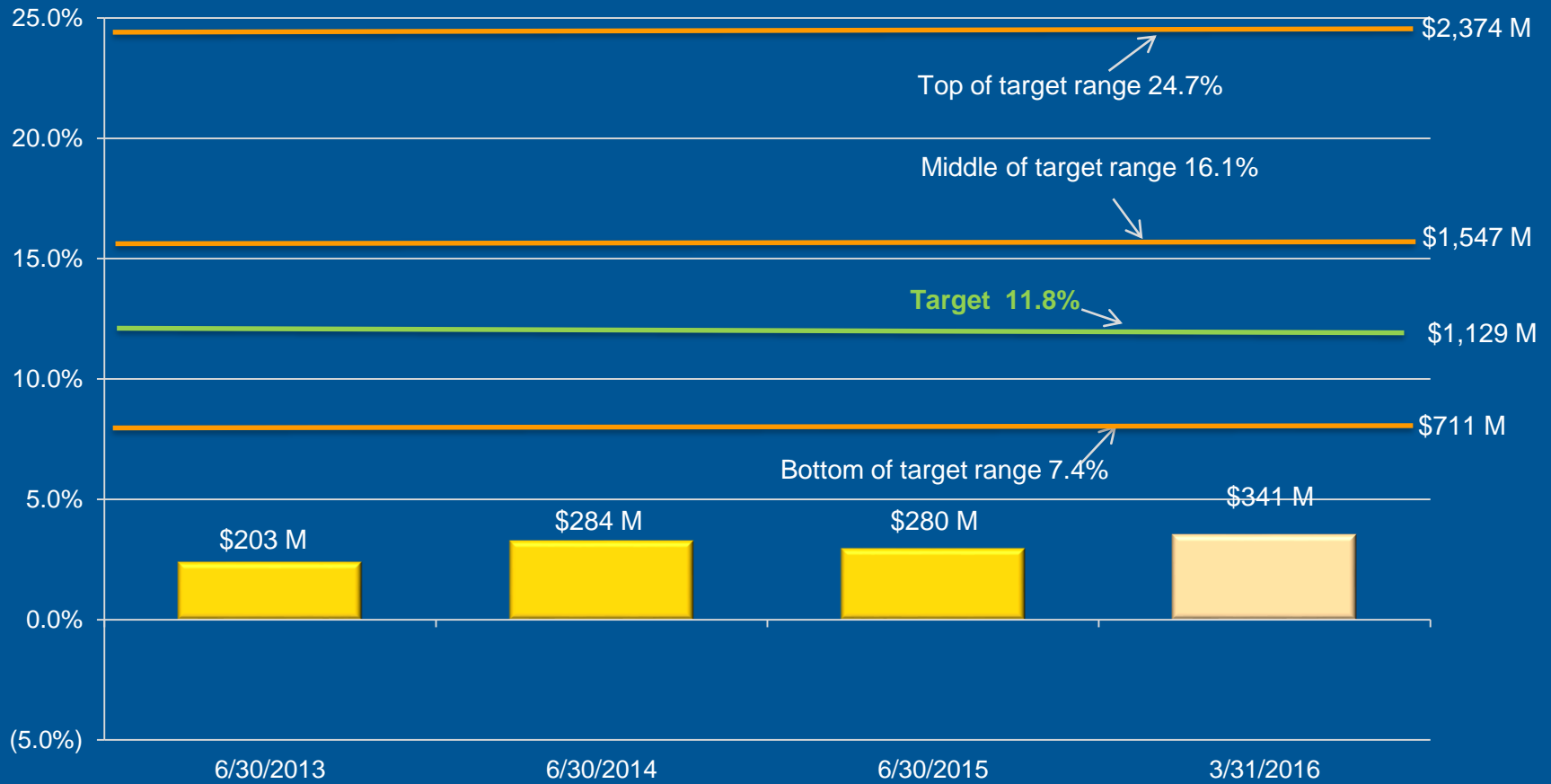
Combined Contingency Reserve is 9.1% of Total Liabilities





Accident & Pension Contingency Reserve vs. Targets

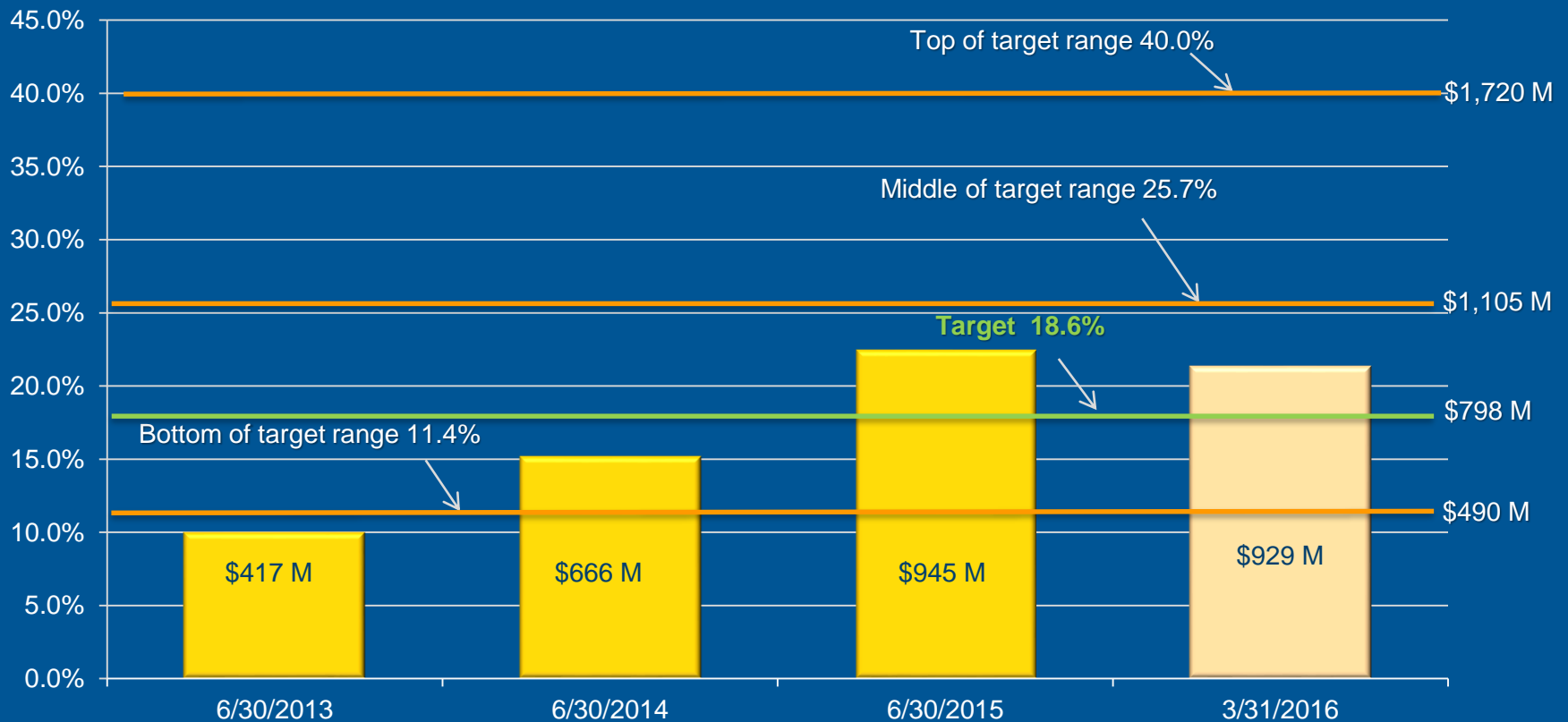
Accident & Pension Contingency Reserve is 3.5% of Liabilities





Medical Aid Contingency Reserve vs. Targets

Medical Aid Contingency Reserve is 21.4% of Total Liabilities





Key Financial Ratios as a percentage of premium earned

Ratios	Quarter Ended March 31, 2016		Quarter Ended March 31, 2015	Quarter Ended December 31, 2015	Fiscal Year Ended
	State Fund	Industry Forecast			June 30, 2015
Current Year Benefit (Loss Ratio)	85.9%		91.5 %	83.8%	92.4%
Prior Year Benefit (Loss Ratio)	14.3%		24.8 %	28.0%	11.6%
Total Benefit (Loss Ratio)	100.2%	59.3%	119.3 %	111.8%	104.0%
Claim Administration Expense (CAE) Ratio	10.6%	13.7%	11.4 %	12.0%*	11.4%
Sub-Total: Benefit and Claim Administration Expense Ratios	110.8%	73.0%	130.7%	123.8%	115.4%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.4%	24.0%	4.4%	4.4%	4.7%
Combined Ratio	115.2%	97.0%	135.1%	128.2%	120.1%
Investment Income Ratio	26.1%	17.4%	27.3%	25.7%	27.3%
Operating Ratio	89.1%	79.6%	107.8%	102.5%	92.8%

Note: a ratio of 100% would indicate that costs = premium for the period



Questions & Comments

Contact Rob Cotton,
Workers' Compensation Accounting Manager
Phone: 360-902-6263
Email: cotr235@lni.wa.gov.

Thank You!



Historical Investment Performance

	Nine Months Ended		Fiscal Year Ended			
	March 31, 2016	March 31, 2015	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Investment Income	375,835,000	369,698,000	493,408,000	479,774,000	465,868,000	481,892,000
Realized Gain (Loss)	86,717,000	50,036,000	58,660,000	303,184,000	87,405,000	547,771,000
Unrealized Gain (Loss)	(224,337,000)	(14,524,000)	23,691,000	200,333,000	266,041,000	(546,428,000)
Total Invested Assets	14,531,883,000	13,957,626,000	14,003,302,000	13,422,957,000	12,550,887,000	11,908,149,000

Unrealized gain (loss) changes are impacted mostly by stock market results, and are commonly known as “paper” profit or losses which imply that they have not been “cashed in.”



7-Year Reserve Benchmarks

Update: \$1,269 million contingency reserve or just above 9.1% of total liabilities.

7-Year Interim Targets

Year	Contingency Reserve Target (range)	Pension Discount Rate (PDR) Target (range)	Contingency Reserve (CR) Yearly Goal (displays steady growth) dollars in millions
<i>Fiscal Year Ended June 2015</i>	8.9%	6.4%	\$1,225
<i>2014 Target</i>	5-7%	6.5 - 6.3%	\$652 to \$902
<i>2015 Target</i>	6-8%	6.3 – 6.2%	\$797 to \$1,032
2016	7 - 9%	6.4 – 6.25%	\$ 884 to \$1,293
2017-2018	8 - 11%	6.0 – 5.75%	\$ 1,029 to \$1,583
2019-2020	10 - 13%	5.5 – 5.25%	\$ 1,317 to \$1,879
2021-2022	13 - 15%	5.0 – 4.5%	\$ 1,753 to \$2,198
7-Year Contingency Reserve Goal			\$2,198

When the WCAC developed the 10-year plan in Sept. 2012, the contingency reserve was at \$590M and the PDR was at 6.5%

Each tenth of a percent the PDR drops, the CR could reduce between \$30 to \$50 million.



BOARD OF INDUSTRIAL INSURANCE APPEALS (BIIA) UPDATE

Dave Threedy, Chair



SAO PERFORMANCE AUDIT

Agencies were evaluated on nine distinctive appeals processes (including workers' compensation appeals) on the following qualities:

1. Accessibility and transparency
2. Impartiality
3. Performance management
4. Process for providing consistent, quality decisions



AUDIT—AGENCIES WERE RATED USING A MATURITY MODEL

AD-HOC
Few activities
explicitly defined
and success depends
on individual efforts

REPEATABLE
Progress tracked using
basic processes and
controls; discipline in
place to repeat earlier
successes

DEFINED
Documented,
standardized,
integrated process

MANAGED
Measures of process and
output quality collected;
process and services
intuitively understood
and controlled

OPTIMIZING
Continuous process
improvement enabled
by quantitative feedback
and piloting new ideas



AUDIT—BIIA RESULTS

- “Overall, BIIA is operating at an optimizing level of maturity. BIIA has procedures in place that are applied across the organization; it uses a variety of tools to support development of well-reasoned decisions; it has performance expectations and provides extensive training and developmental opportunities to staff; and the culture is performance-based, which means the agency routinely uses case statistics, timeliness metrics, and stakeholder and appellant/representative feedback to continuously improve.”



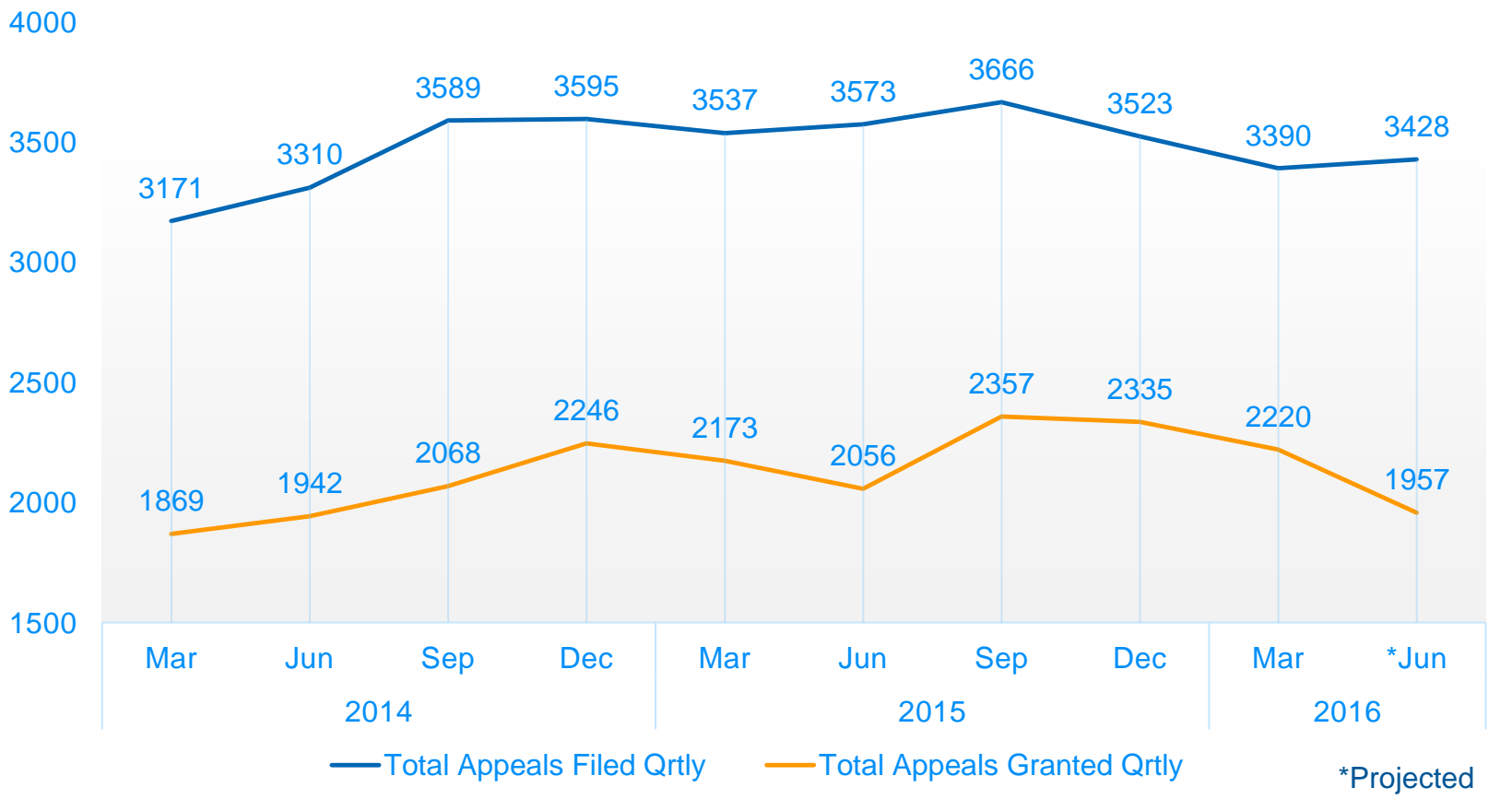
AUDIT—BIIA RECOMMENDATIONS

“BIIA could benefit by developing internal guidance clarifying:

- What types of communication between management and hearing officers are allowed.
- When and in what capacity managers may provide direction regarding a hearing officer’s performance.”

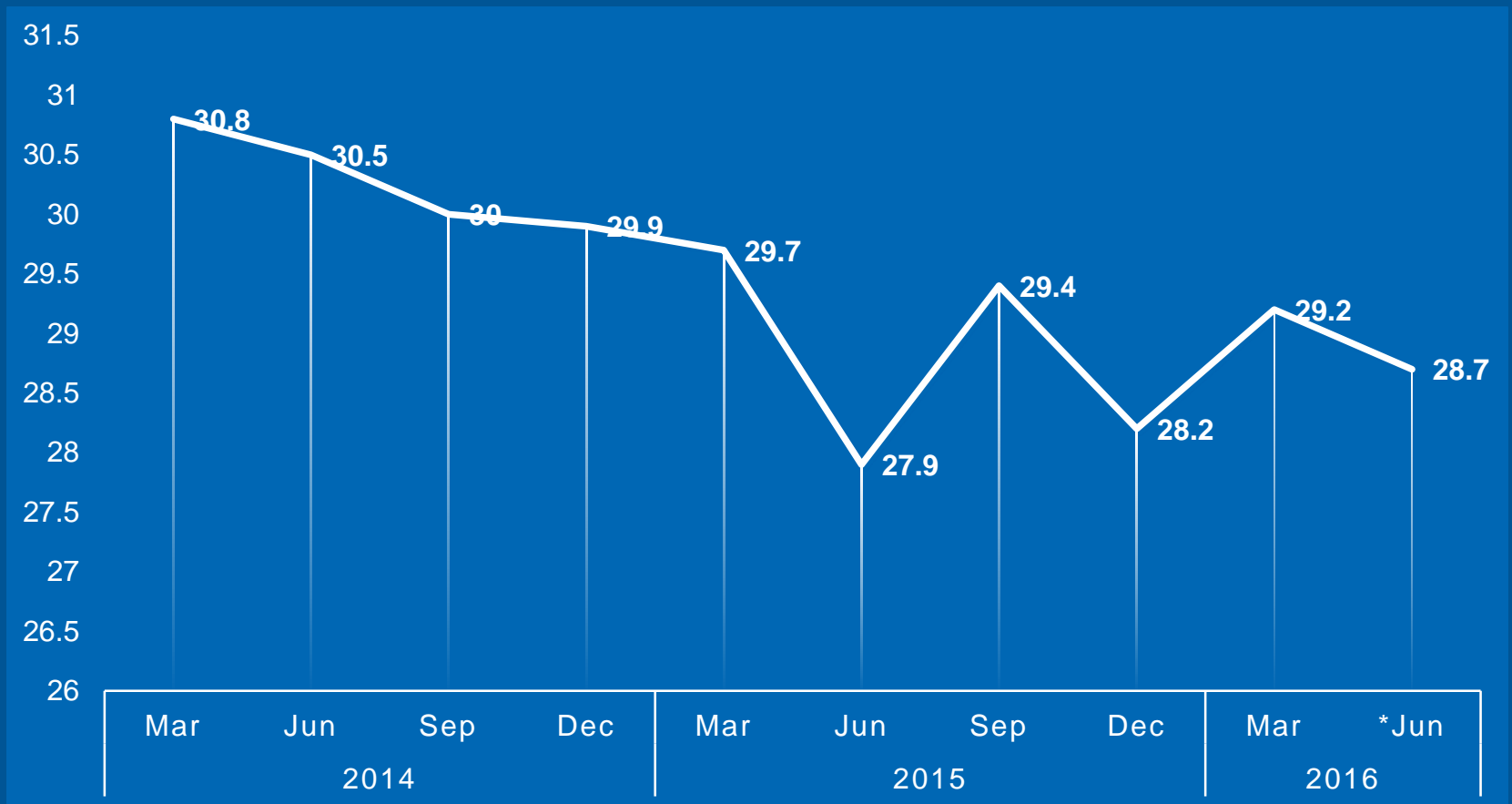


TOTAL APPEALS FILED AND GRANTED QUARTERLY





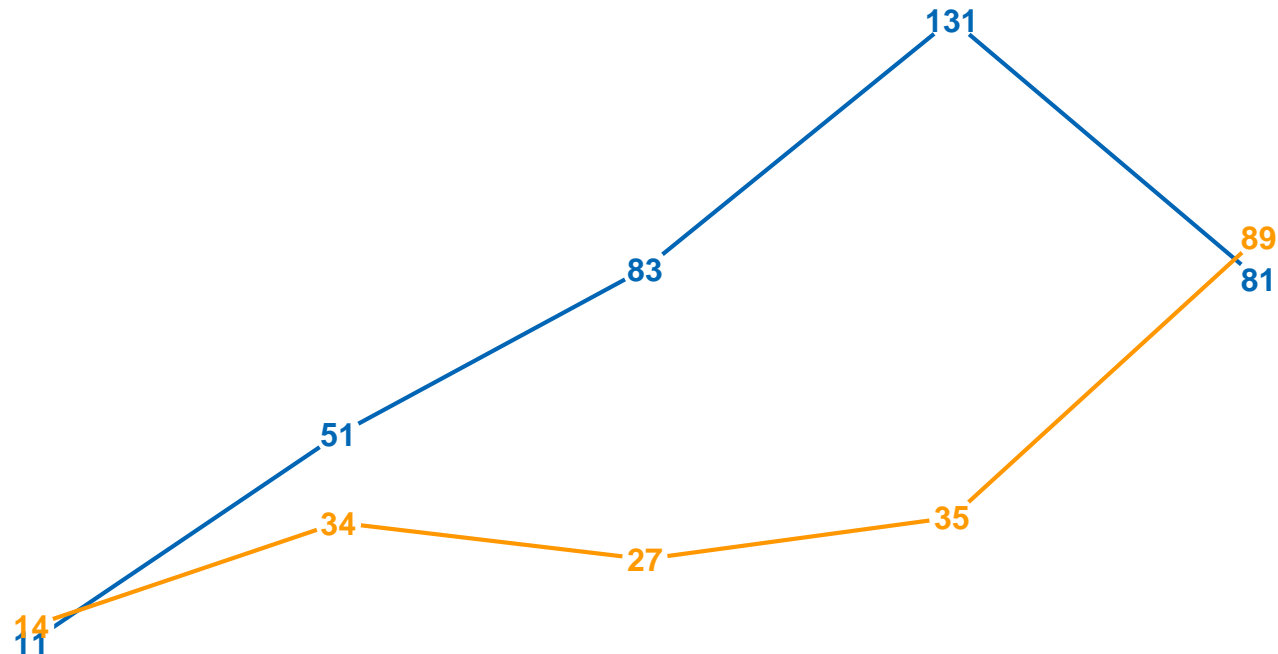
AVERAGE WEEKS TO COMPLETION



*Projected



STRUCTURED SETTLEMENTS



*FY 2012
*Filings began 1/1/12

FY 2013 FY 2014 FY 2015

— State Fund — Self-Insured

FY 2016**
**Through 6/9/16



Washington State Department of
Labor & Industries



CLOSING COMMENTS & ADJOURN

Vickie Kennedy, Assistant Director for Insurance Services
Joel Sacks, Agency Director



Business Transformation

Why transformation?

It's simple. The people who live and work in Washington depend on us to protect their lives and livelihoods. Who they are, the lives they lead, the work they do and how they do it are all changing rapidly. Transformation is how we keep up with an ever-changing world and even get ahead. Without a commitment to transformation we will end up letting them down, and that is unacceptable.

Where are we going?

To achieve our aspirations, we must **do two things extraordinarily well**:

1. We must **prevent** those things that threaten the lives and livelihoods of the people who live and work in Washington from ever happening; and
2. We must assure **remediation and recovery** when they do happen – striving to make individuals, workplaces, and communities whole again.

To achieve this, we envision an organization that effectively collaborates across our divisions to align our capabilities (people, processes, and systems) and develop new capabilities where needed.

How will we get there?

Our plan is focused on three critical elements – people, processes, and technology – and keeps us customer and future-focused. Much of the early work involves people and process – ensuring we identify the best way to do our business and collectively understand both our business priorities and customer expectations. Next, we will make changes to our technology to support and achieve our goals. While fully achieving our aspirations takes time, we have already begun the journey. We have and will continue to achieve results that we can measure and that matter to our customers, the public and our staff.

We have, and must continue, to improve our interactions with employers, workers, owners, and providers – whether in-person, over the phone, or online. This means ensuring their experiences with L&I are:

- **Personal and customizable** – Customers get to make choices about how they interact with us, and they feel that we have their best interests in mind.
- **Easy** – We anticipate customer information needs, make data entry simple and intuitive, help customers understand what is expected of them and how they can influence the results they are seeking, and provide a single point of access where they can get what they need.
- **Trustworthy** – Customers respect that information they receive from L&I is accurate and informed by substantial professional knowledge and expertise, and they feel safe sharing their information with us.
- **Seamless** – Customers know where they are in our process and can move through it smoothly; our information is integrated with that of other agencies with whom they also interact.
- **Readily accessible** – Customers can connect with us when and where they need to, with the necessary information available to all relevant parties.

To deliver those kinds of world-class experiences and interactions, we must maintain and strengthen the organizational capabilities, knowledge, expertise, and professionalism – in our staff, systems, processes, and partners – to:

- **Assure ready access to our services** through 24/7/365 availability, single point of access, remote interaction, and universally understandable communication techniques.
- **Produce useful and accurate information** through data capture, authentication, and processing; anticipation of user needs; and prompt response to requests.
- **Generate insightful analytics** through predictive and prescriptive knowledge and conclusions to support decision-making.
- **Ensure privacy protection** through secure data capture and management and role-based access.
- **Continuously improve everything we do** through user feedback, performance metrics, employee learning and skill development, and flexibility and adaptation.

How will we know if we are making progress?

Transforming L&I will require us to pursue innovative strategies that can improve our performance. **Every** L&I employee will be challenged to embrace different ways to approach our day-to-day work, including:

- Measuring our success by the difference we make for the people who live and work in Washington and the degree to which we meet or exceed the expectations **they** set for us.
- Identifying the needs of those we serve, viewing things from **their** perspective, and working to make things easier and better for them.
- Communicating with people in a language and manner that maximizes understanding.
- Gathering as much feedback as we can, taking concerns seriously, and learning from feedback.
- Assuming most people want to do the right thing, and providing them with information and tools to do so. At the same time, holding accountable those who fail to comply with their obligations.
- Empowering staff to make decisions as close to the “front line” as possible.
- Valuing transparency – sharing data about our performance, explaining why we do things the way we do, and outlining what we plan to do next.

Questions?

Email BusinessTransformation@lni.wa.gov or call Project Director Rachel Mercer at (360) 902-4615.



Joint Legislative Audit & Review Committee (JLARC) Washington's Workers Compensation Audit

In Washington, employers must provide workers' compensation coverage for their employees by paying premiums to cover claims through the State Fund or by qualifying to self-insure. The Department of Labor and Industries (L&I) directly manages claims in the State Fund, and oversees claims management by employers for self-insured claims. Both State Fund and self-insured employers pay L&I's administrative costs.

Workers' compensation insurance protects workers and employers when injuries or illnesses happen on the job. With few exceptions, employers in Washington must provide this coverage to all their workers. Washington has over 170,000 employers, 269 million workers, and the Department of Labor and Industries collects around \$2 billion in workers' compensation premiums annually.

Between 2010 and 2013, an average of 125,000 claims were accepted each year. Of these, L&I directly managed an average of 87,000 claims (State Fund claims). Self-insured employers managed another 38,000 claims with L&I oversight.

In 2011, the Legislature directed JLARC to conduct a performance audit of workers' compensation claims management at L&I. JLARC staff hired a consulting firm with expertise evaluating workers' compensation programs to assist with the audit. The consultants' review focused largely on claims management between 2010 and 2013.

JLARC Audit Recommendations

The legislative audit found that L&I can improve its efforts to help workers return to work promptly and safely, and made two recommendations to the agency and one to the Legislature. The recommendations to L&I are intended to improve return-to-work outcomes for the State Fund. Prompt return to work benefits both employers and workers, and is a goal set forth in Washington's workers' compensation statutes.

During 2015 and 2016, L&I made progress in implementing the auditor's first two recommendations.

JLARC Implementation Plan (as of April 2016)

#1. Recommendations for new claim management standards	Improvement Initiatives (Completion Dates)
For claims that will likely involve more than three days away from work; institute a standard for phone contact with the injured worker and the employer within one to two business days after receiving the claim.	<ul style="list-style-type: none"> • Develop analytics to identify claims appropriate for account managers to call employers – claims with time-loss but that are likely to resolve prior to long-term disability (August 2016) • Hire additional account managers to increase capacity for making calls to employers (July 2016) • Complete early contact training for account managers (November 2016) • Increase claims management staff to build capacity for making early phone calls to workers and employers in more complex time-loss cases. (Beginning July 2017)

Institute and standardize claim management planning and clear documentation processes.	<ul style="list-style-type: none"> • Hired claim processors to complete administrative tasks for the claim managers, allowing claims managers to focus on return-to-work strategies (May 2014) • Implemented new claim processing system that ensures a complete claim file process and starts an action plan – Early Claims Solutions (February 2015) • Implemented new claim review template to support consistent information on specific claim issues (April 2015) • Established an ICD Coding Unit to increase coding accuracy (May 2015) • Implemented a new return-to-work progress report that improves timing and consistency of communications on a claim (June 2015) • Made improvements to the claim manager action plan tool to support a problem-solving model (March 2016) • Develop strategic claims management training for claims staff (to be determined) • Implement improvements to the claims management quality assurance review (to be determined)
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#2. Recommendations for enhancements to claims management support systems with a focus on return-to-work	Improvement Initiatives (Completion Dates)
Implement return-to-work programs as standard operating practice rather than pilot programs.	<ul style="list-style-type: none"> • Added Employment Security Department Re-employment Specialists to the claims floor (August 2015) • Implemented return-to-work predictive analytics - “RTW score” (October 2015) • Launched a new early ability-to-work assessment (December 2015) • Establish early return-to-work field best practices (March 2017) • Enhance the private sector vocational services provided to injured workers (June 2017)
Develop a plan to integrate predictive analytics into claims management processes.	<ul style="list-style-type: none"> • Improved the claims auto-adjudication process using predictive analytics for appropriate claims selection (December 2014) • Develop predictive analytics for early case reserving to increase accuracy of reserves (September 2016)
Connect return-to-work goals, performance measures and training.	<ul style="list-style-type: none"> • Determine return-to-work customer experience goals (to be determined) • Establish return-to-work performance measures (to be determined) • Establish disability management training for claim staff (current and ongoing)
Design a new technology system to support data analytics, claim management planning and documentation and internal information sharing.	<ul style="list-style-type: none"> • Implemented a new online claims reference system with resources such as policies, procedures, and guidelines (April 2015) • Launched a correspondence system that sends electronic documents to injured workers, employers, and medical providers (June 2015) • Complete the conversion of LINIIS into a web-based system to allow L&I to move to modern technologies (November 2016) • L&I business transformation project to restructure our processes and implement agency wide efficiencies (ongoing)