Washington State Department of
Labor & Industries

2017-19 Biennial Budget Summary

The Department of Labor & Industries has developed 17 budget proposals for the 2017-19 biennium. They include about $46.6 million and 78.2 FTE for maintenance activities and some new initiatives, and another $1.7 million to plan and design a future construction project. The budget proposals have been submitted to the Office of Financial Management to consider for the Governor's budget; the agency also welcomes feedback from stakeholders.

This summary indicates where each proposal best fits within L&I's five strategic goals. It also indicates which of three L&I "lines of business" each proposal represents: *Prevention* of injuries, deaths, wage fraud, labor abuses, etc.; *Recovery* (and remediation) from injuries, unsafe working conditions, wage/labor abuses, etc.; or internal *Support* systems to sustain L&I's operations. The lines of business correspond to L&I's new Business Transformation plan, which lays out a roadmap for streamlining and realigning operations as well as modernizing the agency's technology over several biennia.

Phase 2: L&I transformation

Business Transformation (policy)
Strategic goals 2, 3 and 5. Lines of business: Prevention, Recovery and Support
$16,663,000 ($8,421,000 Accident Fund, $8,242,000 Medical Aid Fund) & 23.3 FTE (9 permanent)
Goal: Streamline, modernize and realign L&I's operations and technology to deliver efficient, high-quality service that meets the needs and expectations of customers.

How: For 2017-19, L&I is proposing to take several steps along its Business Transformation roadmap:

- Make the L&I website easier for customers to find and understand the information they need.
- Assess L&I's technology capabilities and gaps, and develop a strategy to prioritize and leverage current and future technology.
- Develop an information and data strategy to prepare for a variety of future technology projects.
- Develop requirements for replacing the claims management, employer-policy and related systems.
- Replace the current provider-credentialing system, which is being phased out by its vendor.
- Establish a business-transformation core team to lead and support projects on the business-transformation roadmap.

L&I goal priorities

Goal 1: Make workplaces safe
Workplace safety & health inspections and consultations (maintenance)
Line of business: Prevention
$2,747,000 ($2,335,000 Accident Fund, $412,000 Medical Aid Fund) & 11.2 FTE (permanent)
Goal: Reverse a steep decline in the number of inspections and voluntary consultations aimed at preventing workplace injuries and deaths.

How: Phase in 16 additional safety & health specialists and industrial hygienists over the course of the biennium.

September 21, 2016

Conveyance Management System (maintenance)
Lines of business: Prevention, Recovery and Support
$1,145,000 ($1,074,000 General Fund, $61,000 Accident Fund, $10,000 Medical Aid) & 1.9 FTE (project)
Goal: Process permits, licenses, payments, violations, scheduling requests and other administrative needs of the Elevator Program accurately and timely.

How: Replace the program's failing conveyance-management computer system with a software-as-a-solution (SaaS) product that has capabilities for customer-relationship management, administration (reports, customer accounts, payments, and correspondence) and compliance (inspections, corrections, scheduling and location routing).

Complex WISHA litigation (maintenance)
Line of business: Prevention and Recovery
$2,682,000 ($2,280,000 Accident Fund; $402,000 Medical Aid Fund) & 0 L&I FTE
Goal: Ensure L&I and the Attorney General's Office have adequate resources to defend appeals of complex cases involving violations of the Washington Industrial Safety & Health Act (WISHA).

How: Provide funding for additional support from the Attorney General's Office (attorneys, paralegals, expert-witness fees, travel, etc.) to adequately prosecute civil penalties in worker-safety cases against national law firms mounting massive discovery, motions, sanctions and expert witnesses, and against multi-attorney national teams before the Board of Industrial Insurance Appeals and Washington courts.

DOSH/SHARP lab and training center (capital budget)
Lines of business: Prevention and Support
$1,737,000 ($1,476,000 Accident Fund; $261,000 Medical Aid Fund) & 0 FTE
Goal: Provide safe, effective laboratory and training space for L&I's industrial safety-and-health functions, in a cost-effective manner.

How: Conduct preliminary work leading to a future construction project to replace the current occupational safety-and-health laboratory and training facilities. Explore opportunities to co-locate with the Department of Agriculture, potentially on property already owned and partially developed by the Department of Natural Resources.

Goal 2: Help injured workers heal and return to work

Enhance workers' compensation claims management (policy)
Lines of business: Recovery and Support
$3,809,000 ($1,752,000 Accident Fund, $2,057,000 Medical Aid Fund) & 11.1 FTE (8.1 perm, 3 project)
Goal: Fully implement the recommendations of the Joint Legislative Audit & Review Committee (JLARC) to ensure the best health and return-to-work outcomes for injured workers, thereby reducing workers' compensation costs.

How: To fulfill JLARC's recommendations, L&I must reduce claims caseloads and improve training to help claim managers strategically recognize, triage and resolve claims that have a high risk of long-term disability. L&I proposes to add three new claims units over three years, beginning in July 2018 (the second and third units would be added in the 2019-21 biennium), and to develop new training curricula. Funding also is requested to install First-Call and Work-Checking technology to simplify efforts to monitor and track accuracy of claim decisions by apprentice claim managers.

Self-insured workers' compensation (maintenance)
Lines of business: Recovery and Support
$1,057,000 ($ 528,000 Accident Fund, $529,000 Medical Aid Fund) & 4.2 FTE (all permanent)
Goal: Accommodate workload increases and computer-system maintenance needs for the Self-Insurance Program and the Self-Insurance Ombuds Office.

How:
- Add one position in the Self-Insurance Ombuds Office in response to workload growth
- Legislation in 2015 authorized L&I to use non-appropriated funds for one-time projects requested by self-insured employers, and that authority was used to develop the SIRAS (Self-Insurance Risk-Analysis System) computer system. Now that the system is built, L&I needs funding to be appropriated to operate and maintain the system.

Goal 3: Make it easy to do business with L&I

Enhancing language access (policy)
Lines of business: Prevention and Recovery
$2,173,000 ($1,086,000 Accident Fund, $1,087,000 Medical Aid Fund) & 4.8 FTE (all permanent)
Goal: Improve access to services for customers with limited English proficiency, and comply with the terms of a federal memorandum of agreement.

How: Improve the ability of L&I and workers' compensation medical providers to deliver services that meet the cultural and language needs of customers. Increase access to translated materials and interpreters*; increase local outreach to customers with language-access barriers; add a civil-rights specialist*; contract with healthcare organizations to include information about workers' compensation in their patient-navigator services; and provide civil-rights* and cultural-awareness training to L&I employees. *(*Required by federal MOA)*

Electrical inspections (maintenance)
Line of business: Prevention
$4,235,000 (Electrical Licensing Account) & 16.2 FTE (all permanent)
Goal: Keep up with growth in Washington's construction industry, which is making it difficult to meet the statutory requirement to complete electrical inspections within 48 hours after requested.

How: Phase in 18 additional electrical inspectors over the course of the biennium to meet projected workload growth.

Goal 5: Ensure L&I is an employer of choice

L&I headquarters maintenance and repair (maintenance)
Line of business: Support
$1,000,000 ($500,000 Accident Fund, $500,000 Medical Aid Fund) & 0 FTE
Goal: Protect the state's investment in the state-owned L&I headquarters building.

How: Temporarily increase the maintenance budget for six years to "catch up" with a backlog of maintenance and repairs on the quarter-century-old headquarters building.

Relocate field offices (maintenance)
Lines of business: Prevention, Recovery and Support
$3,838,000 ($1,919,000 Accident Fund, $1,919,000 Medical Aid Fund) & 2.1 FTE (1.1 permanent)
Goal: Provide safe, accessible field offices that meet the needs of customers and employees.

How: Close the Seattle field office due to reduced customer traffic, and relocate the Bremerton, Port Angeles and Yakima field offices due to a variety of maintenance, safety and accessibility problems.

Other

Apprenticeship workers' compensation premiums (maintenance)
Line of business: Prevention
$272,000 ($232,000 Accident Fund; $40,000 Medical Aid Fund) & 0 FTE
Goal: Support rapid growth of apprenticeship training across the state.

How: Provide additional funding for L&I's share of workers' compensation premiums for apprenticeship participants while they are in classroom training. (Employers are responsible for workers' comp premiums during on-the-job phase of training.)

Apprenticeship federal grants (maintenance)
Line of business: Prevention
$2,022,000 ($1,719,000 Accident Fund-Federal; $303,000 Medical Aid Fund-Federal) & 1.5 FTE
Goal: Gain authority to spend two federal grants awarded to L&I.

How: Authorize L&I to spend the amount of the grants that extends into the 2017-19 budget period.

Dedicated account for three construction-related programs (policy)
Line of business: Prevention
$0
Goal: Assure stable funding for L&I's construction-related inspection programs so they can respond to workload demands and give customers the services that they pay for.

How: Deposit fee and penalty revenues from the Factory Assembled Structures Program, Contractor Registration & Compliance Program and Elevator Program into a new dedicated account, the Construction Registration Inspection Account (CRIA), rather than the General Fund. For the first six years, 7 percent of collections would be transferred to the General Fund quarterly to preserve the current benefit to the General Fund.

Adjustment for higher lease rates (maintenance)
Line of business: Support
$901,000 ($39,000 General Fund, $431,000 Accident Fund; $431,000 Medical Aid Fund) & 0 FTE
Goal: Maintain funding to cover lease costs of L&I facilities.

How: Appropriate sufficient funding to cover projected lease increases for 13 field offices and the Town Center space in Tumwater.

Network infrastructure maintenance (maintenance)
Line of business: Support
$4,036,000 ($2,019,000 Accident Fund; $2,017,000 Medical Aid Fund) & 2.1 FTE
Goal: Ensure adequate replacement, maintenance and disaster recovery for L&I's technology systems.

How: Place the department's Network Infrastructure on a "lifecycle" replacement schedule and cover the costs of contracted disaster-recovery service.

Cost re-allocation (maintenance)
Line of business: Support
$0
What: Realign L&I's appropriation levels, by fund, to distribute indirect costs equitably across all funding sources. The realignment also keeps L&I in compliance with the Local Government Accounting Statute (RCW 43.09.210), which precludes one fund from benefiting another fund.

Contact

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September 21, 2016

2017-19 Biennium Budget
Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: PL-CM, Enhancing Claims Management

Budget Period: 2017-2019 biennium

Budget Level: Policy

Agency Recommendation Summary Text:
The Department of Labor & Industries (L&I) is seeking to fully implement the recommendations of the Joint Legislative Audit & Review Committee (JLARC) aimed at improving outcomes for injured workers while also reducing workers' compensation costs. To fulfill the recommendations, L&I must reduce claim managers' caseloads and improve the current training program to better enable them to strategically recognize, triage and resolve claims that have a high risk of long-term disability. This request builds on previous investments that have successfully reduced the rate of long-term disability among injured workers and generated hundreds of millions in savings.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	$925,000	$827,000	$1,474,000	$2,081,000
609-1: Med Aid Fund	$928,000	$1,129,000	$2,035,000	$2,909,000
Total Cost	$1,853,000	$1,956,000	$3,509,000	$4,990,000
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	4.2	18.0	34.0	50.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	$0	$0	$0	$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	$304,000	$1,044,000	$1,963,000	$2,877,000
B-Employee Benefits	$117,000	$403,000	$758,000	$1,110,000
C-Contracts	$1,304,000	$0	$0	$0
E-Goods & Services	$87,000	$355,000	$606,000	$837,000
G-Travel	$1,000	$6,000	$13,000	$18,000
J-Capital Outlays	$40,000	$148,000	$169,000	$148,000
Total	$1,853,000	$1,956,000	$3,509,000	$4,990,000

Package Description

About 9 percent of all injured workers account for about 85 percent of workers' compensation costs for the "state fund," administered by L&I. The vast majority of these workers initially suffer mild to moderate injuries that should not necessarily result in long-term disability. Reducing preventable disability is a priority for L&I and the state Legislature, and it remains the critical policy, clinical and financial issue in workers' compensation (and healthcare generally).

In 2011, the Legislature adopted a series of reforms aimed at reducing long-term disability and the related costs for injured workers. In addition to those reforms, the state has provided more technical resources (e.g., occupational nurse consultants and vocational services specialists) to assist claim managers in ratios closer to those of other workers' compensation organizations. L&I also hired some lower-cost claim

processors to handle a lot of the administrative tasks, thus freeing up claim managers to focus on helping employers and injured workers with light-duty, return-to-work options and accessing timely medical and rehabilitative services so the workers heal and return to work. These investments, along with other initiatives, have helped to reduce the rate of long-term disability among injured workers in Washington and generated hundreds of millions of dollars in savings; however, they've done little to ease the claim managers' caseloads, which far exceed the recommended average (as discussed further below).

The 2011 legislation also directed JLARC to conduct a performance audit of workers' compensation claims management at L&I. The JLARC recommendations were issued in 2015. Among other things, they call for instituting standards for early phone contact on workers' compensation claims as well as improved claim-management planning and claims documentation. These approaches require spending more time on each claim, and claim managers would need specialized training to recognize and triage claims that have a high risk of developing long-term disability. To fully implement these recommendations and accomplish the next big push in the state's efforts to avoid preventable disability, L&I needs more personnel, funding for specialized training and additional technology. Here's more background on the investment needs.

1. **More personnel** ~ As the JLARC report noted, the average caseload recommended by a panel of experts for the workers' compensation industry is 141, yet L&I's caseloads currently average about 250 claims per claim manager (there are currently 217 claim managers). Without adequate claims management, some injured workers and their employers can't get the support they need, at the right time, to promote timely healing and return to work. This not only costs the workers' compensation system and employers more money, but also creates a financial hardship for the workers and their families, since time-loss benefits cover only a portion of a worker's lost wages.

    L&I proposes to begin phasing in additional claim managers to gradually reduce average caseloads. The goal is to give claim managers more time to actively engage employers and injured workers early in each claim, and to ensure that every claim at risk of long-term disability includes a return-to-work or vocational-recovery plan, medical management and claim-resolution plan.

    *   The first group of additional personnel (14 positions) would be added in July 2018.
    *   The second group (15 positions) would be added in July 2019 to continue ratcheting down the average caseload level and maintain supervisory and support-staff ratios.
    *   The third group (12 positions) would be added in July 2020, if needed – taking into account the combined effects of the initial wave of additional staff plus various other initiatives and caseload projections based on the state's economy.
    *   The normal ratio of support personnel (supervisor, vocational services specialist, occupational nurse consultant, claim processor and office assistant) also would be included in each phase.

    Based on current projections, the personnel additions proposed for fiscal years 2019, 2020 and 2021 would bring the average caseload down to 175 per claim manager – which is higher than the JLARC consultant recommended, but still would be a substantial improvement from the current level.

2. **Specialized training** ~ To achieve the desired results, claim managers need training to learn to approach and resolve injured-worker claims more strategically. L&I is proposing to modernize its current training and coaching methodologies, develop methods to train the trainers/coaches on how to teach broad strategic thinking to effectively resolve claims, instill strategic thinking into the work-check protocols, and provide more robust resource documents and materials to claim managers and the experts (such as vocational services specialists and occupational nurse consultants) who support them. This decision package seeks a combination of temporary/project staff and contract dollars.

3. **Additional technology.** L&I will need to purchase two software products aimed at supporting the accountability and accuracy of claims management.

A. First-Call software to track and report on first calls to workers and employers. (Contract dollars only.)

B. Work-Check software ~ A work-flow system that would make it easier for managers to verify the accuracy and timeliness of work performed by workers' compensation apprentices. This "work-checking" is a critical requirement of the apprenticeship program to assure the trainees are achieving the 80 percent accuracy requirement (of actions and decisions) to become permanent employees. Currently, the program uses a painfully manual, multi-step work-checking process involving a lot of Word forms and emailing back and forth. If anyone in the process inadvertently overlooks an email, it can have implications for the trainee as well as for the injured worker and employer (if inaccuracies are missed).

L&I wants to purchase and implement work-checking technology that would help to improve the workflow by eliminating redundancy and duplication; automatically alert managers about work that is ready to be checked; provide automated features that improve both the review process and outcomes for trainees; perform automated scoring to ensure consistency and objectivity; and allow trainees to track their progress and remaining requirements.

The work-checking software would be a stand-alone work-flow system that would not need to interact with other L&I computer systems; thus, implementing it at this time would not interfere with the agency's long-term business transformation technology roadmap.

Previous disability-prevention investments aimed at helping injured workers get effective services faster have succeeded in reducing long-term disability among injured workers and saving many millions of dollars. While we cannot project how much these new investments might save, we do expect they would more than pay for themselves.

Base budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

Claims Management Program	FTE	Dollars
15-17 Biennium	398.5	$60,663,687

The Claims Management Program consists of Claims Administration, Claims Operations and Claims Specialty Units, which include operations managers, worker' compensation adjudicators, office assistants program coordinators, medical specialists and supervisors.

Occupational Nurse Consultant	FTE	Dollars
15-17 Biennium	25	$6,097,282

The Occupational Nurse Consultant program consists of occupational nurse consultants, clinical nurse specialist supervisor and program specialist.

Return-to-Work Partnerships/VSS	FTE	Dollars
15-17 Biennium	26	$4,302,870

Return-to-Work Partnerships includes vocational service specialists, industrial insurance and industrial insurance compensation unit supervisors.

Regional Claims Management	FTE	Dollars
15-17 Biennium	64.2	$11,207,075

The Regional Claims Management Program includes regional managers/supervisors, worker compensation adjudicators, program coordinators, occupation nurse consultants, vocational service specialists, and occupational therapists.

Decision Package expenditure, FTE, revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

As noted above, additional claims personnel would be implemented over four years in the 2017-19 and 2019-21 bienniums. The four-year phase-in will allow time for ongoing evaluation to gauge the effectiveness and progress toward reducing caseloads; if necessary, the timing and size of the second and third groups in the 2019-21 biennium could be adjusted. Here's what we propose for the 2017-19 biennium:

- FY 2018 would focus on developing the new training curricula and coaching protocols (training and change-management contractors plus 5 non-permanent positions to augment existing trainers and coaches during the startup phase); acquiring and implementing the new technology (project FTE plus contractors); preparing work space; and beginning the recruitment process.

- FY 2019: Hire the first group of additional claims personnel in July 2018, and implement the new training and protocols recommended by JLARC.

FTE details for 2017-19	Status	How many / when	
		2017-19 biennium	2019-21 biennium
Claims caseload reduction			
Workers' compensation adjudicator 2	Perm	5 on 7/1/2018	5 on 7/1/2019 5 on 1/1/2020
WCA 3	Perm	4 on 7/1/2018	4 on 7/1/2019 4 on 1/1/2020
WCA 4	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Program coordinator (claim processor)	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
WMS operations manager	Perm		1 on 7/1/2019
Administrative assistant 3	Perm		1 on 7/1/2019
Claims supervision and support resources (proportional to caseload staff)			
Claim supervisor	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Vocational services specialist	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Occupational nurse consultant	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Office assistant 3	Perm	1 on 7/1/2018	1 on 7/1/2019 1 on 1/1/2020
Training & coaching of new curricula for new hires & all existing staff			
WCA 4	Project	2 for 12 mos.	
Work-checking technology project			
WMS2 for project management	Project	1 for 12 months	
ITS4 for business analysis	Project	1 for 12 months	
PERSONNEL TOTAL		**19 for 2017-19 biennium**	**17 on 7/1/2019 15 on 1/1/2020**

Contractor costs		Cost
Training and change-management consulting	1,920 hours @ $275	$528,000
Work-Checking technology – Systems development – EAO solution architecture	 3,000 hours @ $200 400 hours @ $150	$736,076

– Quality assurance	18 hours @ $182	
First-call technology	400 hours @ $100	$40,000
CONTRACTOR TOTAL		**$1,305,000**

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?
Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.
The potential benefits of this budget proposal include the following:
- Less risk of long-term disability and better return-to-work outcomes.
- Reduced workers' compensation costs to support rate stability or relief for employers.
- Smaller caseloads and better training would improve job satisfaction for claim managers.
- Greater confidence in how L&I manages the state's workers' compensation system.

Performance measure detail (Results Washington)
There are no Results Washington measures related to this decision package, although it is generally supportive of goals related to healthy and safe communities. Separately, L&I tracks several measures related to workers' compensation claims and preventing long-term disability.

Fully describe and quantify expected effects on state residents and specific populations served.
We don't have projections for how much this new investment might reduce worker disability or save money, but do anticipate the following benefits:
- Smaller caseloads per claim manager will help them provide quicker, more-personalized service to employers and injured workers – especially those at highest risk of becoming long-term disabled.
- Timely set-up and coordination of care for workers' comp claims tends to result in faster healing and, ultimately, a better quality of life for injured workers.
- Workers who heal and return to work faster tend to have higher earnings.
- Keeping trained workers working, rather than on disability, is good for employers and the economy.
- Reducing long-term disability saves money, which can help to stabilize or reduce workers' comp rates for employers and their workers.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to:		Identify / Explanation
Regional/county effects?	No	Identify:
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	No	Identify:
Responds to specific task force, report, mandate or exec order?	Yes	Identify: Enables L&I to fully implement the JLARC performance audit recommendation issued in 2015.
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:

Facility/workplace needs or impacts?	Yes	Identify: We'll need space for the additional personnel. Options likely involve reconfiguring space in the headquarters building for greater efficiency and/or leasing additional office space in the Towncenter 3 building in Tumwater.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/impacts identified above.
See comments in the table above.

What alternatives were explored by the agency and why was this option chosen?
Fully implementing the JLARC recommendation will require a sizeable up-front investment. Redirecting funds from other workers' compensation services would create new problems that would not provide a net improvement for injured workers, employers and the overall system.

What are the consequences of not funding this request?
- L&I will not be able to fully implement the JLARC recommendations, and we would miss the opportunity to create a new culture of strategic thinking.
- We'll miss the opportunity to spare some injured workers and their families from the financial and quality-of-life consequences of becoming long-term disabled.
- Workers' compensation costs (and related tax rates) would remain higher than necessary, primarily affecting employers.

How has or can the agency address the issue or need in its current appropriation level?
L&I has several programs or initiatives focused on breaking injured workers' progression toward long-term disability. They are getting good results and will continue to serve an important role in the future.

The additional reforms recommended by JLARC will require more personnel, combined with new strategic skills for all claim managers. The increased up-front investment will more than pay for itself by reducing costly long-term benefit claims and returning more injured workers to productive employment.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Here's a summary of the JLARC recommendation that this decision package addresses. The full report can be found at http://leg.wa.gov/jlarc/AuditAndStudyReports/Pages/WorkersCompensationClaimsMgmt.aspx.

Recommendation #1: L&I should institute standards for early phone contact, claim-management planning and clear documentation in claims management. L&I should provide a plan to JLARC and provide annual progress reports.
A. For claims that will likely involve more than 3 days away from work, institute a standard for claim managers to make phone contact with the injured worker and the employer within 1-2 business days after receiving the claim.
B. Institute claim-management planning and standardize claim-file documentation.

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☐ No 🛑

☒ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance and independent verification and validation) or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as "IT-related costs.")

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
Work-checking technology	$736,076	$0	$0	$0
First-call technology	$40,000	$0	$0	$0
Staffing	$294,000	$0	$0	$0
Total Cost	$1,070,076	$0	$0	$0

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO, as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is or enhances/modifies an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service?   ☒Yes ☐ No

2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.)   ☐Yes ☒ No

3. Does this decision package fund the continuation of a project that is or will be under OCIO oversight? (See OCIO Policy 121.)   ☐Yes ☒ No

If you answered "yes" to _any_ of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

JLARC Decision Package

Goal	Details
Lower caseloads to industry average	• Hiring additional claim staff • Phased in approach | Year	# of New Claim Managers	Claims per CM | |---|---|---| | 2019 | 10 | 185 | | 2020 | 10 | 172 |

Modernize training and coaching	Curriculum development and change management consulting services
	   • Develop strategic training approach
	   • Emphasize analytical and soft skills
	   • Research how other jurisdictions train claim staff

Technology that supports new processes	• First call software • Work checking technology

Business Transformation Decision Package

Workstream	Description
Business Transformation Office	Agency-level coordination, project management, systems integration, business architecture, change management, tracking/reporting, and risk management/QA.
IT assessment	Identify gaps in L&I technology; create strategy for future technology; examine capability to adopt IT Service Management (ISTM) practices.
Information/data strategy	Develop a strategy to guide L&I's long-term data-design and management decisions.
Replacement of claims management, employer policy, and related systems	Analysis of existing systems' abilities, gaps and unique features; recommendations for leveraging a COTS system/s to replace Claims Management, Employer Policy and related systems. Replace the current provider-credentialing system, which is being phased out by its vendor.
Website replacement	Rebuild the site to make it easier for customers to find and understand the information they need on any device.
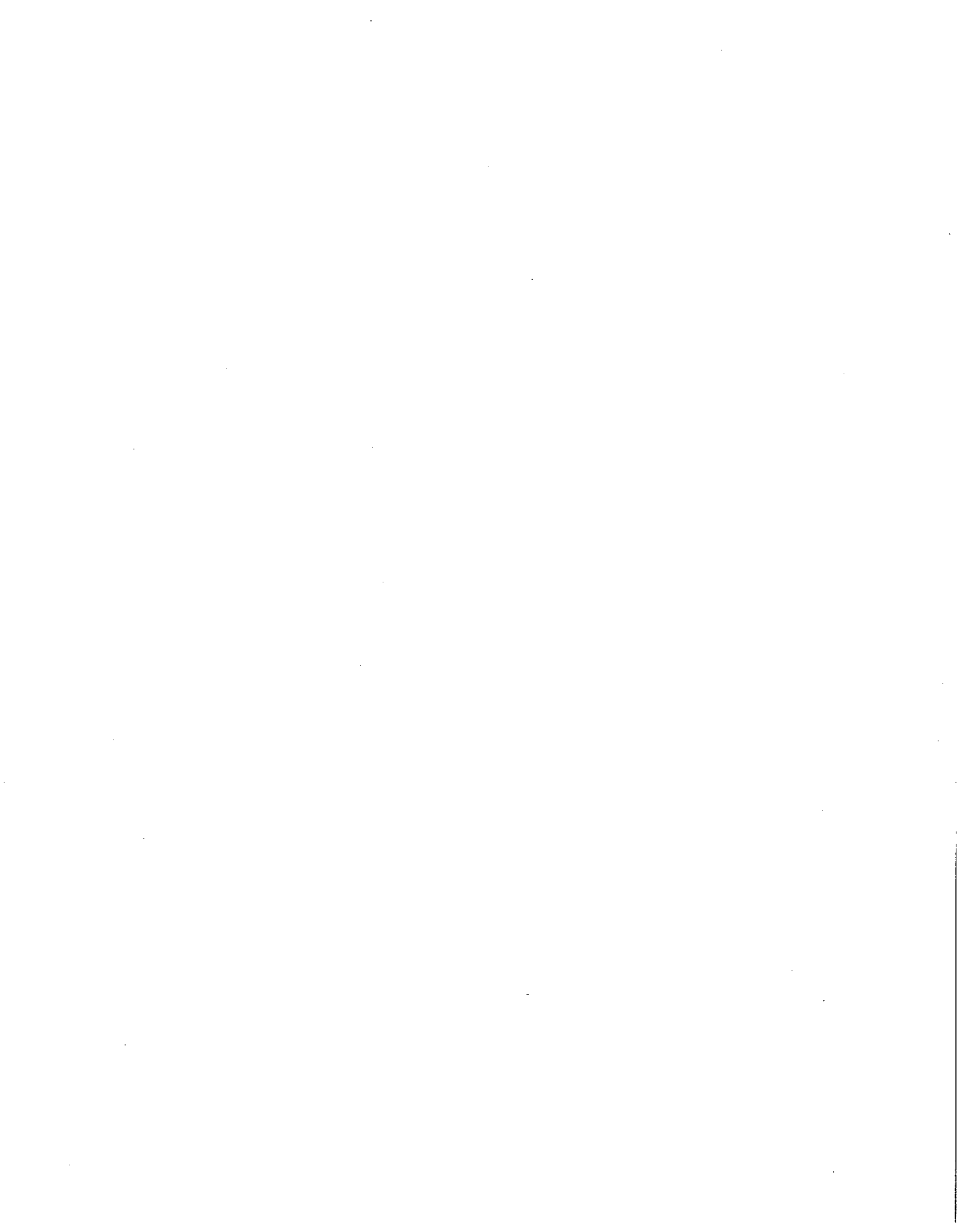
2017-19 Biennium Budget
Decision Package

Agency: Department of Labor & Industries

Decision Package Code/Title: PL-BT, Business Transformation

Budget Period: 2017-19 biennium

Budget Level: Policy

Agency Recommendation Summary Text:

The Department of Labor & Industries' efforts to streamline and modernize operations and to deliver responsive customer service are being hamstrung by inflexible, outdated technology. Despite numerous process improvements that will help save hundreds of millions of dollars, the agency's aging technology systems often pose a roadblock to further progress – and it's getting harder to find job candidates trained in the programming languages that support these applications. The Department of Labor & Industries (L&I) is proposing to replace its website and provider credentialing system, and to take the next steps toward creating a modern, integrated technology infrastructure to flexibly support the needs of the agency and its customers far into the future.

Fiscal Summary: *Decision package total dollar and FTE cost/savings by year, by fund, for 4 years. Additional fiscal details are required below.*

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
608-1: Accident Fund	$6,079,000	$2,342,000	$1,045,000	$1,045,000
609-1: Med Aid Fund	$5,986,000	$2,256,000	$959,000	$959,000
Total Cost	$12,065,000	$4,598,000	$2,004,000	$2,004,000
Staffing	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
FTEs	24.3	22.2	16.0	16.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund	$0	$0	$0	$0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
A-Salary & Wages	$1,868,000	$1,727,000	$1,253,000	$1,253,000
B-Employee Benefits	$721,000	$667,000	$483,000	$483,000
C-Contracts	$8,720,000	$1,828,000	$0	$0
E-Goods & Services	$507,000	$357,000	$257,000	$257,000
G-Travel	$19,000	$19,000	$11,000	$11,000
J-Capital Outlays	$230,000	$0	$0	$0
Total	$12,065,000	$4,598,000	$2,004,000	$2,004,000

Package Description

L&I has a strong commitment to Lean-based improvement processes. These efforts have led to healthier outcomes for injured workers and better customer service, and they've helped to reduce costs, including a projected $500 million savings in the workers' compensation system. But too often, these efforts have run into technology roadblocks that force the agency to continue tolerating inefficient, counterproductive processes that are frustrating for staff and customers alike. The problems are numerous.

A large, aging infrastructure ~ L&I currently operates more than 200 different computer systems and subsystems used by more than 30 service-delivery and internal-support programs. The systems were installed over a period of more than 30 years and now encompass multiple generations of technology and more than 40 programming and scripting languages. This requires a wide variety of skills and cross-

1

training of IT staff as well as front-end users, which increases costs and complexity. An aging IT workforce, including individuals with hard-to-find legacy technical skills who are nearing retirement, will make it very difficult to support the current technology environment in the future.

Custom-built systems ~ Most of L&I's applications are custom-built, including many that have been maintained over decades. This results in overly complex legacy coding, in languages where skills are currently hard to find.

Redundancy and lack of integration ~ Over the years, numerous computer systems and software were added to support new programs and policies adopted by the Legislature, or to enhance services or address gaps in existing systems. As a result, there are multiple areas of functional redundancy, with duplicative applications performing very similar functions – even within a single L&I program. This redundancy and lack of integration make it difficult for the agency to reconcile similar data across different applications and drives up support costs.

When customers interact with any part of L&I, they may believe they're dealing with "one L&I," but in reality, L&I employees are unable to view a customer's relationship with the agency beyond their own program – and even then, the customer may be subjected to duplicative processes.

> EXAMPLE: L&I's Collections Program is responsible for collecting penalties, unpaid wages, past-due employer premiums, overpayments to providers and injured workers, etc. The program currently has separate computer systems and different business processes for handling various types of debt, and is unable to produce a single, combined invoice for a customer who owes more than one kind of debt to L&I. An employer may owe workers' comp premiums *and* penalties *and* unpaid wages. Due to the lack of system integration, the employer receives multiple invoices, which is inefficient and frustrating.

Some employees attempt to deliver comprehensive customer service by accessing specialty databases and/or creating internal relationships and manual work-arounds. Besides being inefficient, these good intentions can result in errors.

Customer expectations ~ Customers (178,000 employers, 2.5 million workers, and more than 90,000 medical and vocational providers) are frustrated and confused by L&I's lack of seamless services. There are multiple ways for customers to "enter" L&I (phone, mail, email, website, field offices), but no centralized system for tracking these entries to avoid duplication and ensure consistency. A large percentage of customers and the general public attempt to find information on L&I's website – increasingly on mobile devices – and they're overwhelmingly unsatisfied with the 13-year-old website and its lack of accessibility from mobile devices.

> EXAMPLE: Benchmark studies from 2003 to 2015 indicate L&I's website usability scores fell from 83 percent to 66 percent among businesses. The satisfaction rate among homeowners plunged to 41 percent, and injured workers reported only a 34 percent satisfaction rate. Common complaints include a cluttered homepage, complex navigation, confusing terminology and technical references, lengthy content and too many links, menus and topics per page.

Staff frustration ~ Navigating L&I's technology maze is challenging for L&I employees. It complicates the training process and makes it difficult for them to deliver high-quality, effective service to their customers.

> *EXAMPLE:* The workers' compensation system (including both policy and claims) uses more than 80 different systems and software, which requires claim managers and employer account managers to log-on to multiple systems to gather information to provide personalized service based on the individual needs of a worker or employer. For example, a claim manager must access and navigate at least 5 different computer systems to review,

make decisions, record and take actions on a single claim. This can cause significant delays (and higher costs) in getting the right resources assigned in a timely manner.

Databases ~ L&I has a hundreds of databases, including a very large central "data warehouse" that receives data from numerous systems throughout the agency. Data are transferred into about 1,300 tables on various schedules (e.g., daily, weekly, monthly, quarterly or annually). In addition to the regularly scheduled data loads, user-specific tables are created and stored outside of the data warehouse in program-specific databases. Since there's no agency-wide data strategy, different parts of the agency tend to view data needs differently. As a result, these systems may contain duplicative data that are recorded differently (such as different ways of defining and recording addresses). This makes it harder to synchronize and compare data across the agency, thereby reducing the value and usefulness, in addition to driving up costs. The wide array of databases, the non-uniformity of data, and the lack of a consistently applied record-management approach also: 1) results in excessive storage of records that aren't required to be retained, and 2) make it very challenging to retrieve records to respond to public-record requests in compliance with the law.

Costs ~ A recent consultant analysis found that 72 percent of L&I's IT budget is spent on application support, hardware and software. The norm for other state and local government agencies is about 52 percent. Much of the excess expense is driven by L&I's legacy systems (e.g., the workers' compensation computer system costs twice as much as the next application on the cost list).

Lack of modern efficiencies ~ Despite L&I's extensive array of computer systems and software, there's also a lack of modern features that could save money and make it easier for the IT staff to support the agency's technology needs.

> *EXAMPLE:* If L&I were to use cloud computing to rapidly create server environments to test and prepare configurations for production installations, the environments could then be removed to conserve resources. Instead, the L&I has to ensure the underlying physical servers have capacity to create a virtual server for this work. Over time, it is necessary to continually monitor the physical server resources and acquire new resources as needed, which adds time and expense.

End-of-life challenges ~ Nearly all of L&I's technology systems will need to be replaced at some point in the coming years, but some are closer to expiring than others. One example is the Provider Credentialing System. During the initial development of L&I's Medical Provider Network (MPN), completed in January 2013, L&I acquired commercial software (VISTAR VIP) to store and track the credentials of participating medical providers. The system validates which providers are authorized to provide treatment through the workers' compensation system; helps L&I avoid payments to unauthorized medical providers; and supports timely processing of payments to authorized providers (which makes providers more willing to join the MPN. These and other features of the MPN are saving the workers' compensation system an estimated $35 million per year, so it's important to keep it running smoothly.

Unfortunately, the current version of the VISTAR software is being phased out by the vendor. While the company has not set a firm end date for the product, L&I has been told the software has a limited future. Further, VISTAR has indicated the volume of records in the database is nearing capacity, and L&I is experiencing problems likely related to the capacity limit. Credentialing software is critical to the success of the Medical Provider Network, and L&I must quickly determine the best solution.

If the Medical Provider Network is left without a functional credentialing system, injured workers won't have up-to-date information about approved providers; provider payments will be delayed, causing providers to drop out of the network; and it would be difficult to avoid issuing payments to unauthorized providers. The benefits of replacing the current, end-of-life system far outweigh the estimated costs.

What we've done so far

LINIIS migration ~ In 2015, L&I secured funding to migrate its oldest legacy system (Labor & Industries Industrial Insurance System, or LINIIS, launched in 1986) from a mainframe to a Windows environment. The purpose was to stabilize the system and make it somewhat easier to maintain while awaiting a full replacement. The migration did nothing to improve functionality or reduce manual processes for workers' compensation staff and customers.

Business Transformation plan ~ As L&I began planning the next phase of replacing LINIIS, it became apparent we need to address more than just LINIIS. Tackling technology updates one computer system at a time would run the risk of perpetuating siloed operations and missing the opportunity to streamline operations and deliver a better customer experience across the agency. As a result, L&I decided to embark on a full cross-agency "business transformation" to better achieve its mission of keeping Washington safe and working.

L&I worked with a consultant from late 2015 through early 2016 to envision how the agency would *like* to operate and to develop a roadmap for getting there. The roadmap groups all L&I functions within one of three lines of business: prevention, recovery or internal support services. Viewing future technology acquisitions through these three lenses is intended to promote cross-program solutions and greater integration.

L&I's business transformation calls for modernizing the department's extensive technology infrastructure and corresponding business processes over several years. The consultant analyzed the agency's entire portfolio to identify areas of functional redundancy and to validate whether vendor-packaged software (rather than custom builds) could support the agency's needs. Some of the key challenges identified during the analysis included:

- Multiple areas of functional redundancy.
- Cumbersome and expensive to maintain.
- Custom-built, overly complex legacy applications.
- Scarcity of needed technology skills.

Based on the strategies and goals identified in the business-transformation planning phase, L&I envisions a future state that is drastically different from how it operates today in relation to processes, technology and people. The business transformation initiative will help L&I achieve the following:

- Strategic alignment ~ Identify and address any strategic considerations that should be resolved prior to a full transformation, including issues like cross-divisional data definitions, structures and governance.

- Simplification ~ Simplify the technology environment by consolidating legacy applications into core applications, each of which supports multiple capabilities.

- Best-of-breed processes ~ Leverage commercial-off-the-shelf (COTS) application solutions, which provide the following advantages:
    - They typically have industry-standard business processes embedded into them. L&I may benefit from the knowledge that software vendors have gained from implementing the software at similar clients.
    - Long-term development costs are lower, although some costs are likely to be shifted to integration costs.

- Cloud ~ Leverage software-as-a-service (SaaS or cloud) solutions as much as possible. They typically have shorter implementation timelines than custom-built systems and lower implementation costs. SaaS projects also may be funded through relatively smaller annual operating costs rather than large initial capital costs.

The goal is to acquire industry-standard systems that are easier to maintain, support streamlined cross-agency processes and deliver a more seamless customer experience – rather than continuing to force-fit

4

agency operations into the current technology's limited capabilities. It also would solve the challenge of trying to hire IT employees who are familiar with outdated computer languages.

Business Transformation core team ~ To help lead these efforts, L&I is forming a core team to help L&I leadership and the entire agency to maintain momentum and an agency-wide perspective while implementing the roadmap, which calls for a series of technology and process-improvement projects over several biennia. Besides leading a variety of improvement projects (both IT and non-IT), the core team will ensure L&I's technology acquisitions meet the agency's integration needs; keep initiatives alive and aligned; help staff absorb the many changes; and ensure progress toward L&I's aspirations. Here are some examples of projects envisioned over the next 2-3 years.

- Preliminary work to prepare for a customer relationship management (CRM) system (to be requested in a future biennium). Early efforts will include mapping L&I's current customer-service process/es, making short-term improvements that don't require technology, confirming/testing customer personas to be used in the requirements-development phase, etc. This work, combined with results from a comprehensive information and data strategy (see budget request below), will help to inform the business requirements for the CRM system.

- Improve the knowledge and ability of L&I employees throughout the agency to connect customers with the right person or unit to address their issues. Efforts will include better staff training and improved reference materials. (Make it easier to do business with L&I.)

- Develop a user-solution lab where employees and stakeholders can bring challenges and work with L&I staff to develop solutions. The lab will use a collaborative-design approach to rapidly prototype, test and improve solutions before they're broadly deployed.

L&I has already redeployed some existing resources to get the business transformation started and will redirect additional personnel (either temporarily or permanently) to the core team as well as to individual transformation initiatives as they occur. Redeployed personnel will be used for the business transformation director, communications lead, administrative support, and several project and portfolio managers. However, the agency lacks some skills that will be essential to the success of the business transformation plan, and will seek additional personnel and contractor funding through this decision package.

What we're proposing

L&I's business transformation roadmap provides some initial guidance for sequencing the broad scope of technology and business processes to be replaced or reformed, and further details will be identified through initial feasibility studies and the development of business requirements. This decision package would enable L&I to quickly add value to customers by rebuilding the existing website; establishing a business-transformation team to lead and support projects on the business-transformation roadmap; kicking off the initial or next steps for three technology projects; and replacing the end-of-life provider-credentialing product. All of these investments are essential to the success of L&I's business transformation process.

1. **Rebuild L&I's website** to improve the overall quality of the site and to make it easier for customers to find and understand the information they need. The result would be a customer-focused, task-based organizational structure with simpler navigation, written in plain talk and meeting federal disability-accessibility requirements. This effort would help more customers find what they're looking for without having to call L&I for assistance – and would support the agency's goal of "Making it easier to do business with L&I." The budget request includes project FTE for the rebuild effort and two permanent FTE to do a better job of maintaining the quality of the website in the future.

2. **Business Transformation implementation and continuity** ~ In addition to redeploying existing resources (as described above) for the Business Transformation core team, this decision package seeks funding for six additional positions plus contract dollars to acquire skills not currently available within the agency. These include organizational change management* (2 positions plus contract funds); line-of-business transformation leadership (2 positions); customer/user research, analysis and advisor in

support of various business-transformation projects (1 position); a high-level business architect (1 position plus contractor) and system integrator (contractor) to plan L&Is technology acquisitions and ensure they work together; risk-management/quality-assurance and strategic advisors (contractors); and a 7 percent contingency reserve.

> *The Office of the Chief Information Office (at WaTech) has stressed the need for effective change-management leadership to ensure L&I personnel anticipate, accept and adapt to the substantial technology and process changes that will be occurring throughout the business transformation effort.*

Without the resources requested in this decision package, the business transformation effort will not be successful.

3. **Develop business requirements** for the technology work streams described below. For three of the projects, the goal is to be ready, by the start of the 2019-21 biennium, to issue requests for proposals (RFPs) for implementing the identified solutions – assuming funding is approved by the Legislature and Governor. The fourth project likely would be implemented in the 2017-19 biennium, depending on information gathered between now and the end of FY 2018. Here's more background on each project; cost details are in the "Decision Package" section below.

   i. **IT infrastructure assessment** ~ Identify gaps with the current state of the agency's technology and develop a strategy to prioritize and leverage current and future technology, such as cloud and mobile technology, to reduce the time and cost for continual improvement. It also would examine the agency's capability to manage IT services through the adoption of IT Service Management (ITSM) practices that have matured in the last five years to address modern computing capabilities.

   ii. **Workers' compensation claims and policy legacy systems (LINIIS and ancillary systems)** ~ To replace our workers' compensation computer systems, we need a comprehensive analysis of their capabilities, gaps and unique features; a feasibility review of what COTS products are available to meet our needs (including vendor demonstrations of how their products would work for L&I); and recommendations on next steps and sequencing for implementation.

   Ultimately, both the claims and policy systems need to be replaced; however, if the feasibility study indicates it would be too difficult to tackle both systems at the same time, the claims system will be the first priority. The goal is to be ready to submit a budget decision package by September 2018 for the 2019-21 biennium, and to issue the first RFP in June 2019. As part of the review and feasibility process, L&I will identify opportunities to continue improving processes – both to benefit customers and to prepare for the new technology.

   iii. **Information and data strategy** ~ L&I needs to consolidate its existing collection of databases into fewer computing platforms, with better alignment of similar/like data throughout the agency. The agency is proposing to develop a comprehensive information and data strategy, which would then guide long-term data-design and -management decisions, including the selection of future database solutions, acquisition of a customer relationship management system (see next budget item), and other technology decisions along the business transformation roadmap.

   iv. **Provider Credentialing System** ~ In an ideal world, the decision about replacing the provider-credentialing system would be made after a new claims-management system is selected. However, the timeline for having a new claims system in place is likely 5-7 years away, and VISTAR probably won't support the existing product that long. Being without a credentialing system would create chaos in the Medical Provider Network.

   As an alternative, L&I proposes to gather business requirements for provider credentialing as part of the claims-system project (see above) in FY 2018. That information, coupled with the results of vendor demonstrations of claims-management COTS systems, would be used to select and implement (in FY 2019) a COTS credentialing system that meets the program's operational needs

as well as the need to integrate with the eventual claims-management system. Strong consideration will be given to Provider One, which has been adopted by several other state agencies.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service. *Please include annual expenditures and FTEs by fund and activity (or provide working models or backup materials containing this information).*

L&I's budget for the 2017-19 Biennium does not include any funding for this program.

L&I did receive $1.3 million in one-time funding during the 2015-17 Biennium for Business Transformation. This funding was used to hire a consultant to envision how the agency would like to operate and to develop a roadmap to streamline operations and deliver a better customer experience across the agency.

Decision Package expenditure, FTE and revenue assumptions, calculations and details: *Agencies must clearly articulate the workload or policy assumptions used in calculating expenditure and revenue changes proposed.*

1. **Replace L&I website to improve customer satisfaction**
   Personnel
   - 1 WMS2 (2-year project) – IT project manager.
   - 1 ITS4 (permanent) – User-interface developer.
   - 3 Communications Consultant 5's (1 permanent, 2 two-year project) – Write and edit Web content

   Contract and vendor costs - $709,250
   - Content strategy – 500 hrs @ $125 = $62,500
   - UCD/UX – 2,000 hrs @ $125 = $250,000
   - Writing support – 550 hrs @ $125 = $68,750
   - CMS consulting – 600 hrs @ $150 = $90,000
   - CMS software – $50,000
   - Architecture – 5% of project = $94,000
   - QA – 5% of project = $94,000

2. **Business Transformation Office**
   Personnel – all permanent
   - 3 WMS3
     - Change-management lead
     - 2 "line of business" leads – track & coordinate all business-transformation-related improvement projects.
   - 1 WMS2 - IT business architect
   - 1 Management Analyst 5 ~ change-management support
   - 1 Management Analyst 4 ~ customer/user research, analysis and advice

   Contract and vendor costs - $2,810,000
   - Business architect - $450,000
   - Change-management - $650,000
   - System integrator - $625,000
   - Strategic advisors - $200,000
   - Risk advisor / QA - $250,000
   - Contingengy (6.8%) - $700,000

3. **Four technology work streams:** These projects will rely largely on contractors to provide research, analysis and recommendations. The contractors' will be tasked with completing enough work by the summer of 2018 so L&I has the information needed to submit budget decision packages (if appropriate) for the 2019-21 biennium and to issue initial RFPs by June 2019. Each project will have

an L&I project manager and 1 or 2 IT specialists for business analysis and other work in support of the project. For projects ii and iii, we assume the project-management and -support positions will remain in place through at least the 2019-21 biennium or until the technology projects are implemented.

i. **IT Assessment** ~ Identify gaps in current L&I technology; develop a strategy to prioritize and leverage current and future technology; examine L&I's ability to adopt of IT Service Management (ITSM) practices.

Personnel
- 1 WMS2 – IT project manager (two-year project).
- 2 ITS4 – Infrastructure engineer (one-year project) and business analyst (two-year project).
- 1 Management Analyst 3 (one-year project) – Collect and synthesize information to support analysis.

Contract and vendor costs - $1,794,400
- IT service management – $149,000
- IT infrastructure – $946,200
- Mobile computing – $276,000
- Cloud computing – $228,000
- QA – $158,000
- Servers, workstations and devices for testing – $37,200

ii. **Workers' compensation claims and policy systems** ~ L&I will hire contractors to develop high-level current-state and future-state business process documentation; identify areas for business-process improvements (both technology and non-technology); and conduct a feasibility study to help develop the implementation plan for replacing workers' compensation claims and policy systems. As part of this process, vendors will be asked to provide in-depth demonstrations of their products that L&I staff will participate in testing. The intent is to be ready to issue RFPs to acquire for a new claims management COTS product and, if possible, a new policy management product by June 2019 – with the intent to begin implementing during the 2019-21 biennium.

Personnel
- 1 WMS2 – IT project manager. Project position through the implementation phase of the IT project.
- 2 ITS4 – Business analysts. Project positions through the implementation phase of the IT project.
- 1 Management Analyst 4 (2-year project) – Collect and synthesize information to support analysis.

Contractor/vendor costs - $2,250,000
- Current-state business process models (workers' comp Policy) – $212,500
- Current-state business process models (workers' comp Claims) – $480,000
- Future-state business process models (Policy) – $175,000
- Future-state business process models (Claims) – $240,000
- Business process improvements (Policy) – $120,000
- Business process improvements (Claims) – $120,000
- Project schedule – $20,000
- Future application options & needs definition – $321,250
    (High-level requirements and guiding principles for the claims & policy software selection; organization of existing research and requirements; platform options (COTS, SAAS, build, etc.); evaluation criteria; needs assessment.)
- Future application options analysis and evaluation – $321,250

(Interviews with workers' compensation organizations; research and analysis; demonstrations and testing; cost & timeline estimates)
- Final report and recommendations – $240,000

iii. **Information and data strategy** ~ This project is an essential prerequisite to other L&I business-transformation projects to be proposed in this and future decision packages. Deliverables for the 2017-19 biennium would include: determine the current state of data and records within existing L&I computer systems that will be replaced with COTS and/or SaaS over several biennia; develop a core data model to guide acquisition of new systems (e.g., claim processing, benefit management, policy management, accounts receivable, collections, provider management, premium calculation, forecasting, etc.); identify data migration, consolidation and integration requirements to be incorporated into vendor solicitations for COTS and/or SaaS system acquisitions; and confirm related database technical architecture requirements, sequence of system/sub-system replacements and identification of significant, critical migration dependencies.

Personnel
- 1 WMS2 – IT project manager. Project position through the implementation phase of the IT project.
- 1 ITS4 – Business analyst. Project position through the implementation phase of the IT project.

Contract and vendor costs - $1,691,300
- Data strategy – 9,396 hrs @ $180 = $1,691,300

iv. **Provider Credentialing System** ~ L&I is proposing to select and implement a provider-credentialing software solution to replace the current system that is being phased out by the vendor. The Business Transformation core team will provide project management for this project, so no separate project manager is requested.

Personnel
- 1 ITS4 – Business analyst, permanent to provide ongoing support.
- 1 ITS4 – Tester; 2-year project. This position also will be used on the Web replacement project (described above).

Contract and vendor costs - $1.4 million
- Systems development – 12,000 hours @ $100
- EAO solutions architecture – 1,374 hours @ $150

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?
Describe and quantify the specific performance outcomes the agency expects as a result of this funding change.

- Making online information easier to find and easier to understand would greatly improve customer satisfaction.
- Increased *successful* use of online resources should reduce the number of callers (and complaints about the website) – thus freeing up staff to provide faster service to customers who cannot be served online.
- The website will be mobile-friendly – thus meeting the fast-growing use of mobile devices to access L&I information and services.
- Efforts to analyze business requirements for future technology investments should help to uncover immediate or short-term process improvements (e.g., low-hanging fruit) that are not dependent on the subsequent technology projects.

- This budget package will yield plans and strategies for taking the next essential steps toward modernizing and reforming L&I's outdated, inefficient technology infrastructure.
- By creating an agency-wide information and data strategy, L&I will be able to:
  - Reduce the overall number of databases and improve the quality of information available from them. As a result, data and records would more available to L&I managers and employees who need them, thus allowing for better planning and better decisions across a broad spectrum of endeavors.
  - Improve record-retention practices and reduce the amount of unnecessary record storage (thus saving money).
  - Improve responsiveness to records requests.
- Ability to continue supporting the Medical Provider Network (MPN).
- Updated credentialing software would save time, reducing the many work-arounds that are currently in place to process MPN applications.
- A properly functioning Provider Credentialing System is essential to avoid loss of providers in the Medical Provider Network; inappropriate medical payments; and confusion for injured workers about accessing approved providers.

Performance measure detail (Results WA)
There are no direct Results Washington measures, but this decision package is generally supportive of Goal 5 (related to efficient/effective government, customer satisfaction and transparency) and Goal 4 (healthy, safe, supported people).

Fully describe and quantify expected effects on state residents and specific populations served.
- Currently, more than 70 percent of L&I customer interactions occur online. These customers (injured workers, medical providers, employers, contractors, crime victims and anyone else who does business with L&I) will benefit from having access to a website where information is easier to find, easier to understand and accessible via mobile devices.

- In the long-term, customers and taxpayers will benefit from efforts to modernize L&I's technology infrastructure and streamline processes.

- Maintaining timely, accurate records of approved healthcare providers (through a provider credentialing system) helps:
  - Injured workers identify doctors who are able to provide ongoing care in a timely manner.
  - L&I or self-insured employers avoid making payments to non-approved providers – thus avoiding unnecessary costs for the workers' compensation system that can drive up employers' rates.
  - Avoid delays in paying approved healthcare providers.

- If the credentialing system does not work well, providers may choose not to become credentialed to treat injured workers. This could result in provider shortages that would be detrimental to the healing process for injured workers.

What are other important connections or effects related to this proposal? *Please complete the following table and provide detailed explanations or information below:*

Effect(s) to		Identify/Explanation
Regional/County effects?	Yes	**Identify:** Local governments are among the employers who access L&I's website.
Other local gov't effects?	No	Identify:
Tribal gov't effects?	No	Identify:
Other state agency effects?	Yes	**Identify:** State agencies are among the employers who access L&I's website. In the long run, some state agencies also will be

		affected – probably for the better – by L&I's efforts to modernize its overall technology infrastructure, especially involving data transfers/exchanges.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or effects?	Yes	Identify: In the short-term, we'll need to accommodate additional FTE to oversee Business Transformation and to develop and implement the technology projects. In the long-term, better technology would improve L&I's workplace flexibility, thus enabling more employees to telework effectively. This would reduce the pressure to expand L&I's footprint as we add employees in response to state growth.
Capital budget effects?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

Please provide a detailed discussion of connections/effects identified above.
See notes in table above.

What alternatives were explored by the agency, and why was this option chosen?
We've spent decades working around the hurdles posed by the existing technologies and technological gaps. Ultimately, newer technologies will cost less to support and provide opportunities for streamlining operational processes and improving customer service.

What are the consequences of not funding this request?
- L&I's technology will fall further behind the curve, increasing the risk of failure and making it increasingly difficult to hire employees with the skills to support the legacy systems.
- Customers will continue to be frustrated with the lack of online information and services, as well as our duplicative and confusing processes.
- L&I's website will remain inaccessible for those using assistive technologies or mobile devices.
- Customers will continue to struggle to understand their requirements and rights when using L&I's website.
- Responding to public records requests will continue to be unnecessarily difficult – with a higher-than-necessary risk of being incomplete.
- L&I's efforts to re-engineer its business processes could not be fully implemented.
- At some point, the current software (VISTAR VIP) for tracking provider credentials will no longer be supported by the vendor.

- If L&I cannot adequately track provider credentials, payments to providers (by L&I and self-insured employers) will be delayed or inaccurate, causing re-work and late-payment penalties. Also, providers may choose to leave the MPN, thus depriving injured workers of their services.

How has or can the agency address the issue or need in its current appropriation level?
We will continue to look for opportunities to improve operational processes that do not require a technology solution – but some of the most onerous and inefficient processes cannot be corrected without technological changes, which will require project funding. With regard to the Provider Credentialing System, we don't have capacity within the current budget to embark on this project without reducing operations or service elsewhere in the agency.

Other supporting materials: *Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.*

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☐ No 🛑

☒ Yes. Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as "IT-related costs")

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
WMS2, IT Project Manager	$623,000	$563,000	$422,000	$422,000
ITS4, IT Business Analysts	$846,000	$630,000	$503,000	$503,000
ITS4, IT Tester	$142,000	$127,000	$0	$0
ITS4, IT User Interface Developer	$141,000	$126,000	$126,000	$126,000
Management Analyst 4, Subject Matter Expert	$137,000	$122,000	$0	$0
Communications Consultant 5, Web content writers/editors	$422,000	$377,000	$126,000	$126,000
Management Analyst 3, Subject Matter Expert	$119,000	$0	$0	$0
IT Assessment – Service Management	$149,000	$0	$0	$0
IT Assessment – Infrastructure	$946,000	$0	$0	$0
IT Assessment – Mobile computing	$276,000	$0	$0	$0
IT Assessment – Cloud computing	$228,000	$0	$0	$0
IT Assessment – Servers	$7,000	$0	$0	$0
IT Assessment - Workstations for mobile app testing, configuration and deployment	$18,000	$0	$0	$0
IT Assessment - Handheld devices for mobility testing	$12,000	$0	$0	$0
Multiple – QA	$195,000	$0	$0	$0
Information and Data strategy	$1,692,000	$0	$0	$0
Web Replacement - Content strategy	$63,000	$0	$0	$0
Web Replacement - User/Center Design and User Experience	$250,000	$0	$0	$0
Web Replacement - Writing Support	$69,000	$0	$0	$0
Web Replacement – Content Management System (CMS) Consulting	$90,000	$0	$0	$0
Web Replacement - CMS Software	$50,000	$0	$0	$0
Web Replacement and Provider Credentialing - Architecture	$140,000	$103,000	$0	$0
Provider Credentialing - Systems Development	$600,000	$600,000	$0	$0
Claims/Policy – Project mgmt., gap analysis, high-level requirements, market analysis, RFI and feasibility study	$1,125,000	$1,125,000	$0	$0
Total Cost	**$8,340,000**	**$3,773,000**	**$1,177,000**	**$1,177,000**

13

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service?   ☒Yes ☐ No

2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.)   ☐Yes ☒ No

3. Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See OCIO Policy 121.)   ☐Yes ☒ No

If you answered "yes" to *any* of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.