

Workers' Compensation Advisory Committee

June 22, 2017



Agenda

Time	Topic	Presenter(s)
9:00 am - 9:10 am	Welcome <ul style="list-style-type: none"> •Introductions •Motion to approve minutes •Safety Message 	Joel Sacks Vickie Kennedy
9:10 am – 9:25 am	General Updates <ul style="list-style-type: none"> •Legislative Updates •Finance Committee/WSIB •Reinsurance 	Vickie Kennedy Joel Sacks
9:25 am – 9:40 am	Insurance Services Dashboard	Vickie Kennedy
9:40 am – 10:30 am	COHE Overview and QI Pilot Discussion	Morgan Wear
10:30 am – 10:45 am	Break	
10:45 am – 11:30 am	Connecting with customers	Ron Langley
11:30 am – 11:40 am	Board of Industrial Insurance (BIIA) Update	Linda Williams
11:40 am – 11:50 am	Industrial Insurance State Fund Financial Overview	Rob Cotton
11:50 am – 12:00 pm	Closing Comments & Adjourn	Vickie Kennedy Joel Sacks

Safety tip

Don't hit the ground



WHEN YOU FALL,
IT HURTS MORE THAN YOU.

Welcome & General Updates

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



Reinsurance update

- Guy Carpenter was selected to be our broker
- Signed contract on May 23rd
- Meeting held to coordinate data exchange with GC on June 13th
- GC to attend our WCAC Finance Committee on July 28th

Insurance Services Dashboard

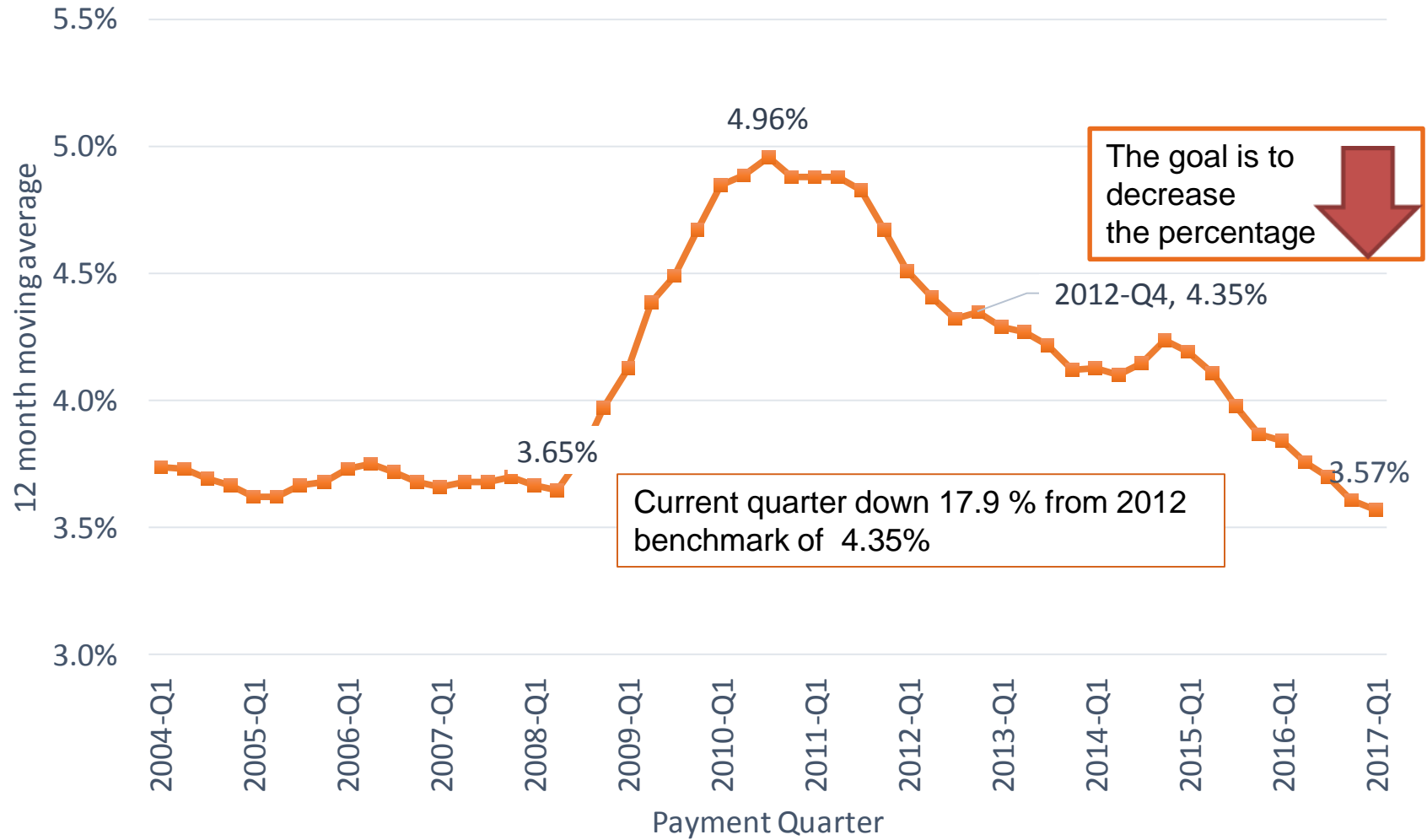
Help Injured Workers Heal and
Return to Work

Vickie Kennedy, Assistant Director for Insurance Services

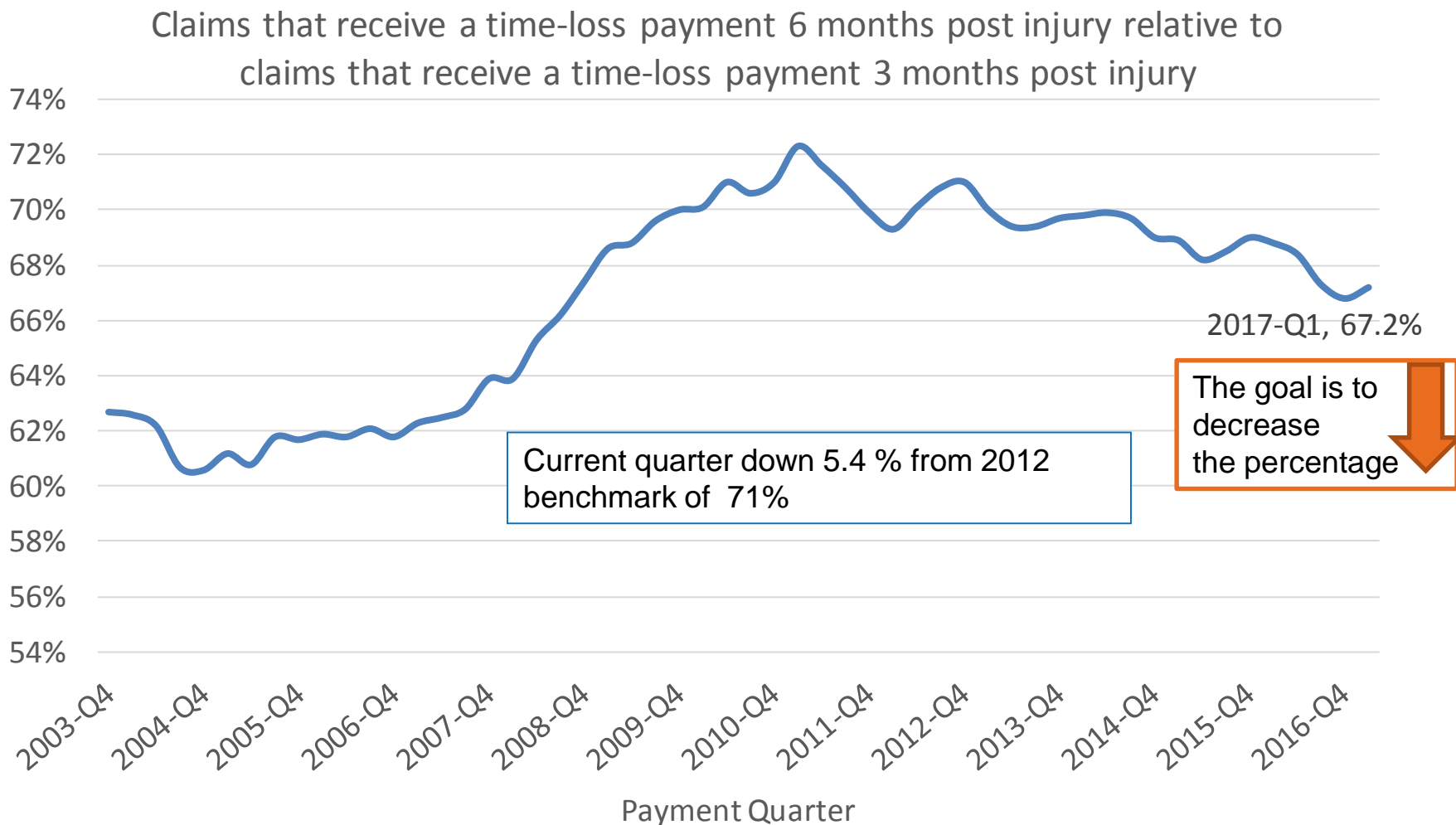


Long term disability percent

Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*

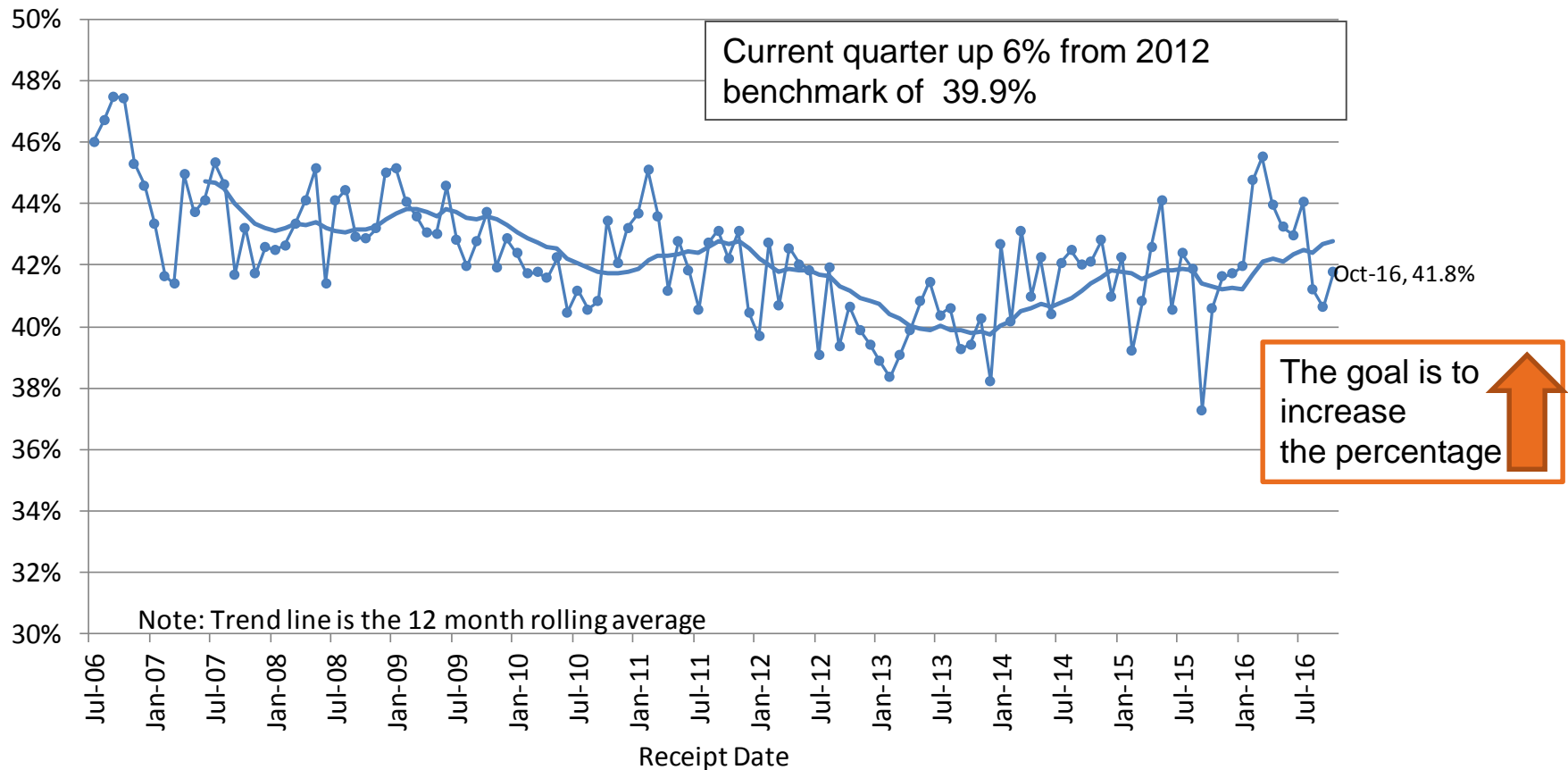


The onset of long-term disability is often measured between three and six months after injury

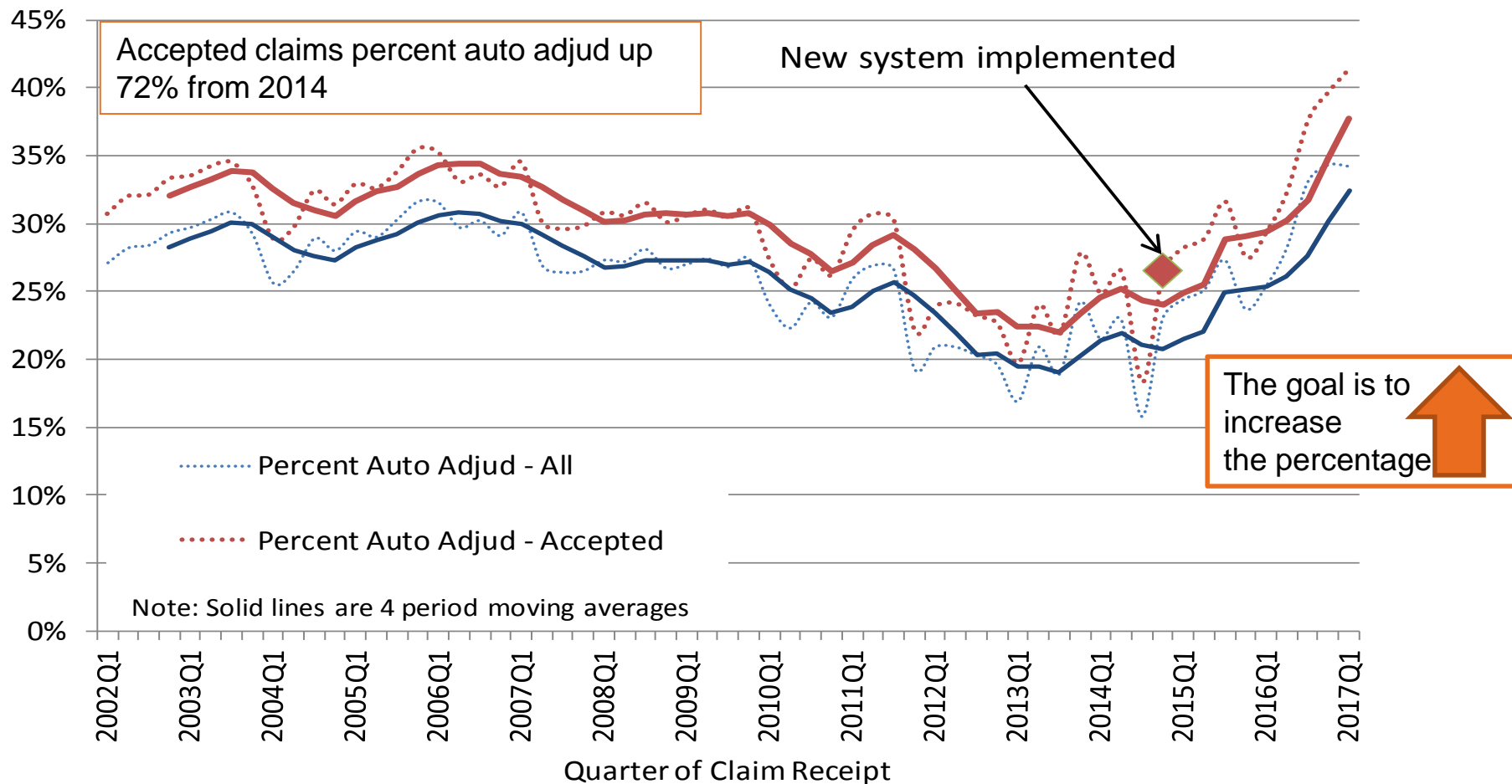


The share of time-loss claims resolved six months after claim receipt - trend has been upward

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

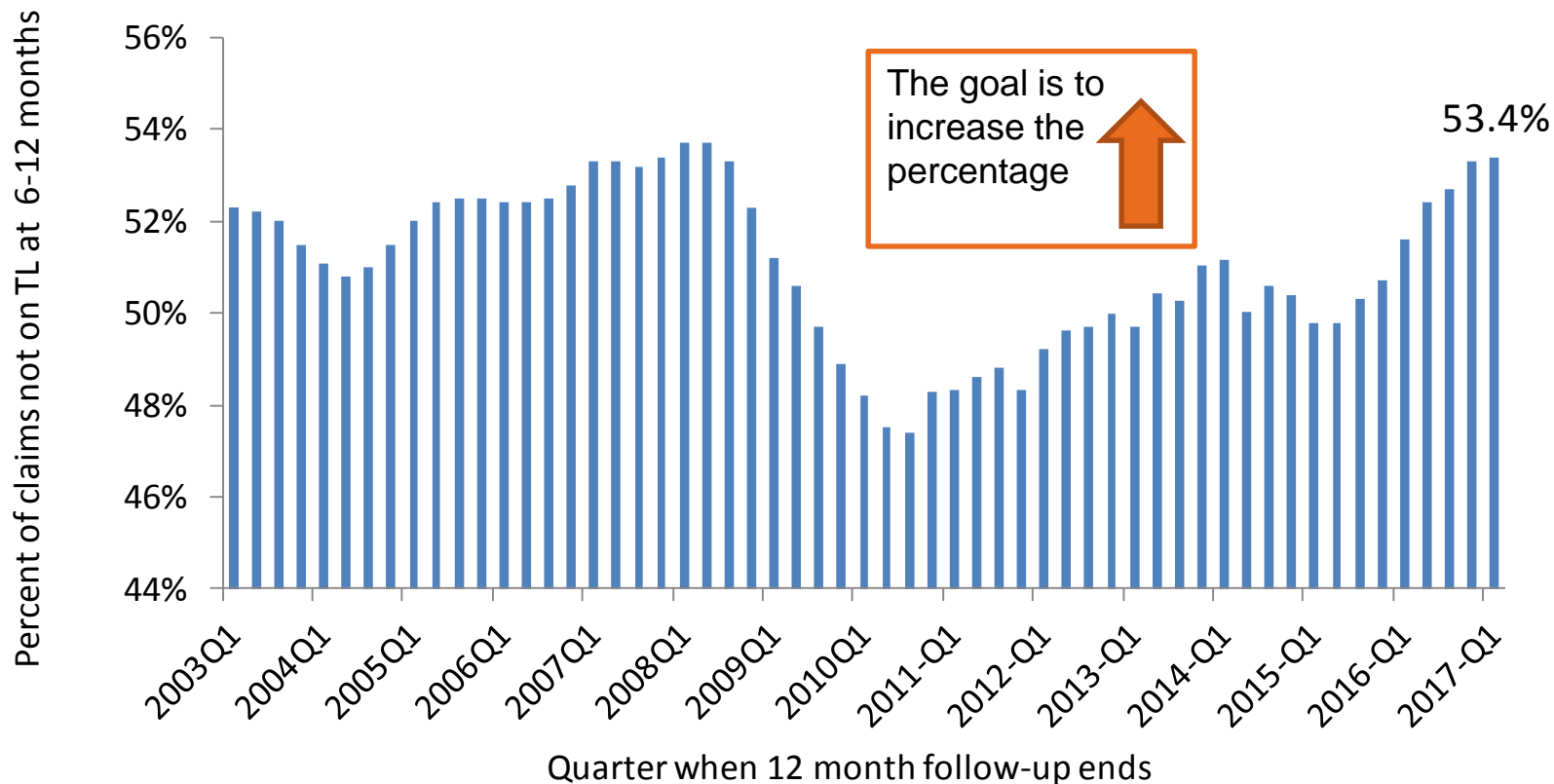


A new auto-adjudication process was implemented in early 2015 and is showing results



High risk claims — Initiatives such as early AWA, COHEs, opioid guidelines and the RTW score are improving RTW outcomes

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

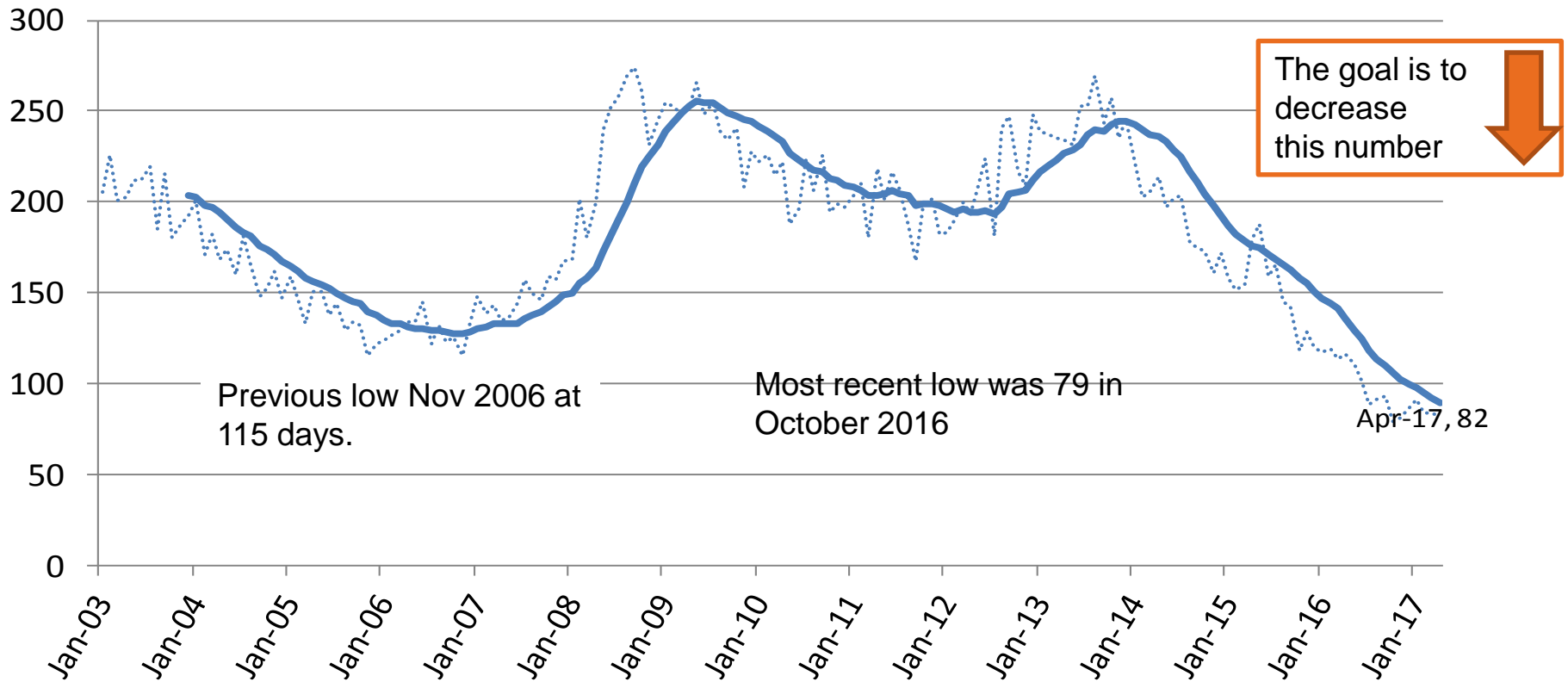


High risk workers are defined as those being disabled on the 40th day.

RTW is defined as the status of not receiving disability benefits between 7 and 12 months

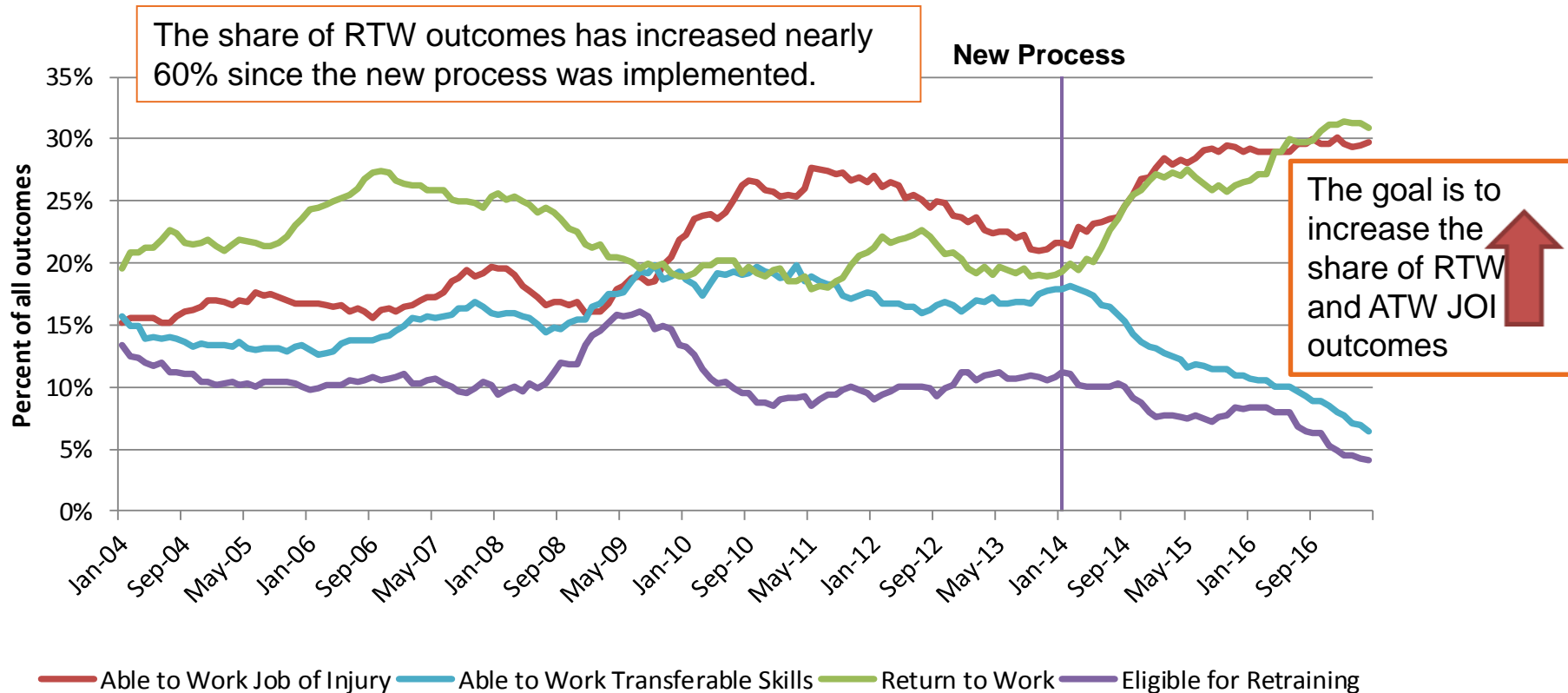
Ability to work assessment referrals are now targeted to address the onset of long-term disability.

Median time-loss days paid at first AWA referral

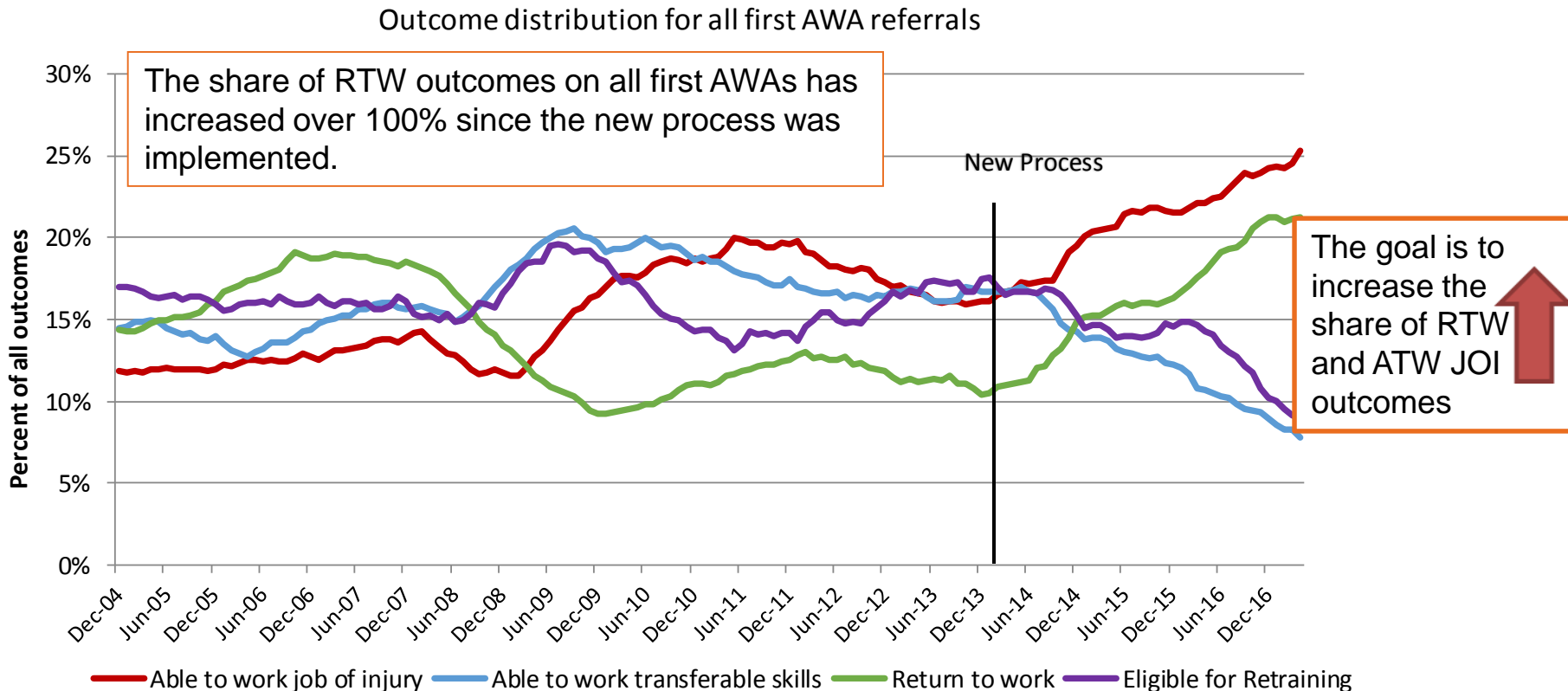


New focus on return to work in AWA process has increased positive employable outcomes for early AWAs

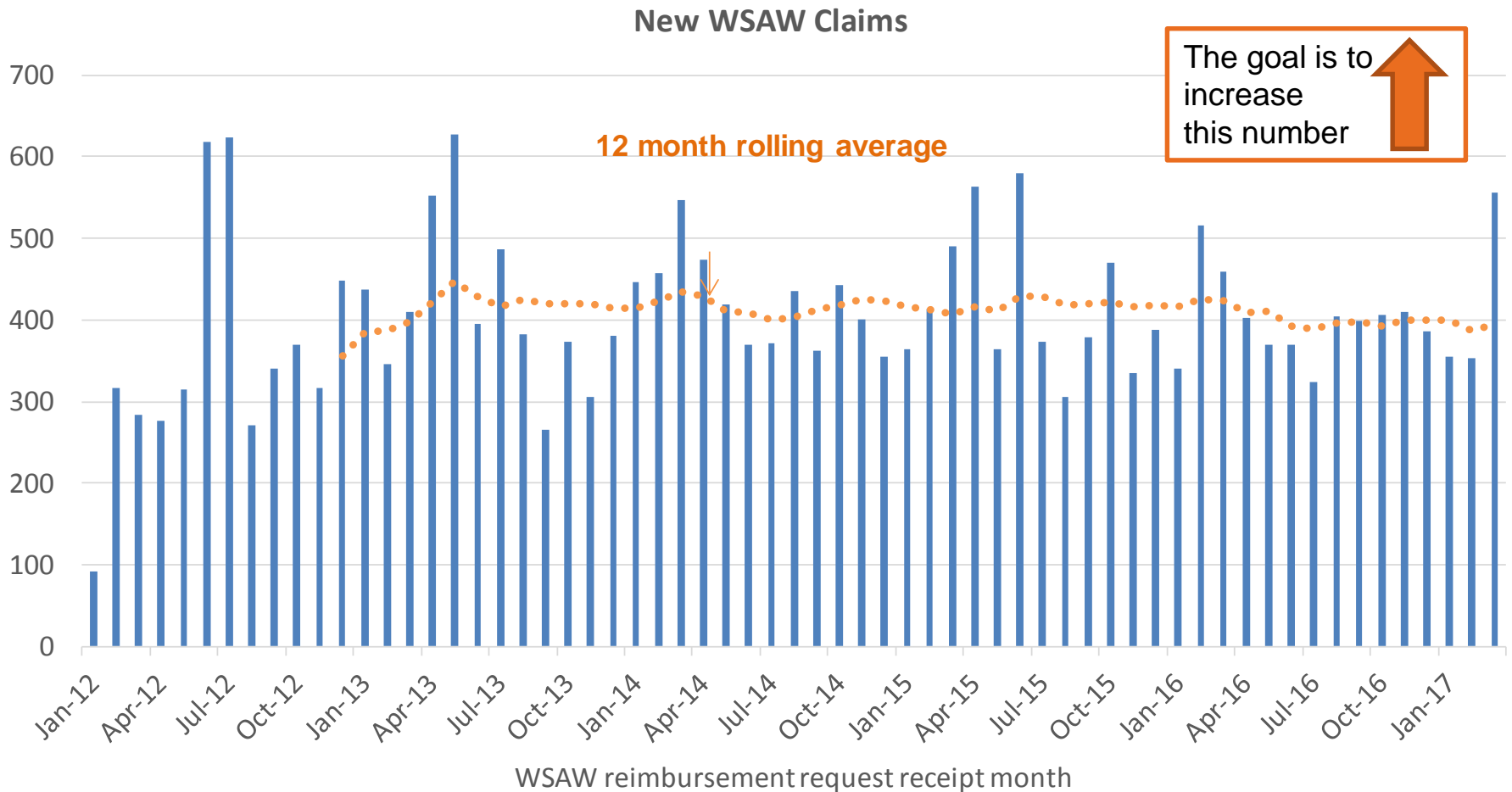
Outcome distribution when first AWA referral made with less than 90 days of time-loss



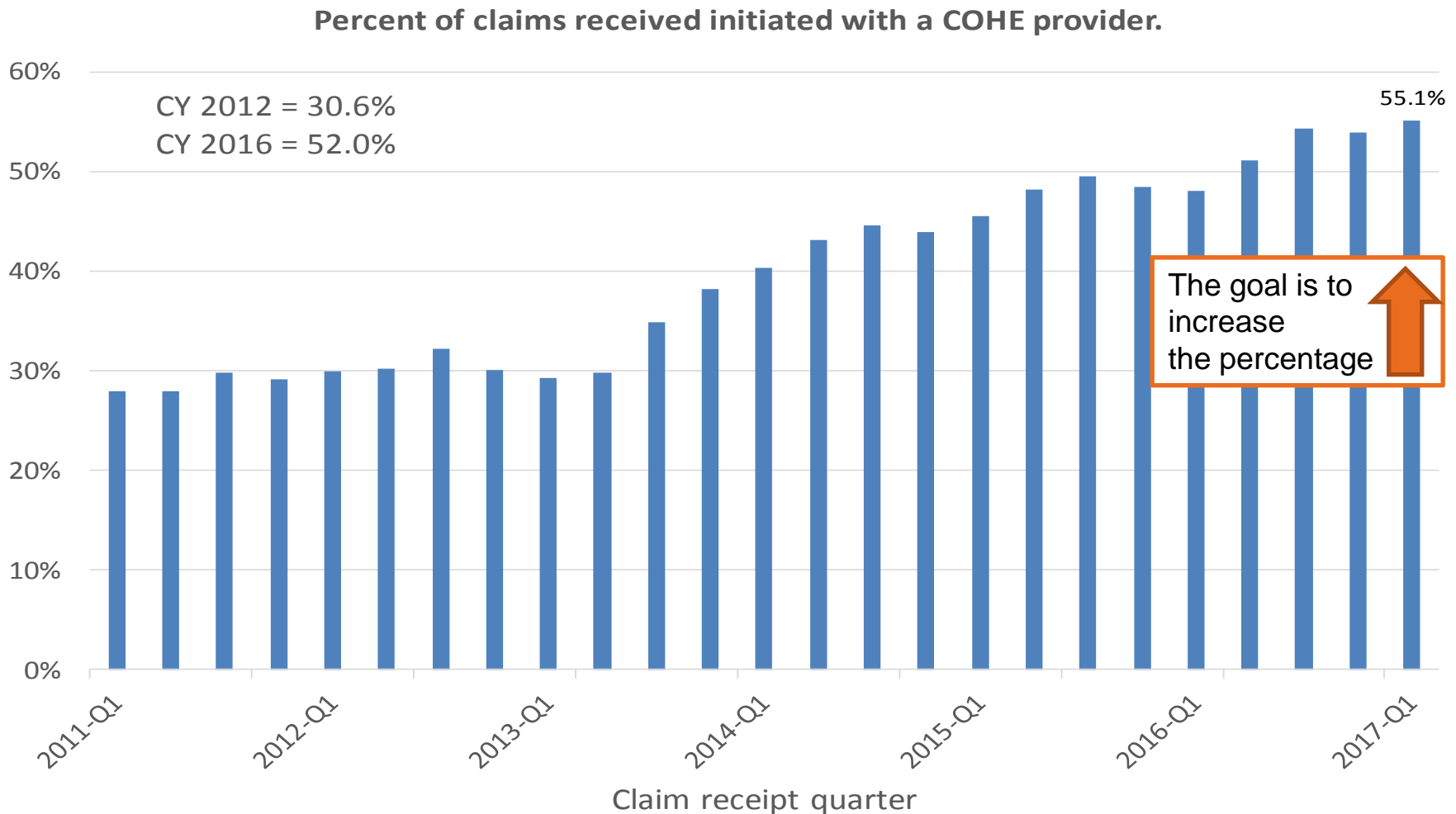
New focus on return to work in AWA process has increased positive employable outcomes for all first AWAs



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



Percentage of claims for injured workers initiated with a COHE provider continues to increase



Centers of Occupational Health & Education (COHEs)

Improving Occupational Health in
Washington

Morgan Ware, Medical Program Specialist



Topics Covered

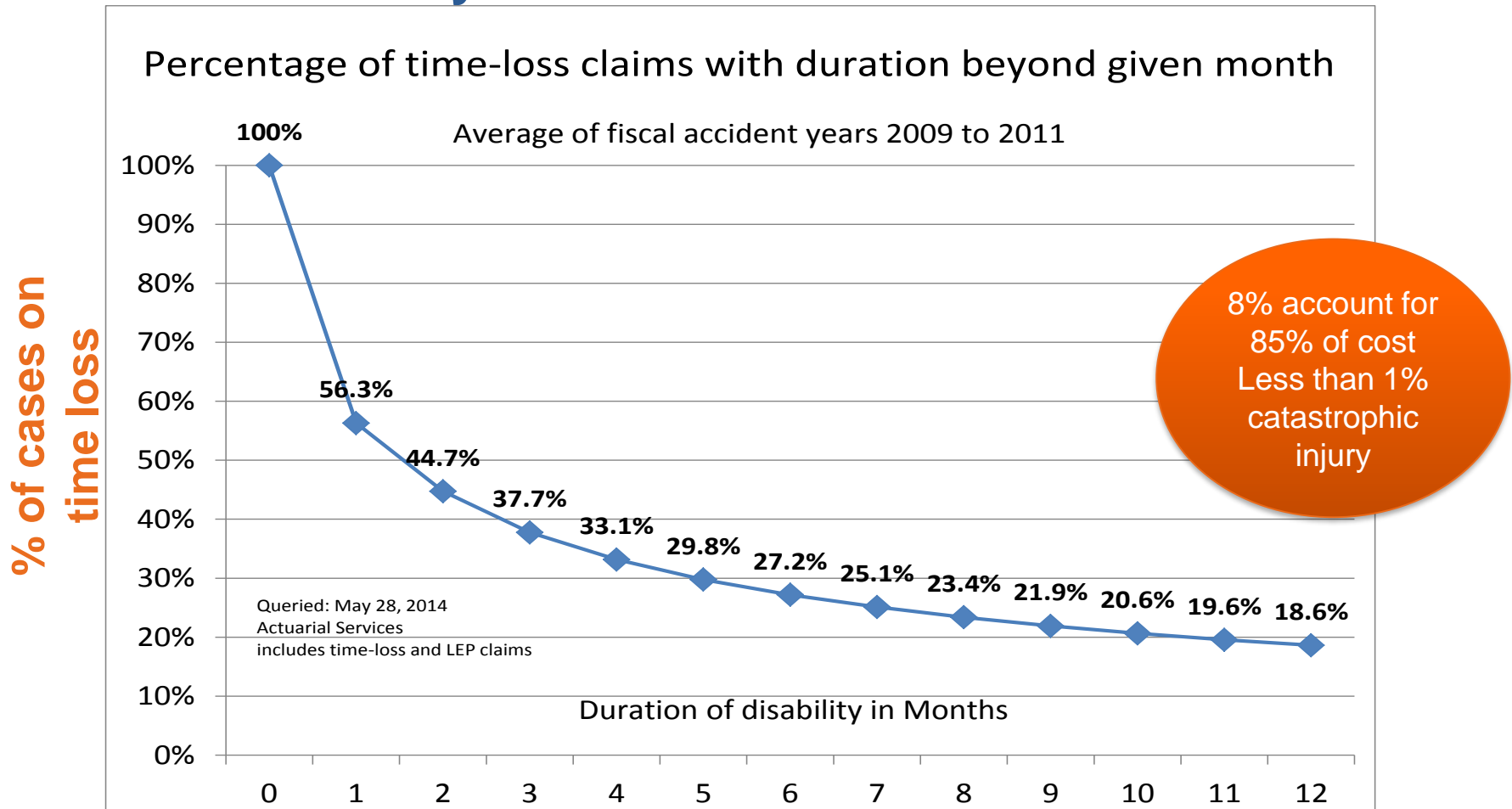
- Brief Background of COHE
- COHE Best Practices
- Performance Monitoring & Feedback
- Quality Improvement Projects



OCCUPATIONAL HEALTH **BEST PRACTICES**

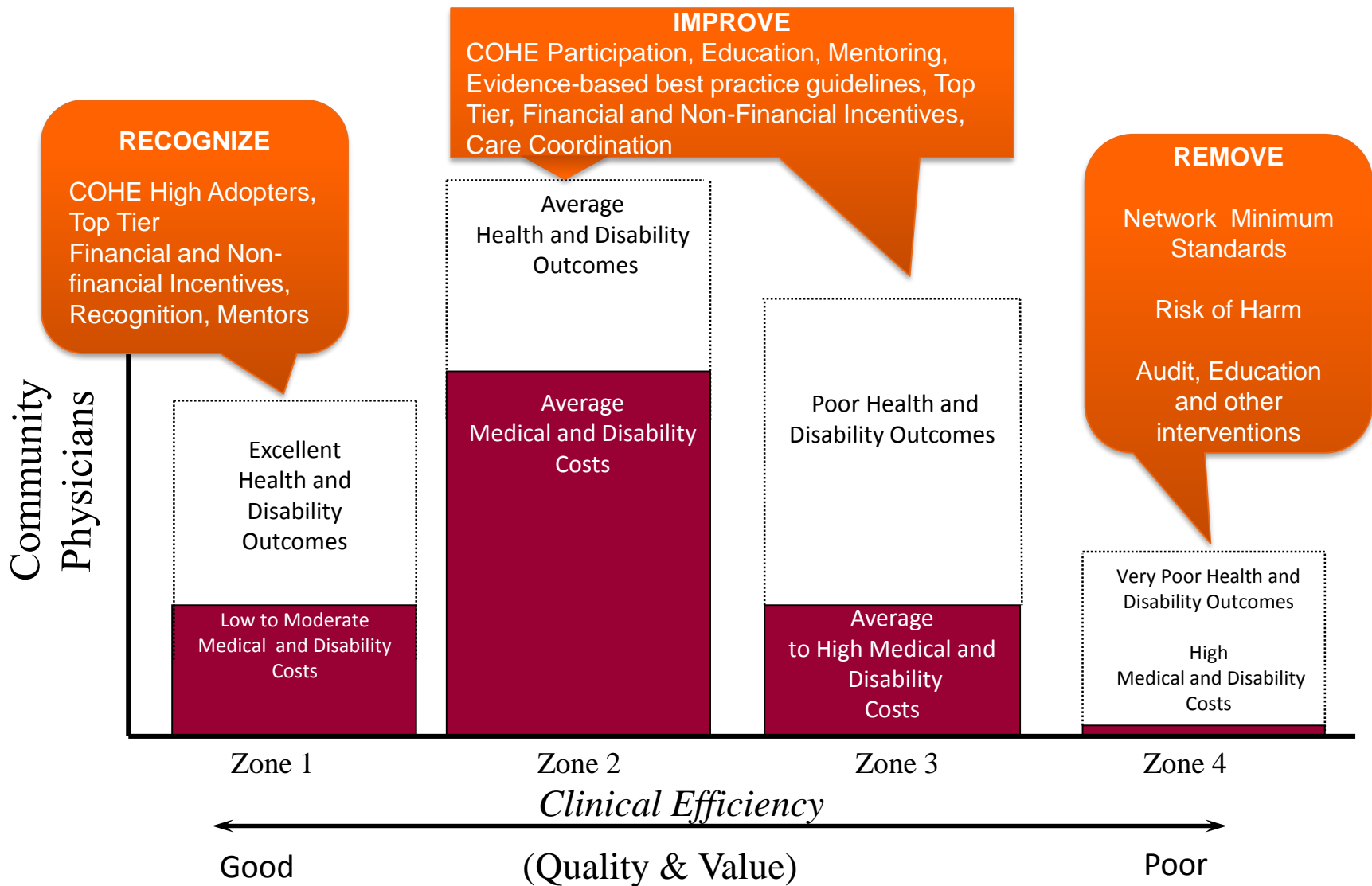
WORKING TOGETHER TO KEEP PEOPLE WORKING

Disability Prevention is the Key Medical Management and Health Policy Issue



OCCUPATIONAL HEALTH **BEST PRACTICES**

WORKING TOGETHER TO KEEP PEOPLE WORKING



OCCUPATIONAL HEALTH **BEST PRACTICES**

WORKING TOGETHER TO KEEP PEOPLE WORKING

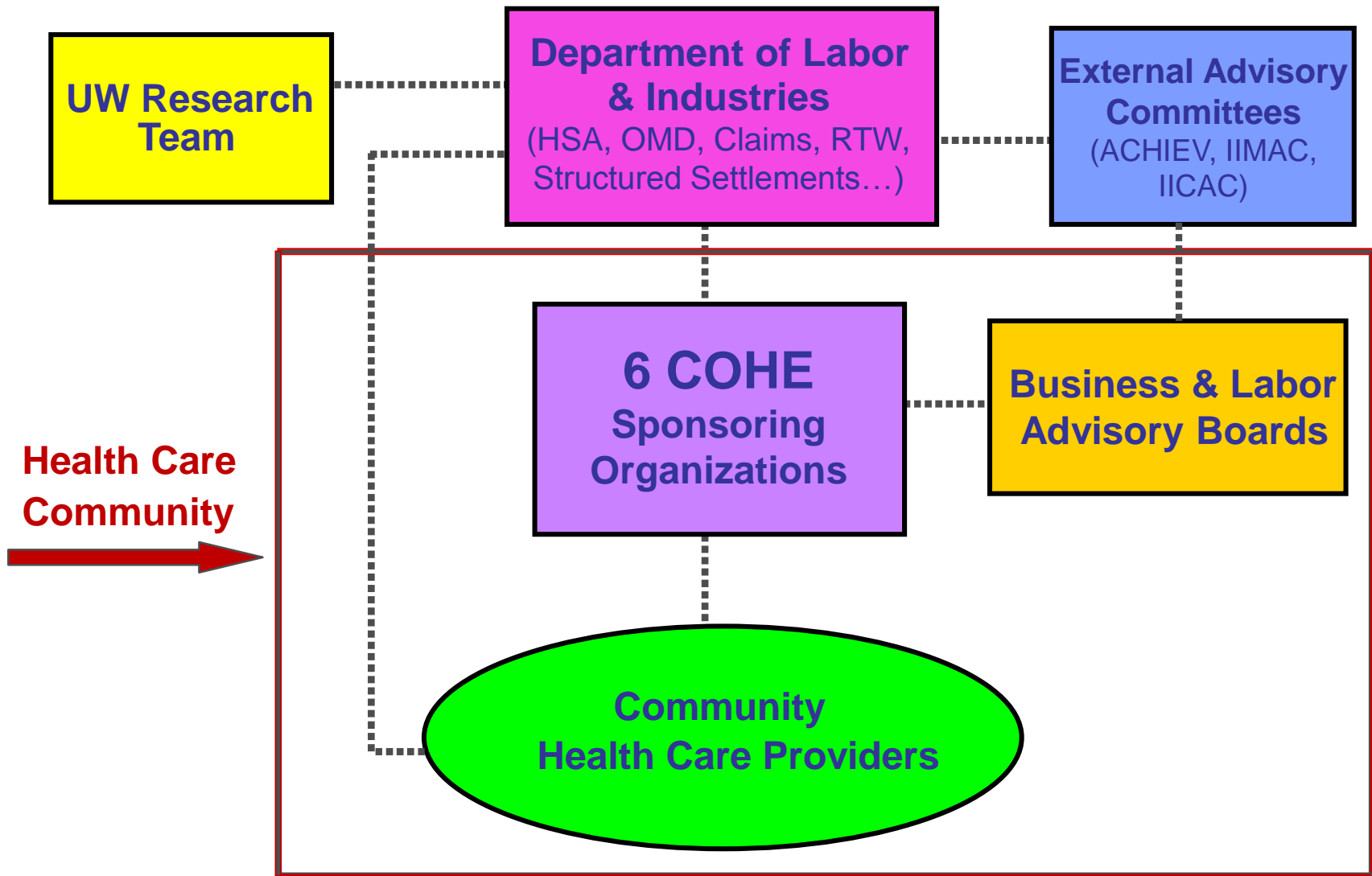
COHE Principles

- Expand **capacity** for occupational medicine in Washington
- Increase provider **accountability** (performance feedback)
- Improve **satisfaction** for providers, workers, and employers
- Maintain **worker choice** of network provider
- Use **incentives** directly related to quality improvement principles
- **Health service coordination** to improve health care integration
- Focus on **disability prevention** (first 12 weeks)
- High-level **executive support**



OCCUPATIONAL HEALTH **BEST PRACTICES**

WORKING TOGETHER TO KEEP PEOPLE WORKING



OCCUPATIONAL HEALTH **BEST PRACTICES**

WORKING TOGETHER TO KEEP PEOPLE WORKING

COHE – a Health System Intervention to prevent disability

COHE an early collaborative care intervention which requires commitment and investment from sponsoring organization

- 1. Executive support**
- 2. Commitment to community outreach** (business and labor)
- 3. Clinical leadership and mentors**
- 4. Defined roles including Care Coordination.**
- 5. Evidence Based Occupational health best practices** (targeted at first 12 weeks)
- 6. Regular provider training and performance feedback**
- 7. Shared Data system**
- 8. Commitment to quality improvement**



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WORKING TOGETHER TO KEEP PEOPLE WORKING

COHE Best Practices (High Level)

Attending Provider

- Timeliness of claim initiation (Report of Accident)
- Function (activity prescription)
- Connection with employer (contact, accommodation)
- Attention to disability risk (activity & function focus)

Coordination of Care

- Health services coordination
- Specialty follow-up

Performance Feedback

- COHE provider (individual)
- COHE organization (aggregate)



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COHE Provider Best Practices

1. Complete Report of Accident (ROA) submitted to L&I in 2 business days
2. Activity Prescription Form (APF) when worker has restrictions
3. Provider communication with the employer when worker has restrictions
4. Barriers to recovery assessment & plan when worker not returning to work as expected



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COHE Evaluation Results

	COHE Group		Comparison Group	
	Baseline Year	Outcome Year	Baseline Year	Outcome Year
% on disability at 1 year	2.0 (3.9)	2.2 (3.4)	2.7 (3.7)	3.5 (4.8)
Disability days	14.4 (24.7)	14.3 (20.1)	19.5 (25.0)	23.1 (29.3)
Disability costs	\$758 (\$1,370)	\$748 (\$1,060)	\$1,038 (\$1,342)	\$1,344 (\$1,722)
Medical costs	\$1,636 (\$3,259)	\$2,076 (\$3,559)	\$1,979 (\$3,564)	\$2,646 (\$4,347)

Note: Parentheses show descriptive data for back sprain cases.

Source: Wickizer, *Preventing Chronic Pain and Long Term Disability Through Early Stepped Care Management: Centers for Occupational Health and Education*; June 14, 2017



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COHE Evaluation Results (continued)

One-year follow up*

- 20% reduction in likelihood of one year disability; 30% reduction for back injuries
- Among COHE participating doctors, high adopters of best practices had 57% fewer disability days than low adopters

Eight year follow-up (*analysis in progress*)

- 26% reduction in risk of exiting from labor force and going on SSDI for workers with back sprain or other sprains
- Unadjusted differences in mean disability days and days per 10,000 injured workers over 8-year follow up:
 - 35.7 disability days versus 58.9 disability days
 - 231,500 days/10,000 (634 years of productive work time lost)

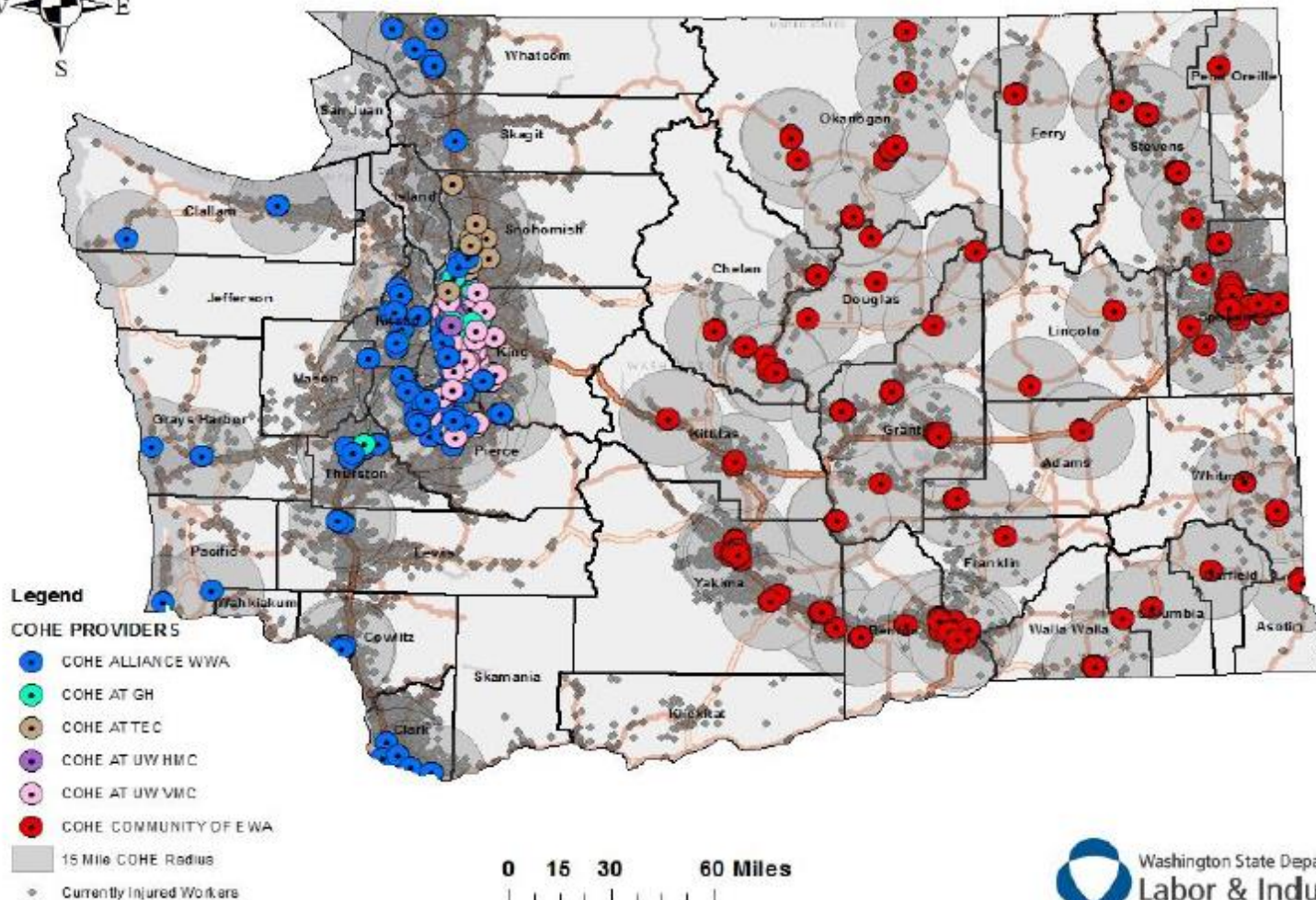
*Source: Wickizer et al, Medical Care; 2011: 49: 1105-11



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All Injured Workers With 15-mile Radii from Current Active COHE Providers As of March 2017

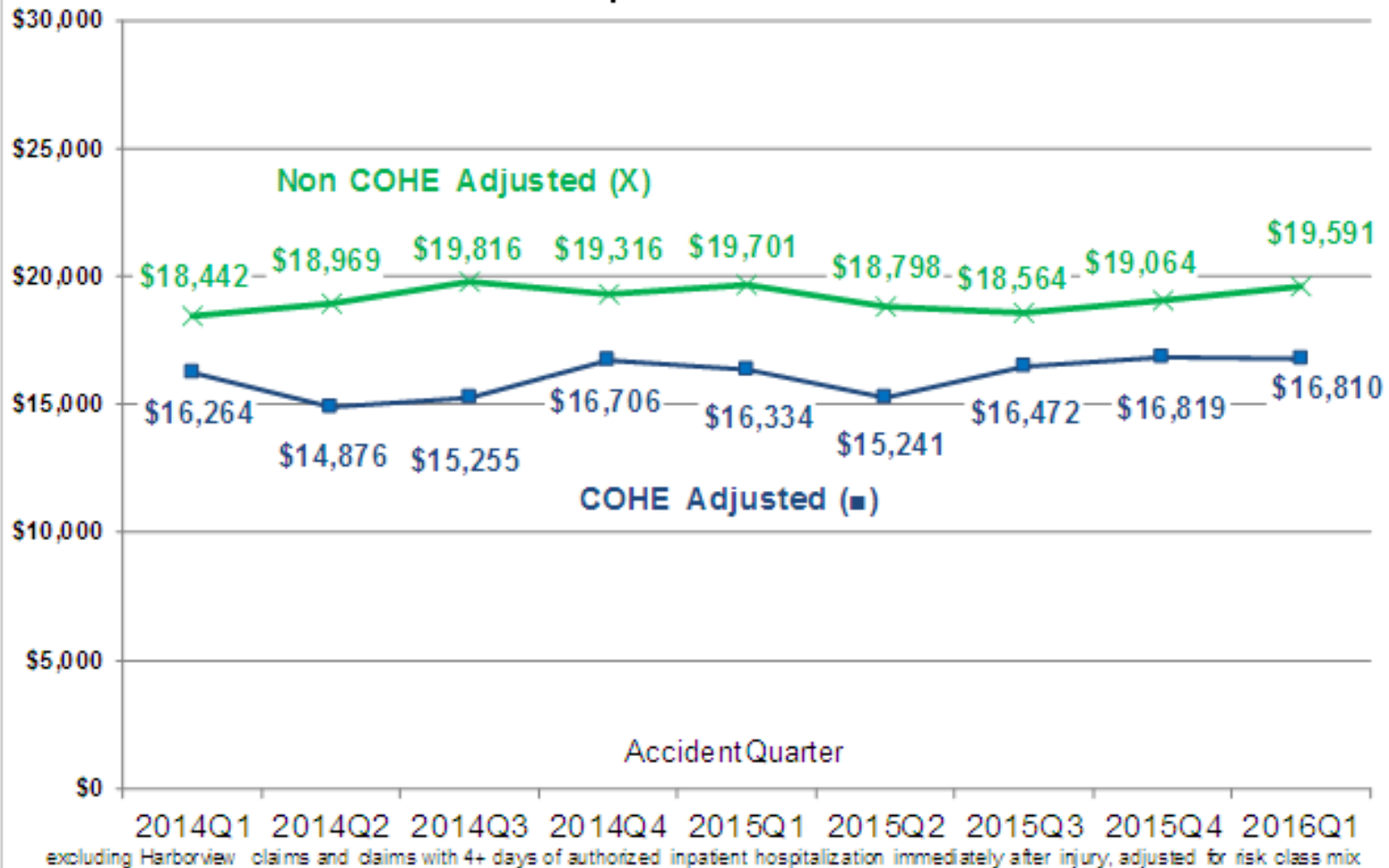


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Estimated Ultimate Accident Fund + Medical Aid Fund Incurred Cost per Claim as of 12/31/16

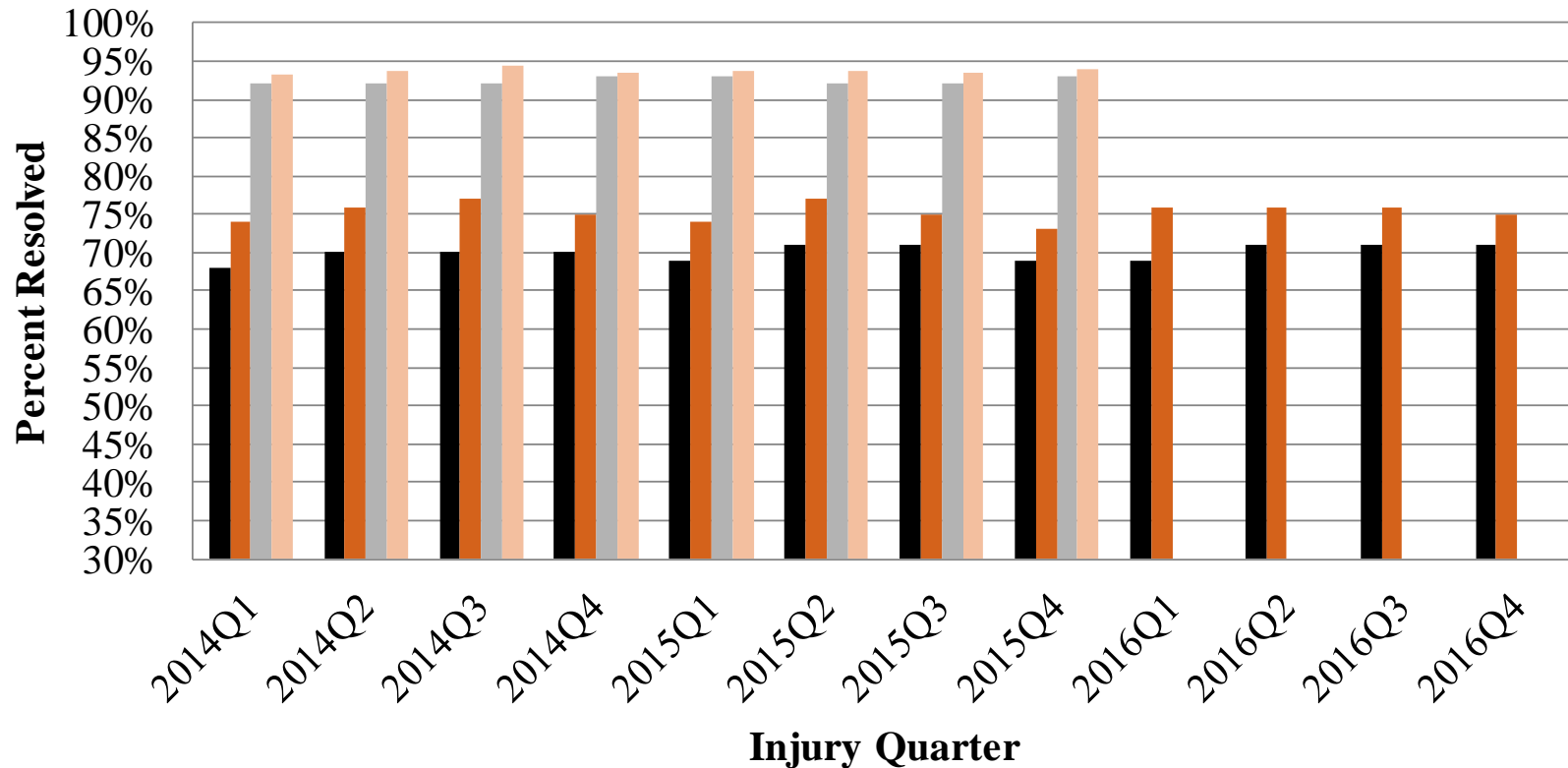


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Sample From COHE Program-Level Report: Resolution, All Claims (% Resolved at 6 and 18 Months)

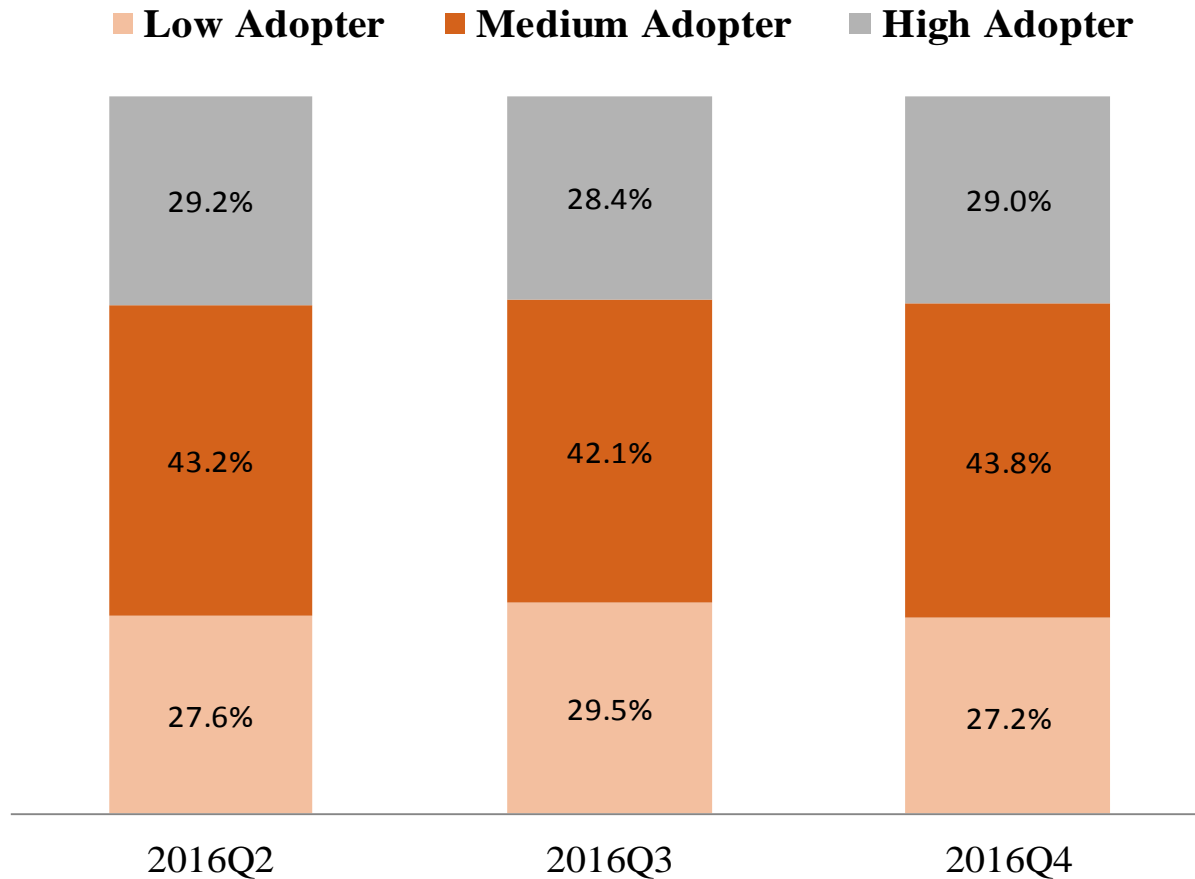
■ Non-COHE @ 6 Months ■ COHE @ 6 Months
■ Non-COHE @ 18 Months ■ COHE @ 18 Months



OCCUPATIONAL HEALTH **BEST PRACTICES**

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Sample From COHE Program-Level Report: Provider Adoption of Best Practices



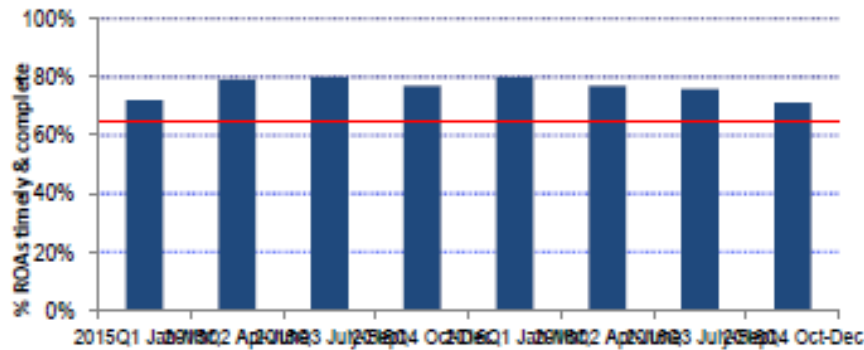
OCCUPATIONAL HEALTH **BEST PRACTICES**

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Sample From COHE-Level Report

Best practice 1: Submitting a complete Report of Accident (ROA) in 2 business days or less.

Measure: Percent of ROAs which are timely and also complete when submitted.



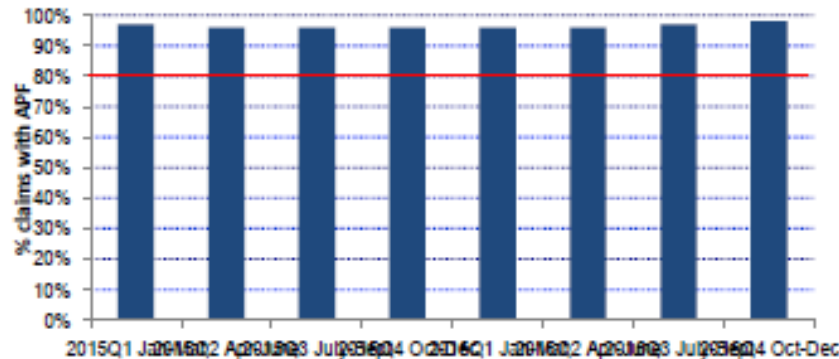
Measure	2016Q3 Jul-Sept.	2016Q4 Oct-Dec	Target	Most recent quarter minus target
% Timely and complete ROAs	76%	71%	65%	6%

Descriptive Statistics

# ROAs	909	791
% Timely ROAs	85%	81%
% Complete ROAs	89%	89%

Best practice 2: Completing an Activity Prescription Form on first visit or when patient restrictions change.

Measure: One APF within the first 12 weeks of a claim.



Measure	2016Q3 Jul-Sept.	2016Q4 Oct-Dec	Target	Most recent quarter minus target
% Claims with APFs	97%	98%	80%	18%

Descriptive Statistics

# Claims with APFs	1,598	1,520
% of Complete APFs	95%	91%
Timeliness: median days	1	1
Timeliness: mean days	3	2



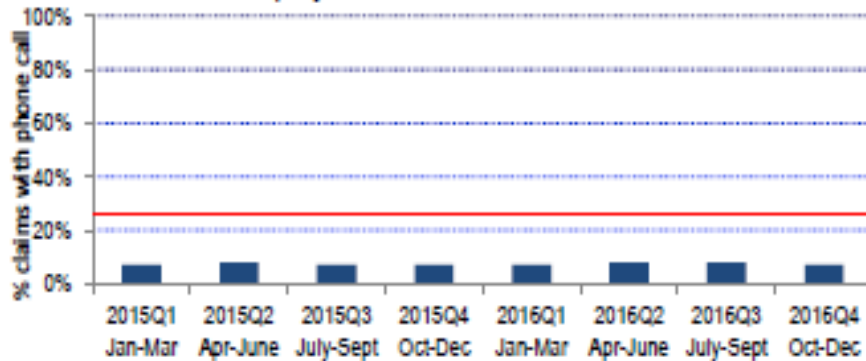
OCCUPATIONAL HEALTH **BEST PRACTICES**

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Sample From COHE-Level Report

Best practice 3: Contacting an employer when patients have restrictions.

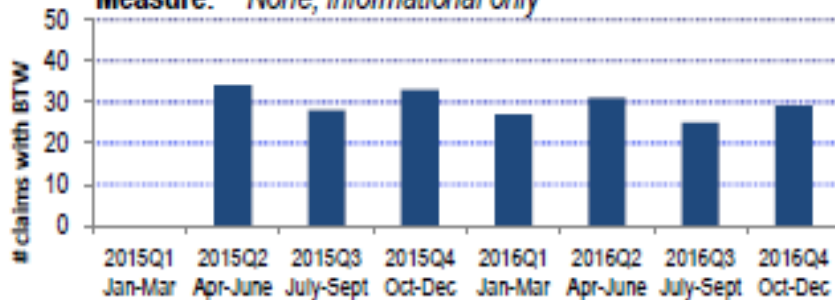
Measure: *Employer contact within the first 12 weeks of a claim.*



Measure	2016Q3 Jul-Sept.	2016Q4 Oct-Dec	Target	Most recent quarter minus target
% Claims with Employer Contact	8%	7%	25%	-18%

Best practice 4: Documenting patient barriers to return to work and plan.

Measure: *None, informational only*



Descriptive Statistics	2016Q3 Jul-Sept.	2016Q4 Oct-Dec
# of Claims with Assessment Completed	25	29



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Sample From COHE-Level Report

Service Area Comparison

COHE at The Everett Clinic

Claim Population Statistics	2016Q3 Jul-Sept.	2016Q4 Oct-Dec
# of COHE Claims for the quarter	1,009	885
% Claims in the Service Area	36%	33%
% Time-Loss Claims	13%	12%

Non-COHE (with COHE at The Everett Clinic's service area)

Claim Population Statistics	2016Q3 Jul-Sept.	2016Q4 Oct-Dec
# of non-COHE Claims for the quarter	1,294	1,286
% Claims in the Service Area	47%	48%
% Time-Loss Claims	17%	17%

Note: The COHE claims used in this comparison were initiated by a provider who was a member of the COHE at The Everett Clinic at any point during the reporting period. The Non-COHE claims used in this comparison were initiated by a provider who was *not* a member of any COHE in the service area at any point during the report period.



OCCUPATIONAL HEALTH **BEST PRACTICES**

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Sample From COHE Provider-Level Report

Best Practice Statistics for July through September 2016

	Best Practice 1 % ROAs timely and complete	Best Practice 2 % Claims with APFs	Best Practice 3 % Claims with Employer Contact	Best Practice 4 # of Claims with assessment completed
TARGET	65%	80%	25%	None. Informational Only
1. COHE at UW Med Valley Med Ctr of Puget Sound ALL PROVIDERS	69%	74%	18%	63
2. ALL OCCUPATIONAL MEDICINE PROVIDERS	69%	90%	39%	47
3. ALL COHE PROVIDERS IN THIS GROUP	64%	88%	59%	39
[REDACTED]	64%	88%	77%	9
[REDACTED]	69%	90%	81%	5
[REDACTED]	100%	100%	33%	0
[REDACTED]	48%	91%	67%	5
[REDACTED]	17%	95%	65%	0
[REDACTED]	75%	92%	37%	11
[REDACTED]	83%	80%	20%	2
[REDACTED]	65%	87%	47%	10



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COHE 2016-2017 Quality Improvement (QI) Projects

COHE	QI Project for FY 2017
COHE at UW Medicine Valley Medical Center of the Puget Sound	Test expansion of HSC services to full life of the claim (beyond existing COHE early intervention)
COHE Community of Eastern Washington	Implement Functional Recovery Questionnaire and Interventions
COHE at The Everett Clinic	Improve engagement with local business & labor communities
COHE at UW Medicine Harborview Medical Center	Improve clinic workflows related to COHE best practices
COHE Alliance of Western Washington	Improve capacity of a broad medical community to support best practices
COHE at Kaiser Permanente	Improve adjudication decision timelines for occupational disease claims



OCCUPATIONAL HEALTH **BEST PRACTICES**

WORKING TOGETHER TO KEEP PEOPLE WORKING

15 Minute break



Connecting with customers

Ron Langley, Customer Relationships Manager



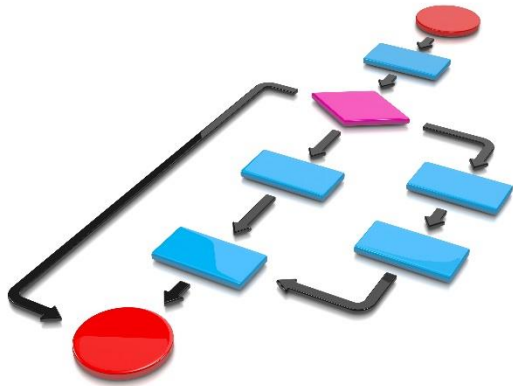
Today's discussion

Customer experience of workers and employers who have claims

- What's their role / What's their goal
- What matters most to them?
- What worries them?
- What gives them peace of mind and confidence?

Methods for communicating with L&I

- What method do they typically use *first*? Why?
- Does it usually work?
- Do they switch to a different method?
- Satisfaction
- Something that L&I could do:
 - More of
 - Less of
 - Differently



We see a process

Customers see a journey



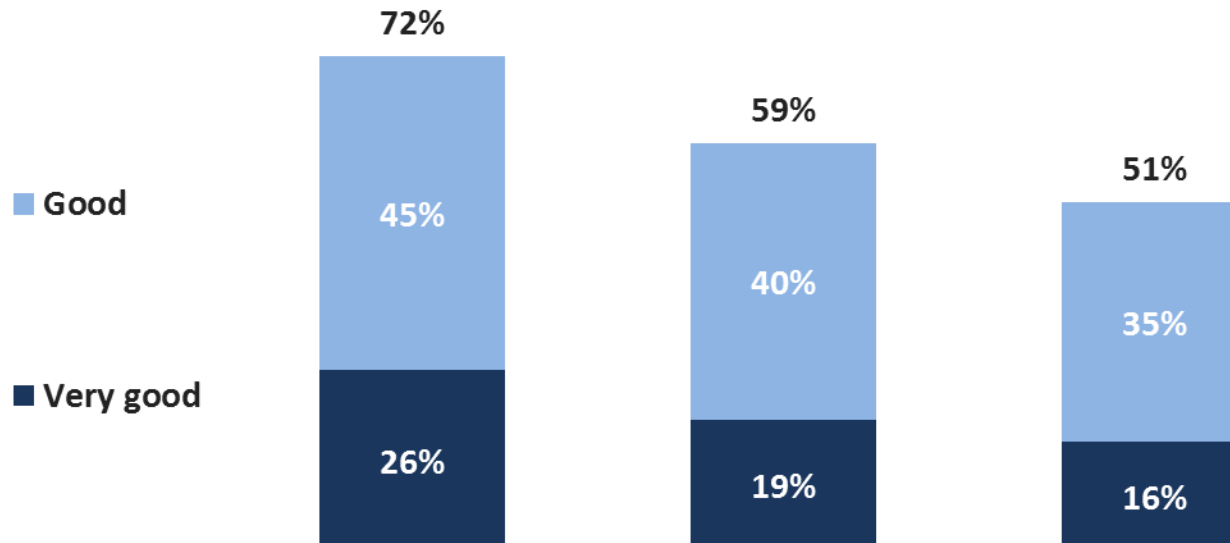
Talking to injured workers



We heard . . .

Workers are often confused, afraid, overwhelmed at the start of a claim.

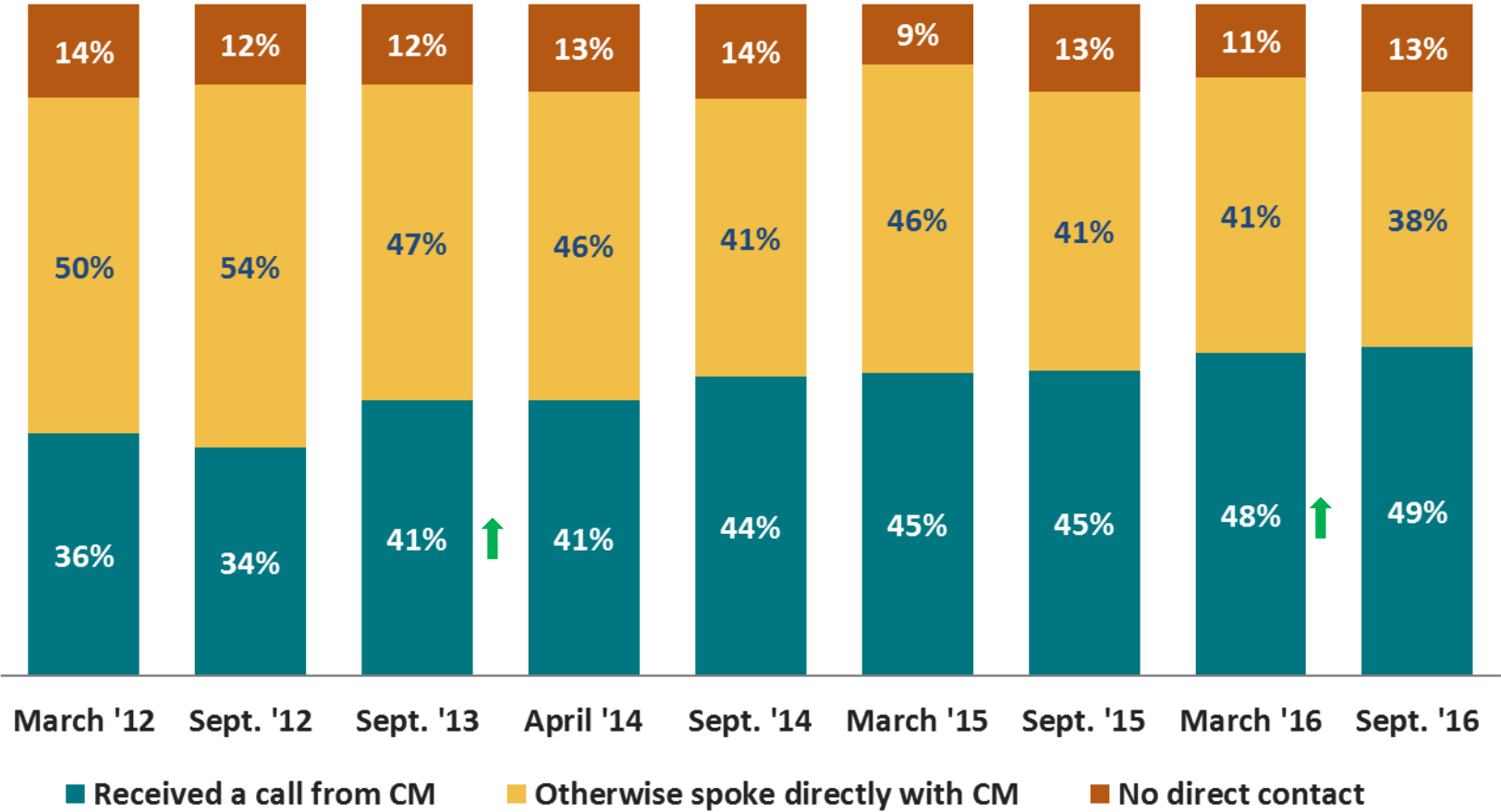
First calls matter to workers



	Received Call from CM	No Direct Contact	Otherwise Spoke Directly
Total Good	72%	59%	51%
Average	20%	22%	30%
Total Poor	9%	19%	20%
Number of Interviews	(394)	(95)	(305)

Contact with Claims Manager

Workers



▪ Q14. During this claim, did you receive a telephone call from (one of) your Claims Manager(s)? By this I mean a call that your claims manager initiated, not a response to you leaving a message or to you requesting a call

▪ Q15. [IF NO] Have you spoken directly with (one of) your Claims Manager(s), either in person or over the phone?

▪ Base: All respondents (n~800 per wave)

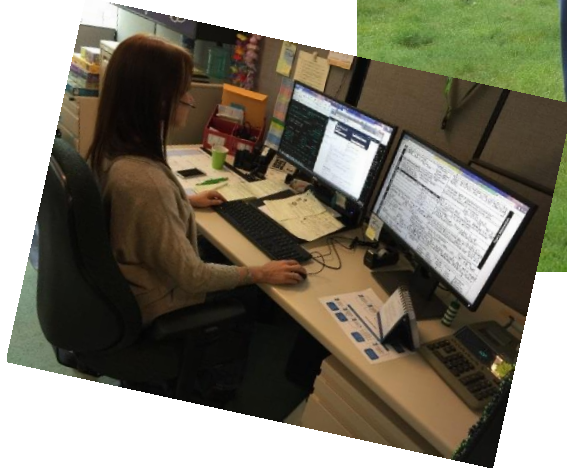
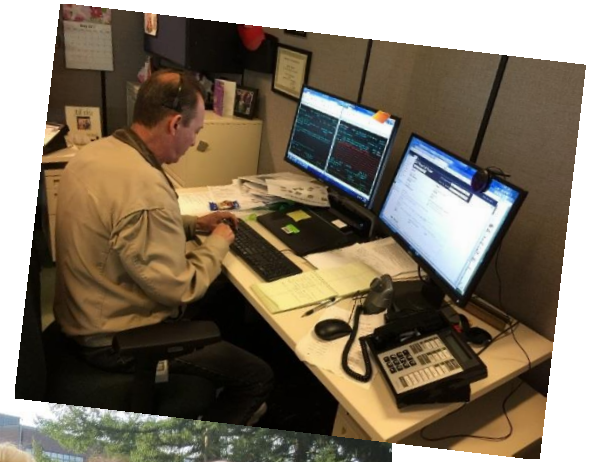
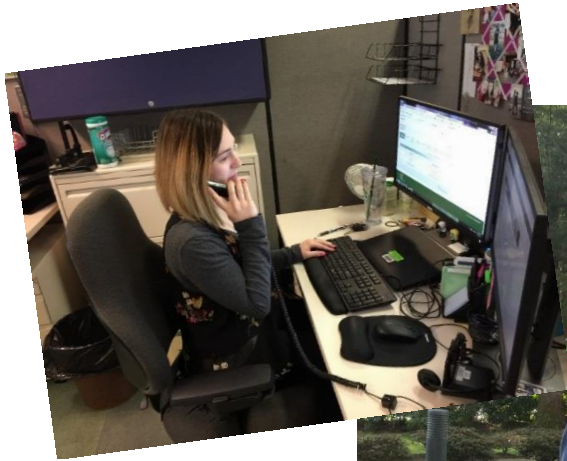
Talking to employers



We heard . . .

Small business owners often don't understand their role in a claim and don't know they can get help.

Early Contact Team



Early response from customers

**“Appreciate this stuff.
I am going to use this
next time.”**

**“O.K., this is good.
I get it now.”**

Wow this helped!

**“It was good customer service
to hear from someone about a
process/topic that we – as a
small organization – know little
about.”**

Hearing customers

Customer experience with claims

- What's their role / What's their goal
- What matters most to them?
- What worries them?
- What gives them peace of mind and confidence?

Hearing customers

Methods for communicating with L&I

- What method do they typically use *first*? Why?
- Does it usually work?
- Do they switch to a different method?
- Satisfaction
- Something that L&I could do:
 - More of
 - Less of
 - Differently

Industrial Insurance State Fund Financial Overview

Rob Cotton, Workers' Compensation Accounting Manager



Significant Financial Highlights

July 2016 through March 2017

The contingency reserve increased \$818 million, from \$1,493 million on July 1, 2016 to \$2,311 million on March 31, 2017.



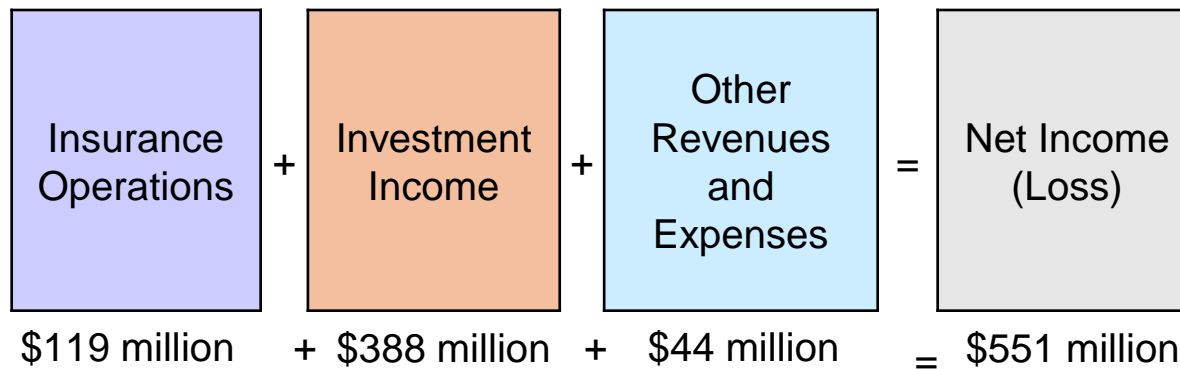
- Premiums and investment income are adequate to pay for expected costs
- Gains on investments
- Net favorable development on prior year liabilities
 - Medical Aid: lower than expected claim counts and lower than anticipated medical payments
 - Accident: reduction in the number of anticipated active time-loss claims
 - Total Permanent Disability: fewer active older time-loss claims
 - Partial Permanent Disability: lower estimated average award amounts and fewer PPD awards

Change in contingency reserve by quarter for fiscal year 2017.

- July 1st to September 30, 2016 – an increase of \$93 million.
- October 1st to December 31, 2016 – an increase of \$527 million.
- January 1st to March 31, 2017 – an increase of \$198 million.

Results of Operations

July 2016 through March 2017

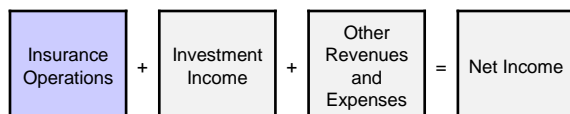


Insurance Operations

July through March
(in millions)

		Nine Months Ended	
		March 31, 2017	March 31, 2016
We took in (Premiums Earned)	+	\$ 1,516	\$ 1,441
We spent (Expenses Incurred)			
Benefits Incurred		1,198	1,444
Claim Administrative Expenses		135	153
Other Insurance Expenses		64	63
Total Expenses Incurred	-	1,397	1,660
Net Income Gain(Loss) from Insurance Operations	=	\$ 119	\$ (219)

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

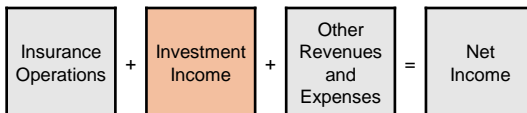


Investment Income

July through March
(in millions)

Nine Months Ended

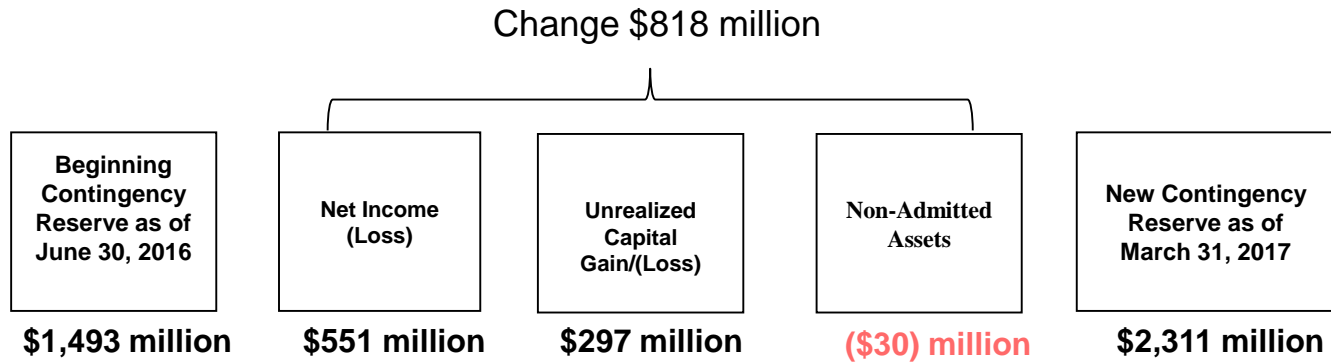
		March 31, 2017	March 31, 2016
Investment Income Earned from Interest on bonds	+	\$ 358	\$ 376
Realized Gains from Fixed Income Investments Sold	+	29	30 *
Realized Gains from Stocks (Equity Investments) Sold	+	1	56 *
Total Investment Income	=	\$ 388	\$ 462



*Rebalanced the investment portfolio.

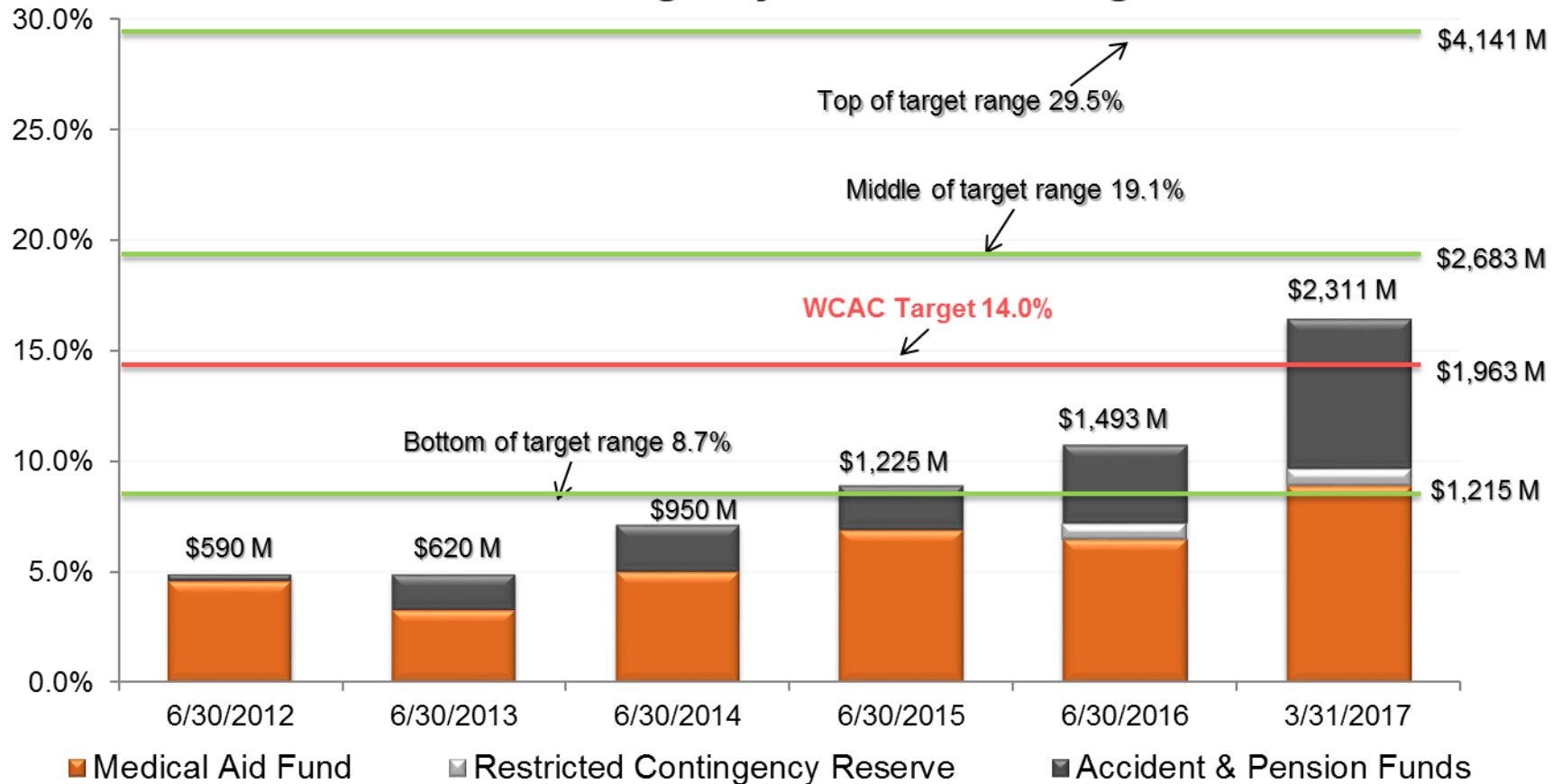
How Did Contingency Reserve Perform?

July 2016 through March 2017



Contingency Reserve Is Currently Ahead of 10 Year Plan But Behind on Discount Rate Goal

Combined Contingency Reserve vs. Targets



Restricted is based on final June 30, 2016 financial information and investment income through March 31, 2017

Questions & Comments

Contact Rob Cotton,
Workers' Compensation Accounting Manager

- Phone: 360-902-6263
- Email: cotr235@lni.wa.gov.

Thank You!

Board of Industrial Insurance Appeals (BIIA) Update

Linda Williams, Chair



Closing Comments & Adjourn

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



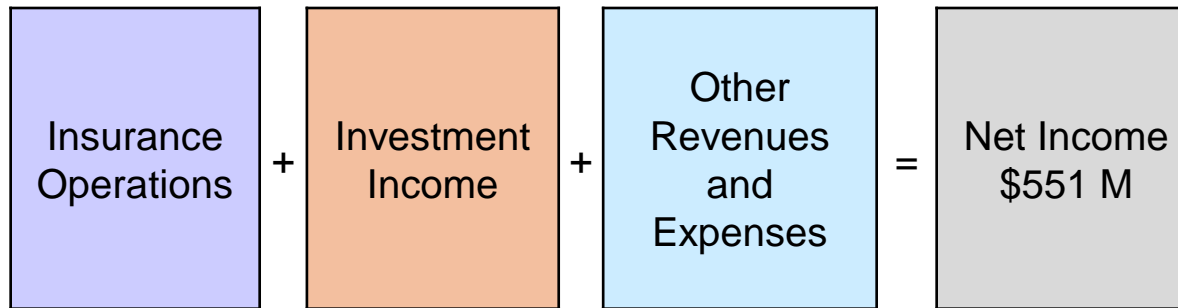
Appendix



State Fund Results

“Net Income”

July 2016 through March 2017

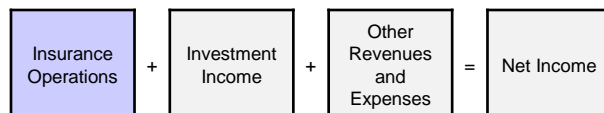


Premiums Earned

July through March
(in millions)

Nine Months Ended

	March 31, 2017	March 31, 2016	Difference
Standard Premiums Collected	\$ 1,680	\$1,591	
Less Retrospective Rating Adjustments	(31)	(41)	
Net Premiums Collected	1,649	1,550	
Changes in future Premium Amounts To Be Collected	(15)	(20)	
Changes in future Retrospective Rating Adjustment Refunds	(118)	(89)	
Net Premiums Earned	\$ 1,516	\$ 1,441	\$ 75

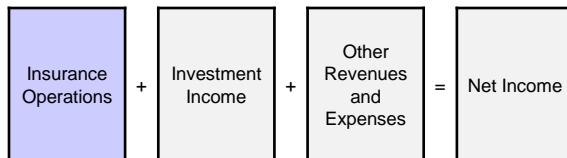


Benefits Incurred

July through March
(in millions)

Nine Months Ended

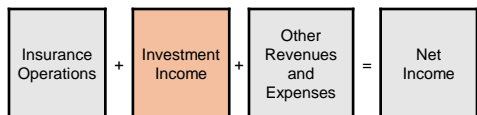
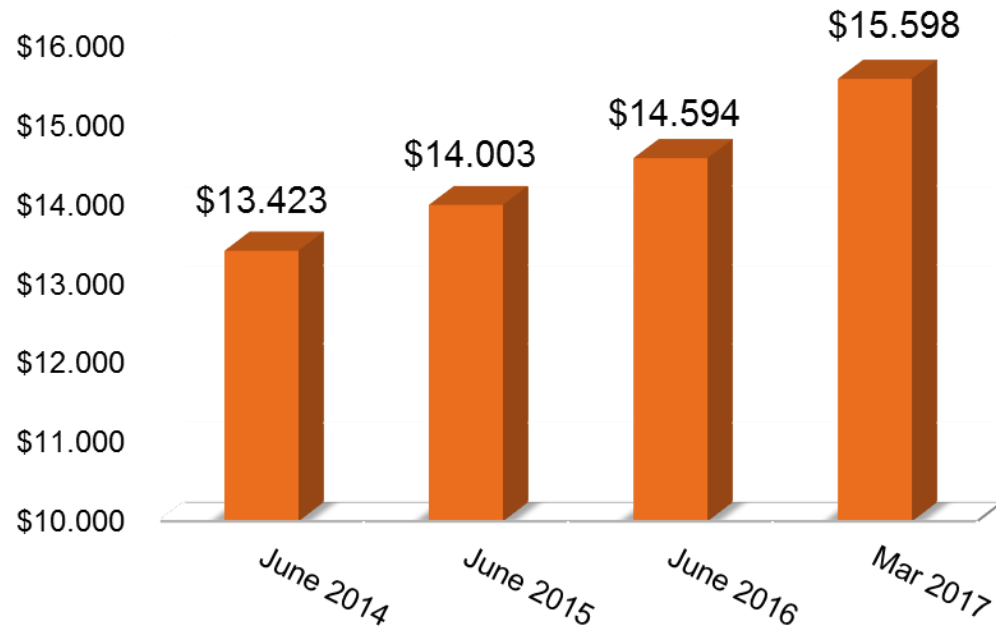
	March 31, 2017	March 31, 2016	Difference
Benefits Paid	\$ 1,208	\$ 1,193	\$ 15
Total Change in Benefit Liabilities	(10)	251	(261)
Benefits Incurred	\$ 1,198	\$ 1,444	\$ (246)



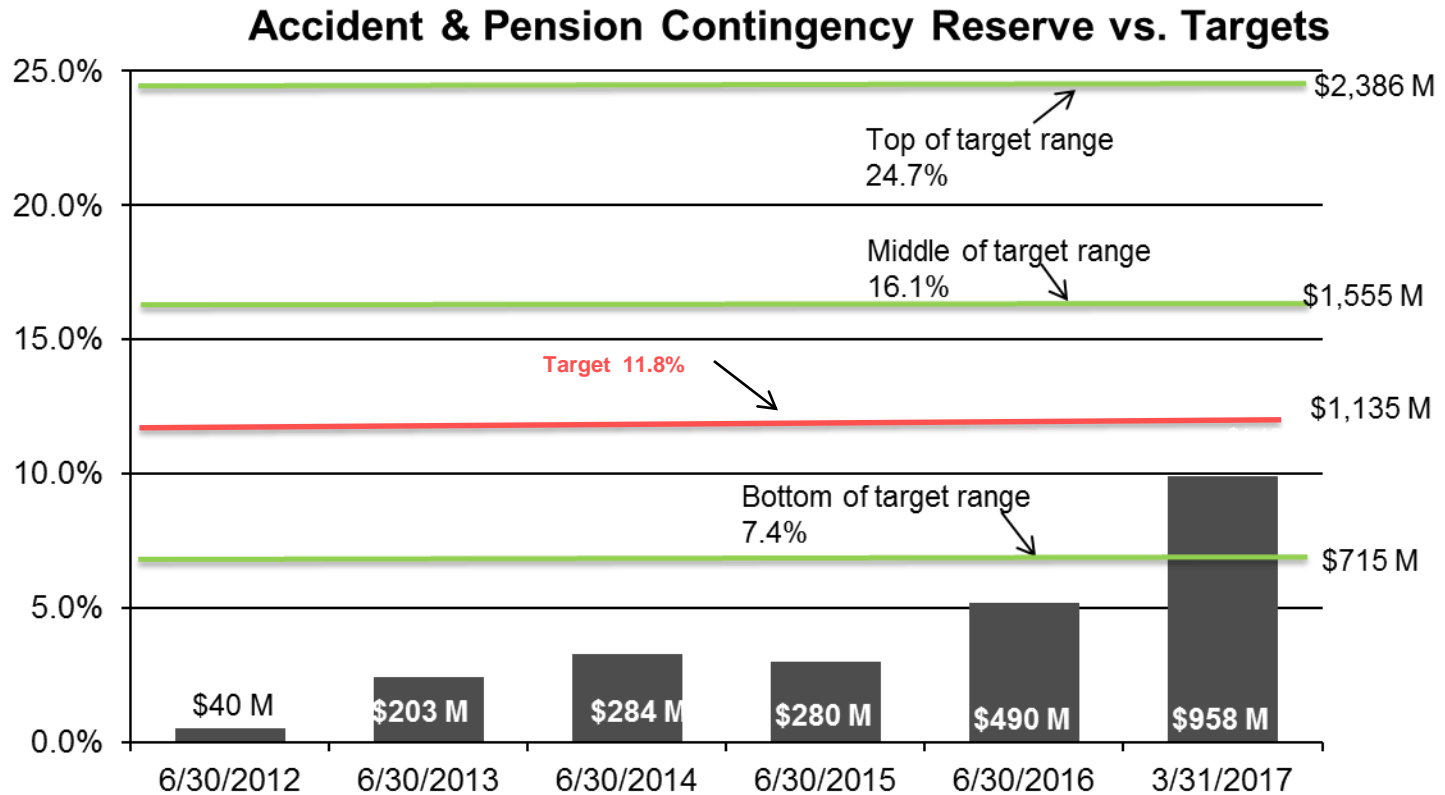
The main reason for the \$246 million decrease in benefits incurred is favorable development on prior year benefit liabilities.

Total Investments

(rounded to billions)

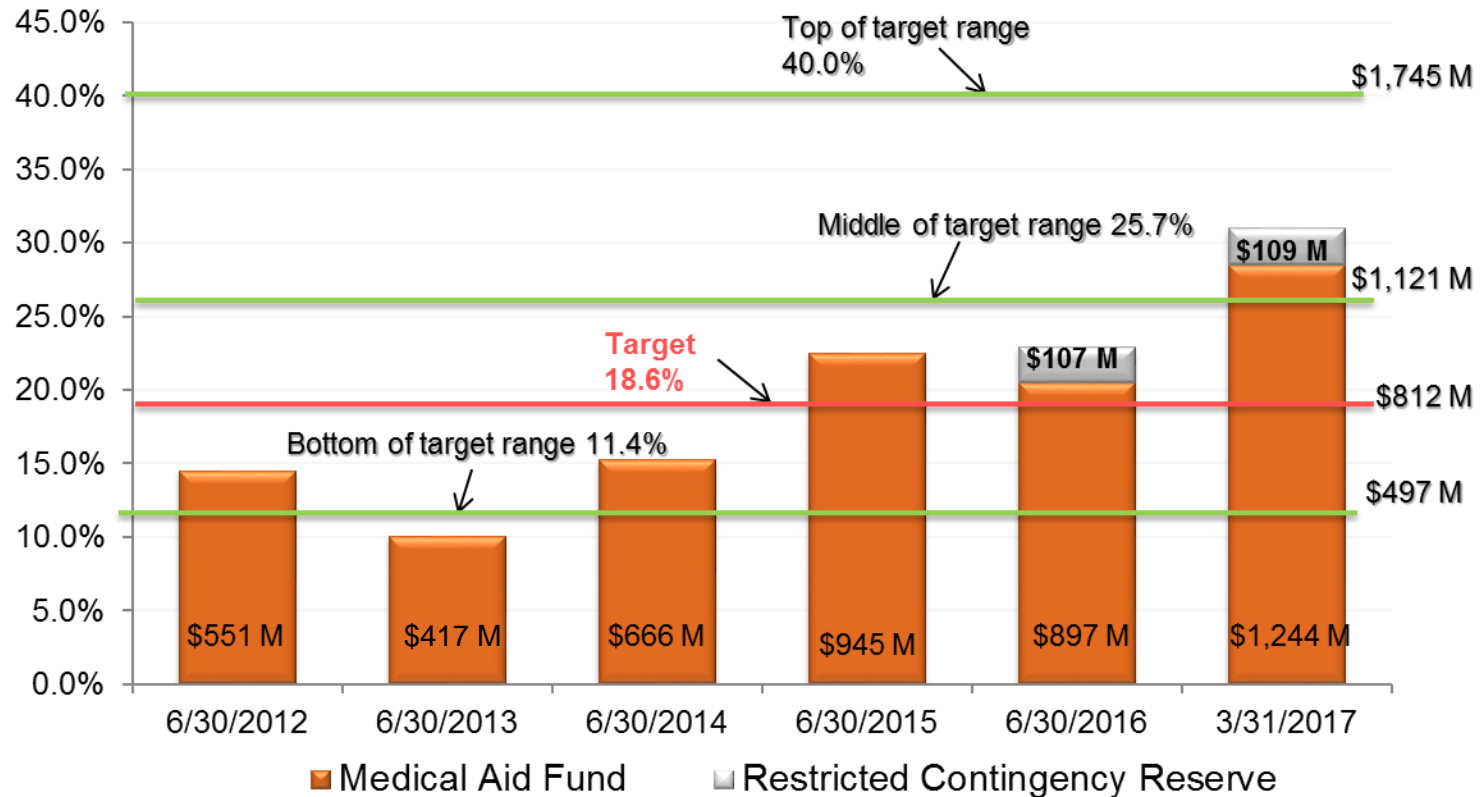


Accident & Pension Contingency Reserve is 9.9% of Liabilities



Medical Aid & Restricted Contingency Reserve is 31% of Liabilities

Medical Aid & Restricted Contingency Reserve vs. Targets



Restricted is based on final June 30, 2016 financial information and investment earnings through March 31, 2017

Key Financial Ratios as a percentage of premium earned

Ratios	Quarter Ended March 31, 2017		Quarter Ended March 31, 2016	Fiscal Year Ended
	State Fund	Industry Forecast		June 30, 2016
Current Year Benefit (Loss Ratio)	82.5%		85.9%	83.1%
Prior Year Benefit (Loss Ratio)	(3.5)%		14.3%	14.0%
Total Benefit (Loss Ratio)	79.0%	56.6%	100.2%	97.1%
Claim Administration Expense (CAE) Ratio	8.9%	13.0%	10.6%	10.8%
Sub-Total: Benefit and Claim Administration Expense Ratios	87.9%	69.6%	110.8%	107.9%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.2%	24.5%	4.4%	4.5%
Combined Ratio	92.1%	94.1%	115.2%	112.4%
Investment Income Ratio	23.6%	17.8%	26.1%	25.4%
Operating Ratio	68.5%	76.3%	89.1%	87.0%

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

Historic Results of Operations

July through March (in millions)

As of Quarter Ended March 31,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2017	119		388		44		551
2016	(219)		462		43		286
2015	(475)		420		40		(15)
2014	(470)		597		43		170
2013	(579)		427		26		(126)
2012	(620)		394		52		(174)
2011	(540)		416		53		(71)

Historical Investment Performance

	Nine Months Ended		Fiscal Year Ended			
	March 31, 2017	March 31, 2016	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Investment Income	358,028,000	375,835,000	498,499,000	493,408,000	479,774,000	465,868,000
Realized Gain (Loss)	29,696,000	86,717,000	137,988,000	58,660,000	303,184,000	87,405,000
Unrealized Gain (Loss)	297,722,000	(224,337,000)	(181,830,000)	23,691,000	200,333,000	266,041,000
Total Invested Assets	15,598,492,000	14,531,883,000	14,593,530,000	14,003,302,000	13,422,957,000	12,550,887,000

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

3-31-17 update: \$2,311 million contingency reserve or 16.5% 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) <small>dollars in millions</small>
Fiscal Year Ended June 2016	10.8%	6.3%	\$1,493
2014 Target	5-7%	6.5 - 6.3%	\$652 to \$902
2015 Target	6-8%	6.3 – 6.2%	\$797 to \$1,032
2016 Target	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 \$29 to \$32 million.