

Chapter Five: Overall System Performance

INTRODUCTION

Previous parts of this report covered specific features of the design and operation of the Washington workers' compensation system. This part of the report discusses "the big picture," that is, how these features together contribute to overall system performance. We present some common and not so common measures of how well the system is meeting stakeholder needs. Some of these measurements can be meaningfully compared to other jurisdictions, others cannot. L&I produces a large number of performance measures, some of which are internally used by management and some of which are presented to the public.

This section of the report is organized as follows.

1. Performance from the [non-economic costs](#). Our focus is on length of disability, both "temporary" disability and total and permanent disability, or "pension"
2. Performance by examining the [overall cost of insurance, and three critical insurance cost drivers](#): disability durations, multi-year disability, and pensions
3. Discussion of a related key performance indicator: [Time to closure](#)
4. Review of [overall satisfaction gauged by stakeholder surveys](#)
5. Review of [performance metrics](#)

1 NON-ECONOMIC COSTS

In discussing system performance it is common to begin with, and emphasize, insurance costs to stakeholders; in other words, emphasis on the "cost drivers" for the system.¹ Instead, we begin with a discussion of the often-neglected non-economic performance features of the system. These are defined as the effects of workplace injuries on the lives of the injured workers and their families, employers, and society at large.² A work injury can cause intense hardship not easily measured in monetary terms; chiefly pain, anxiety over income and ability to pay bills, feelings of bewilderment over the claim process, and uncertainty about what to do in reaction to the demands of the system.³

Below are a number of candidates for measures that could cast light on system costs of injured workers not subject to straightforward monetary calculations (some of these are already reported):

1. How long are workers receiving disability payments?
2. What percentage of time loss claims is receiving wage-loss benefits at the end of the 2nd and 6th year after the injury year?

¹ Such costs typically are borne by employers; Washington is unique in that workers share, along with employers, in the cost of premiums that cover workers' compensation medical treatment.

² Kirsta Glenn, WCAC Presentation, April 2013: "This cost [long term disability] is not only for employers who are paying the premiums, but it is a tragedy for injured workers and a cost in productivity for society of millions of dollars for every person that becomes a long-term disabled person."

³ See generally "Mom's Off Work 'Cause She Got Hurt: The Economic Impact of Workplace Injuries and Illnesses in the U.S.'s Growing Low-Wage Workforce," Borkowski and Monforton (Dec 2012) (available at http://defending-science.org/sites/default/files/Borkowski_Monforton_Low-wage_Workforce.pdf).

3. How soon are workers returned to gainful employment?
4. How long do workers stay employed after returning from a work injury?
5. How many workers never return to work (within some long term limit)?
6. How many claims involve one or more independent medical examinations (potentially a sign of inefficiency and friction⁴)?
7. How is the frequency and severity of permanent impairment trending over time?
8. What level of pre-injury earnings are workers achieving by RTW?
9. How many workers are declared to be totally and permanently disabled?
10. How quickly and successfully are injuries healed by medical treatment?

Measures such as these are seldom reported by US jurisdictions, although many are commonly reported in Canada. A few can be found in one time academic studies. Some of these would require new research or annual studies by L&I (Numbers 3, 4, 5, 8 and 10), some would require more effort to publish annual trends (Numbers 1 and 2), but others (Numbers 1, 2, 6, 7, and 9) could be found in existing data. It would be desirable to report a balanced and comprehensive set of performance indicators to stakeholders. Such “Key Performance Indicators” would help provide a more complete picture of system performance and its broader effects. Appendix 2 contains examples of such indicators developed and used by all Canadian workers’ compensation agencies, and by the Australian Heads of Workers’ Compensation Authorities.

Under the heading of “Insurance Services Performance Metrics Dashboard” L&I has begun to report (since 2013) an expanding set of metrics on claims activity, e.g., duration of temporary disability (known in Washington as “Time Loss” or “TL”) and return-to-work (RTW) during the first 6 months of a claim. To enhance these reports the Department has shown a specific baseline value for both long duration TL and RTW at a particular stage of the process, and has declared target values for these metrics. Also useful are clear symbols for movement toward goals each quarter of the year: unchanged, progress, or negative change. The December 2014 report to the Workers’ Compensation Advisory Committee (WCAC) shows steady values for the 3rd quarter on: 1) number of disability cases at 1 year or longer; 2) percentage of TL cases with RTW within 6 months; and 3) the persistence of lost time from 3 months to 6 months. While these metrics are consistently collected and discussed with WCAC,⁵ they present only a small slice of the process. A fuller and more complete set would be beneficial. For example, the definition used in the RTW metric mentioned above states that it measures: “For every 1,000 new time-loss claims, the number that are off time-loss for at least a 30 consecutive day period during their first six months.”⁶ As a companion to this metric, it would also be useful to measure the number of cases that moved from TL, to no TL, and reverted back to TL. This would provide insight into re-injury or unsuitable modified duty.

⁴ In many respects the duties involved in an IME can be quite appropriate, particularly doing a PPD rating if the treating physician declines the task. But, the need to hire a doctor to offer a competing opinion to the treating physician is inherently less efficient than if the treating physician rendered a reasonably acceptable decision in the first place, e.g., whether MMI has been reached, return-to-work restrictions, or treatment plans. In a recent study of the North Dakota workers’ compensation system, the authors reviewed ND results in scheduling IMEs; between 2011 and 2013, 1.4% - 2.1% of lost time claims involved IMEs. “Performance Evaluation of North Dakota Workforce Safety and Insurance,” p. 21-22 (2014) (available at http://www.nd.gov/auditor/reports/wsi_pe_14.pdf).

⁵ Meetings are open to the public; presentations for prior WCAC meetings available at <http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/Wcac/WcacMtgMin/Default.asp>.

⁶ Vickie Kennedy, presentation to the WCAC, September 22, 2014, p 46.

Another aspect of RTW that should be measured is the RTW and stay at work success of all workers who cease getting TL payments at MMI. Did they RTW? If returned to work, was the return durable (e.g., more than 90 days)? Were those who were declared “employable” by an AWA but without employment at the time back to work within a reasonable time after TTD was discontinued? For those employed, what did they earn compared to their pre-injury wage? These measures would cast light on the adequacy of RTW efforts for those without job restrictions after injury. They would also show the number of workers’ that seem to be ‘falling through the cracks’ of the vocational system.

A seldom-recognized consequence of prolonged TL is the increased likelihood of secondary injury. L&I CMs and ONCs we interviewed described the phenomenon of “diagnosis creep” in long-term claims. This means that over time secondary illnesses occur as a result of being out of work. High on the list of such secondary conditions are clinical depression, substance abuse, prescription opioid addiction, and obesity. General deconditioning of muscle strength and weight gain also accompany long periods of time away from work.⁷ Occupational medicine recognizes that prolonged disability is detrimental to overall good mental and physical health. Another cause of secondary injury is premature or inappropriate RTW with restrictions. How many workers reinjure themselves after RTW before MMI?

Some injuries are rated by physicians as leaving permanent effect on general bodily function. This can be measured in many ways. Essentially, impairment means a loss of some particular body function, e.g., an amputation of a limb or range of motion limitation on bending or lifting. More and more, workers’ compensation measures impairment by its “whole body” impacts, i.e., how the particular loss of function affects overall bodily function. Either way, impairment does not equate with disability.

Disability (as used in workers’ compensation) measures the loss of capacity to work at the pre-injury job or other jobs. One can have a tiny impairment but be 100% incapacitated from performing certain work, e.g., loss of range of motion in an index finger could ruin a professional musician. Workers’ compensation in Washington does not measure or compensate directly for “disability.” Rather, the Washington approach is based upon using impairment ratings to set compensation for permanent injuries as a proxy for non-economic loss and future wage losses.⁸ Impairment ratings are converted to indemnity payments that compensate in some way for the non-economic damage of the loss of body function; they also serve as compensation for the loss of the power to earn wages, caused by the impairment. Both of these are only rough approximations of the effects on individual workers. As previously mentioned, metrics could be developed to show how completely workers with various impairment ratings recovered their pre-injury income. We could not find any public presentations by L&I of the number of workers that have some permanent impairment as a result of their injury has varied or showing of the distribution of impairment severity. Such metrics could be directly compared to the

⁷ University of Kansas, Research and Training Center on Independent Living, Deconditioning and Weight Gain, B Series, No. 3, 1996, found at:
<http://www.rtcil.org/products/RTCIL%20publications/Health%20Issues/SCI%20Deconditioning.pdf>

⁸ For discussion of differing PPD approaches and related public-policy implications, including replacement of earnings losses, other economic losses, non-economic losses, and pain and suffering, see generally Barth, Peter S., “Compensating Workers for Permanent Partial Disabilities,” *Social Security Bulletin* Vol. 65, No. 4 (2003/2004) (available at <http://www.ssa.gov/policy/docs/ssb/v65n4/v65n4p16.pdf>); Barth, Peter S. and Niss, Michael, “Permanent Partial Disability Benefits: Interstate Differences,” *Workers Compensation Research Institute*, September 1999, p. 6 (available for purchase at www.wcrinet.org); Burton, John F., Jr., “Permanent Partial Disability Benefits,” p. 94, published in “Workplace Injuries and Diseases: Prevention and Compensation: Essays in Honor of Terry Thomason (Upjohn 2005) (available at http://research.upjohn.org/up_bookchapters/287/); Welch, E., “Permanent Partial Disability Benefits,” Michigan State Univ. 2008 (available at http://hrlr.msu.edu/hr_executive_education/documents/PPD20Discussion2008-02.pdf).

Canadian Key Performance Indicators, shown in Appendix 2. This comparison could open up consideration of the underlying causes of differences in permanent disability (i.e., is it in how the concept is measured or are differences in the severity of accidents causing the differences?).

Many useful indicators of the quality of medical care could be published and used to evaluate the quality of care given by physicians in the provider network. Examples of these would include: case adjusted time to reach fixed and stable condition; degree of permanent injury; speed to RTW; and secondary injuries after RTW. The above metrics would need careful and consistent definitions and qualifications to maximize the insight into system performance. For example, the medical treatment measures would need to be carefully “case adjusted” to compare reasonably similar mixes of injuries.

As shown in Exhibit 1-8, in Washington, approximately 80% of all time loss claims are resolved within the first three months after injury.⁹ Claims with relatively minor injuries that do not impose long-term barriers to job performance are resolved quickly without significant effort by the CM. But the remaining claims are those at risk of expanding into catastrophic levels of disability. These at-risk claims are generally those which reach maximum medical improvement with some job restrictions from the injury and with no return to work prospects. If the claimant is judged to be non-employable, the stage is set for years of TL followed by a recognition of total and permanent disability, known as “TPD” or “pension” cases. Clearly, there is a large cost to the insurance system from such claims, but as discussed, the “human” cost is also significant.

The ultimate defeat of disability management is being forced to declare a worker to be permanently and totally disabled. Ideally such declarations should be limited to cases in which, despite best effort of the workers and case managers, the workers are found to be without any reasonable prospects of performing gainful employment. As preliminary context, in Washington, this threshold (no reasonable prospects of performing gainful employment) is very difficult to apply, and is sometimes crossed, and pensions awarded, despite residual capacity to work. The statute provides that a pension is appropriate in the case of, among other things, a “condition permanently incapacitating the worker from performing any gainful occupation.” This is known as an “administrative pension,” as opposed to a “statutory pension,” which is defined by statute and is awarded without regard to the ability to perform gainful employment.¹⁰ Similarly, after being awarded an administrative pension, L&I is authorized to suspend or terminate the pension if the worker “returns to gainful employment for wages.”¹¹

Case law interpretations of “gainful” vary, and are beyond the scope of this discussion. In brief, however, a worker can be able to perform work, and still continue to be eligible to receive a pension, provided the work is not “gainful.” The statute does not authorize a range of “gainful”; in other words, there is no partial eligibility. Additionally, “employability,” which is a related standard that is applied in pension cases and is discussed in detail in Chapter 2, requires establishing the residual work capacity of the worker and proving that a labor market exists for such capacity. These determinations are connected with the particular situation of the worker, e.g., education, work experience, and unemployment rates in the location of residence. The result of applying these standards – employability and gainful employment – is that workers are found eligible for pensions despite having work capacity,

⁹ Estimates for FY 2014 put pure TL claims more than 90 days at 70% of the total, ref BV 3.

¹⁰ “Statutory pensions” are determined by statute and include loss of both legs, both arms, one leg and one arm, total loss of eyesight, or paralysis. RCW 51.08.160.

¹¹ RCW 51.32.160(2).

and in some cases despite actually earning wages, and these eligibility determinations do not follow clearly defined standards. The outcome is a high number of pension recipients.

While there are arguably positive public-policy aspects of long-term support of unemployed workers with lengthy TL payments followed by permanent pensions, the downside of such prolonged time away from work include the loss of self-esteem, domestic friction, poor health, and even shorter longevity.¹² Thus, it is a human tragedy as well as a system failure each time a worker's life is transformed from productive employment to permanent disability as the result of a workplace accident.¹³

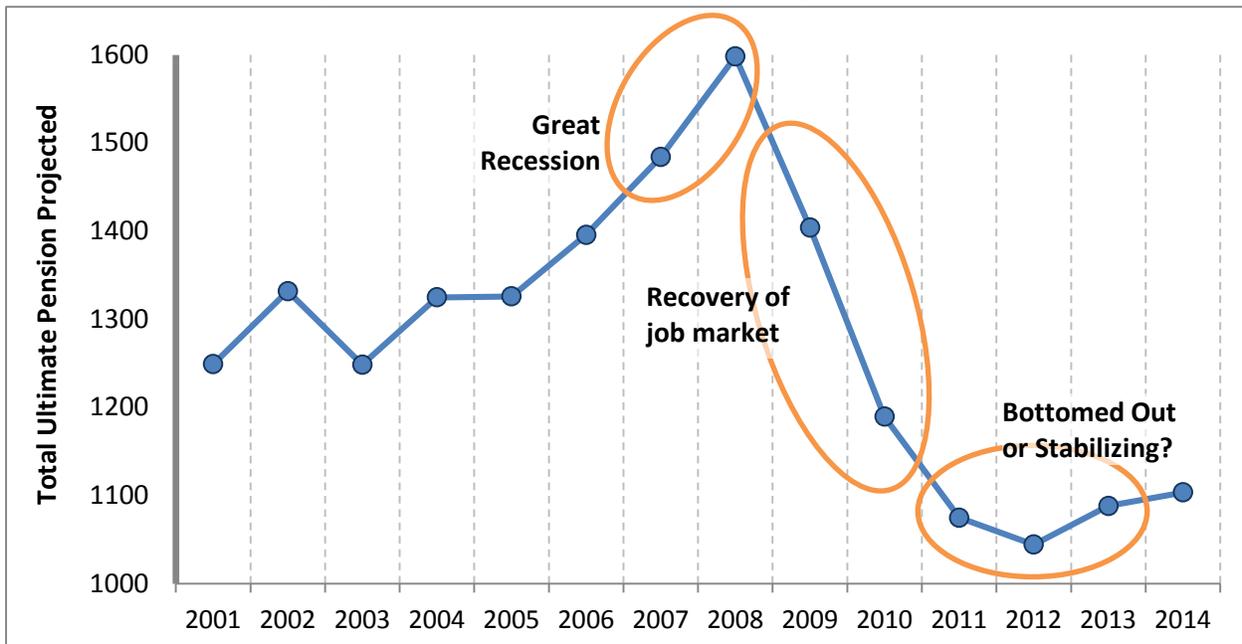
The injury rate is extremely important to system costs, both economic and human. It is beyond the scope of this study to consider safety regulation by Washington. L&I administers the delegated state OSHA program, which engages in educational and regulatory means of injury prevention. But, all of the direct and indirect costs of accidents at work can be spared through the prevention of injury in the first place. We note that L&I's number one strategic objective is to make workplaces safer.

In Washington, the number of persons expected to ultimately be declared to be permanently and totally disabled is shown in Exhibit 5-1. These are actuarial projections, which have historically developed to higher than expected levels, which is another way of saying that these may be underestimated. The reason for indicating the recession and job market on Exhibit 5-1 is that the job market is very influential in getting injured workers back to work and impacts a CM's efforts in this regard. Poor economic conditions mean fewer jobs; and fewer workers are therefore accepted back to their employer of injury, and fewer find work after retraining. The volatility in the number of pensions in a given year can also be affected by administrative policy in pushing closure of files with a pension award. This is a critical aspect of evaluating the performance of claims management efforts, as well as overall performance of a claims management program, because the longer an injured worker stays on disability, the less likely the chance that they will ever return to work.

¹² Years of lower life expectancy were found among workers compensation cases with permanent impairments, especially those permanently and totally disabled, see Ho J-I, Hwang J-S, Wang J-D, Life-expectancy estimations and the determinants of survival after 15 years of follow-up for 81 249 workers with permanent occupational disabilities, *Scandinavian J Work Environ Health*, 2006;32(2):91-99; Railroad retirement workers on disability have much shorter life expectancies than non-disabled retirees of the same age; see: http://www.rrb.gov/opa/qa/pub_1212.asp.

¹³ For a good description of the human costs of injury see: OSHA, "Adding Inequality to Injury: The Costs of Failing to Protect Workers on the Job," 2015, found at: <http://www.dol.gov/osha/report/20150304-inequality.pdf>

Exhibit 5-1: Estimated Projections of Ultimate Pensions Allowed by Fiscal Year



Source: Data from L&I Actuarial Services, communication with actuary staff, 2014; graph by WorkComp Strategies

One of the performance features of the Washington system that most glaringly sets it apart from other workers' compensation systems in the US and Canada is the relatively large number of pensions in Washington. Because of sharp increases in the number of pensions awarded starting in the late 1990s, the Department contracted with the Upjohn Institute in 2007 to study the Washington pension system.¹⁴ The Upjohn authors did a comprehensive review of possible causes for the relatively large number of pensions and their rapid growth rate. They ruled out the nature of injuries, industry mix, standards for impairment awards, and demographics. The principle causes identified were backlogs of claims needing closure, the nature of the pension system, and the lack of settlement opportunities. Appendix 2 updates this review of environmental conditions that might explain the very high pension rate in Washington; it too finds little basis in explaining Washington pension by the number and severity of accidents, demographics of the workforce, or nature of the macro economy.

The Upjohn authors observed that the likelihood of pensions in Washington seems inextricably linked to the incidence of time-loss claims.¹⁵ As the Upjohn authors note, TL claims of very long durations are the "raw material" for pensions. The numbers of very long-term time-loss claims, discussed below, is a good predictor of the future of pensions.¹⁶

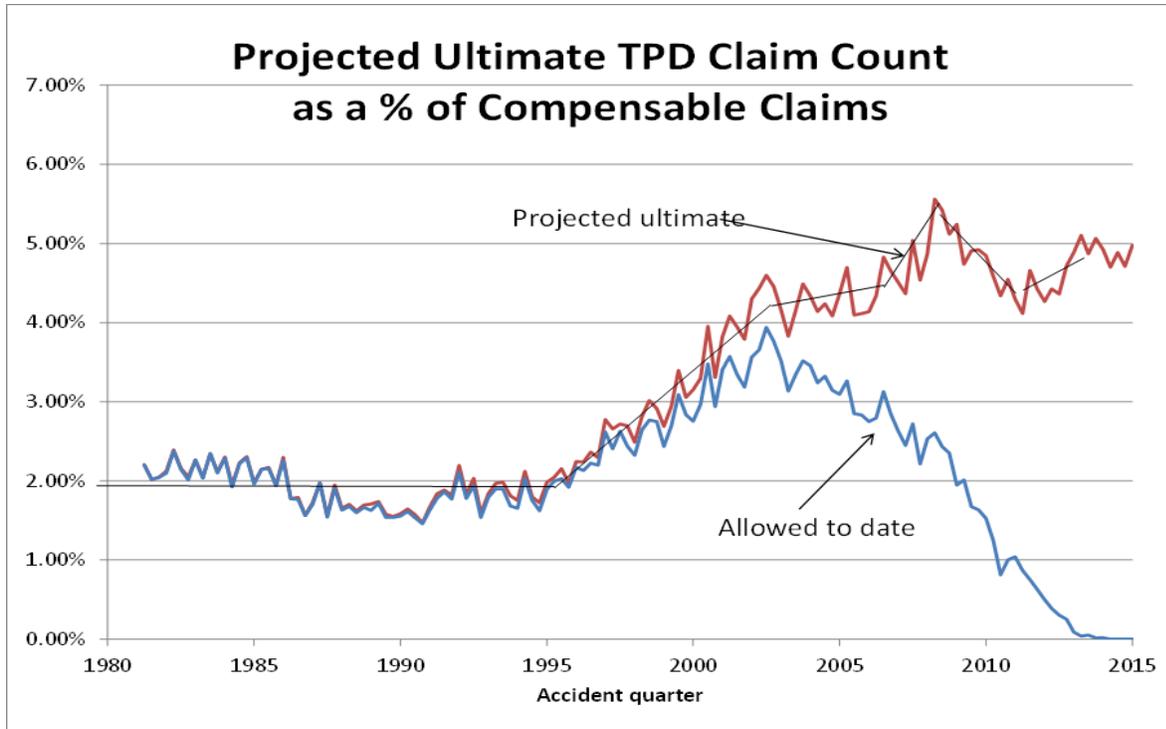
¹⁴ Barth, Peter S., Heather Grob, Henry George Harder, H. Allan Hunt, and Michael Silverstein. 2008. "Washington Pension System Review." Upjohn Institute Technical Report No. 08-025. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. http://research.upjohn.org/up_technicalreports/25/

¹⁵ As Upjohn notes: "That the number of pensions is correlated with the number of time-loss cases with a lag of six to 10 years is both intuitive and indisputable." Op. cit. While this is a historical fact in Washington, the strength of the correlation with loss time injuries is not fixed, but can be improved by better disability management.

¹⁶ Barth, Peter and H. Allan Hunt, 2010, Workers' Compensation Reemployment Programs Options, Final Report, L&I Contract K1817.

In one sense, the situation today is improved compared to when Upjohn completed their assessment. The absolute number of pensions peaked in 2008, at 1,598 projected ultimate pensions. As Exhibit 5-1 shows, the number of pensions plummeted between 2008 and 2012, but then began to increase slightly. This sharp drop may be plausibly associated, at least in part, with the improvement in the job market. As shown in Exhibit 5-2, the percentage of pensions per time loss claim has fluctuated at or slight below 5% for the last few years, which is about the same as the percentage of TL claims at the conclusion of the Upjohn study.

Exhibit 5-2—Relationship between Pensions and Allowed (Compensable) Time Loss Claims



Source: L&I Actuarial Services, communication with actuary staff, 2014

Upjohn compared the Washington rate of pensions with national data. The report found Washington to have the highest rate of pensions per 100,000 covered employees. This was much higher than the second highest state, among all states studied by the National Council on Compensation Insurance. They reported that “The number of pensions awarded per 100,000 covered employees is very high in Washington compared with other states; roughly four to eight times the 36-state average, and about two to four times as high as any other jurisdiction.”¹⁷ The most recent estimates put Washington at 2.4 times the highest NCCI state in the study and 19 times the countrywide average. This is a glaring difference that demands attention.

Another perspective “closer to home” on the relative rate of pensions is to compare Washington with Oregon and British Columbia. British Columbia is the better of the two jurisdictions to match with Washington because it is an exclusive fund system and because it does not allow settlements.¹⁸

¹⁷ Barth, op. cit., p 13.

¹⁸ Note that in 2011 the Washington State Legislature adopted statutory changes allowing structured settlements, but to date only a small number of cases have been settled through this new process.

However, the British Columbia standard for a pension is a bit different than Washington and Oregon; the closest thing to a pension case in British Columbia is a person that accrues a 100% impairment rating. Despite the fact that Oregon allows settlements, the Oregon pension rate is still instructive because it has a similar economic, demographic, and benefit level profile to Washington.¹⁹

In Exhibit 5-3 below, the ratio of pensions to covered workers was computed for each jurisdiction. The ratio of Total Permanent Disability (TPD) in Washington to Oregon was nearly a hundred times higher in FY 2012 and 66.5 times higher in FY 2013. This means that in 2013 there were just over 66 TPD claims in Washington for every 1 such claim in Oregon. The pension rates for British Columbia and Washington were much closer than in the case of Oregon. Washington was 3.7 and 3.1 times the BC rate in 2012 and 2013, respectively. BC does not have a benefit category that closely matches Total Permanent Disability as used in Washington, so the comparison is based on a “best approximation.”

Exhibit 5-3: TPD cases per 100,000 covered workers

FY Year	Washington	Oregon	Ratio WA/OR	British Columbia	Ratio WA/BC
2012	53.9	0.54	99.8	14.57	3.7
2013	54.5	0.82	66.5	17.35	3.1

Source: WorkComp Strategies computation, using these sources:

1. Washington: L&I actuarial projection spreadsheet “Total pensions by accident year”; includes both SF and SI.
2. Oregon: Dept. of Consumer and Business Services: Various Characteristics of the Oregon WC System.
3. British Columbia: special analysis supplied by WorkSafeBC, through Terry Bogyo, February 2015.

2 OVERALL COST OF INSURANCE AND CRITICAL INSURANCE COST DRIVERS

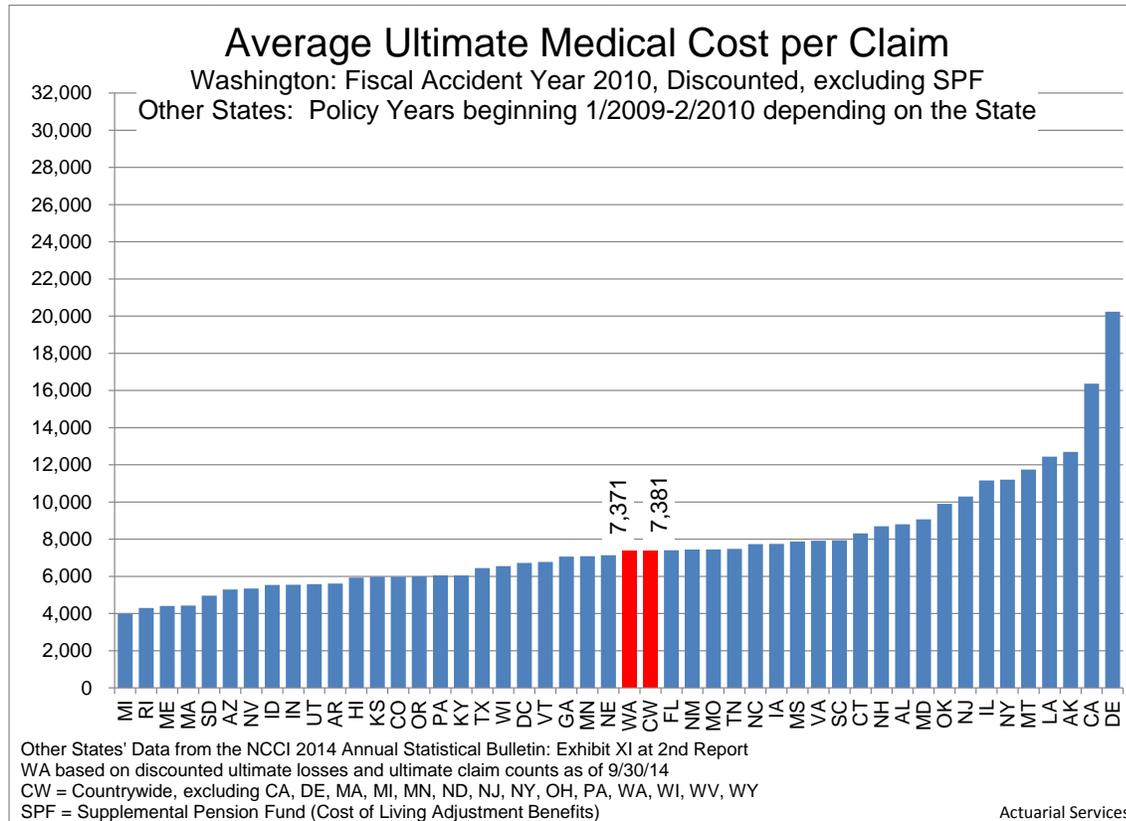
Here we will describe commonly used measures of costs, including so-called “cost drivers” and overall insurance costs. Note that we exclude from these economic costs the considerable indirect burden of accidents to both employers and workers.

2.1 BACKGROUND

Total insurance costs are typically studied in terms of average “indemnity” cost per claim and average medical cost per claim. The average cost per indemnity claim in Washington for Accident Year 2010 is compared to other states in Exhibit 5-4. Washington is 5th from the highest of the states included, and about 85% above the countrywide average. (Note that the Washington cost excludes the Supplemental Pension Fund, which pays for cost-of-living increases for pension cases, and also discounts the indemnity payments, both of which tend to deflate Washington costs.) Washington is sometimes characterized as a high benefit state. Business interests often cite the fact that the National Academy of Social Insurance (NASI) has regularly ranked Washington highest of all states on total benefit payments per covered

¹⁹ Briefly, the Oregon standard is based on incapacity “from regularly performing work at a gainful and suitable occupation,” “regularly performing” means the “ability of the worker to discharge the essential functions of the job,” and a “suitable” occupation means one that “the worker has the ability and the training or experience to perform, or an occupation that the worker is able to perform after rehabilitation.” A “gainful” occupation means one is the lesser of (i) two-thirds of the worker’s average weekly earnings; or (ii) federal poverty guidelines for a family of three. The worker is required to prove permanent and total disability, including that the worker has made reasonable efforts to obtain employment. Benefits cease if there is return to work and the post-injury earnings plus the permanent and total benefit exceeds a worker’s pre-injury wage. See Oregon Revised Statutes section 656.206

Exhibit 5-5: Comparison of Average Medical Cost per Claim Countrywide



Source: L&I Actuarial Services, communication with actuary staff, 2014

Exhibit 5-6 below shows recent trends in average medical cost per lost time claim and average indemnity cost per claim. “Incurred indemnity cost per claim,” which is the estimated ultimate cost of all indemnity obligations divided by the number of LT claims, went down substantially between 2009 and 2013. The 1.5% rise between 2012 and 2013 should not be taken as a clear reversal of this trend. These incurred costs are subject to change as they are developed by actuaries given new claims experience. Medical cost per claim is trending upward at an average rate of less than 2.9%/year. This is a favorable trend compared to other states. Furthermore, initiatives like the 2013 pain guidelines, expansion of the COHE network, tightening of the preferred provider network, and the future implementation of the Top Tier provider network promise to maintain a relatively low growth in medical costs.

Exhibit 5-6: Trends in Average Indemnity and Medical Cost per Claim

Fiscal Year	Indemnity		Medical	
	Incurring Cost/LT Claim	% change from previous year	Incurring Cost/MO Claim	% change from previous year
2009	\$21,677		\$1,103	
2010	21,352	-1.5%	1,200	8.7%
2011	20,861	-2.3	1,232	2.6
2012	18,892	-9.4	1,257	2.0
2013	19,168	1.5	1,235	-1.8

Source: Data from L&I, website found at:

<http://lni.wa.gov/ClaimsIns/Insurance/DataStatistics/WorkersCompData/default.asp>. Calculations of annual changes by WorkComp Strategies

Washington's cost of administration of insurance is much lower than in private insurance systems. Administration encompasses the insurance agreement, rating and premium collection, loss adjusting, medical and vocational services, and all other benefit administration costs. This has been shown by L&I data and by outside studies.²¹ There has not been a significant change in administrative expense as a fraction of premium charges to employers in the past few years.

The cost components of average indemnity, average medical, and administrative cost combine to set the overall cost of insurance. According to the authoritative source on comparisons of premium costs across states, the 2014 Oregon Premium Rate Comparison,²² Washington was in a three-way tie for 17th from the top in average adjusted insurance rates. This is improved from the 13th place rank in the 2012 report. Washington's position in the 2014 Oregon study was 8% above the national median; there were 21 states in the study clustered within 10%, plus or minus, of the nationwide median.

Together the above indicators suggest that Washington's insurance cost is somewhat above average on cost per covered worker and as a percentage of payroll. However, recent improvements in cost drivers have improved Washington's relative insurance cost ranking in recent years.

The principle cost driver in most jurisdictions is medical cost, but in Washington the principle cost driver is the duration of disability, i.e., how long an injured worker is disabled and receives disability benefits, together with the extremely high fraction of cases getting total and permanent disability pensions. We now discuss these cost drivers in more detail, focusing on three measures of disability:

1. The average and median days of TL paid.
2. The fraction of TL claims with multi-year durations of disability benefits.
3. The number of permanent total Injury awards ("pensions") in Washington.

²¹ The 1998 JLARC performance audit praised the administrative efficiency of L&I.

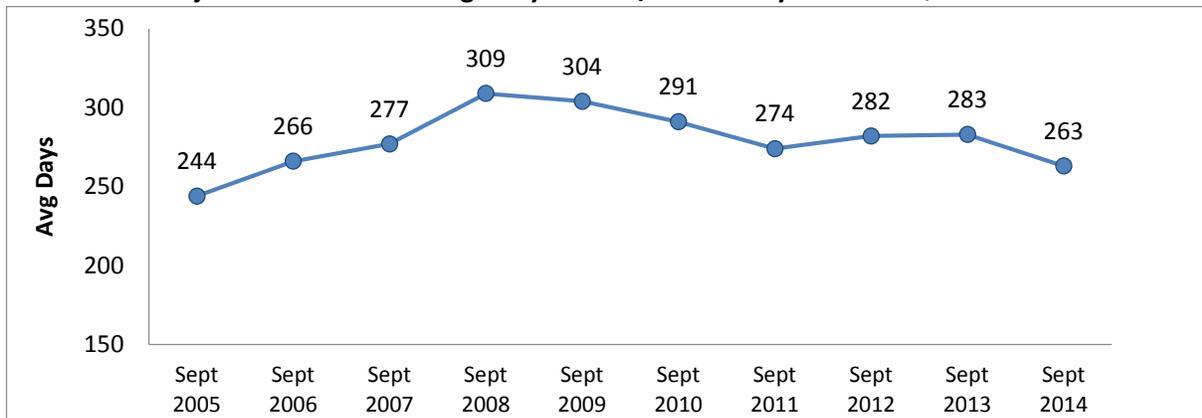
²² 2014 Oregon Workers' Compensation Premium Rate Ranking Summary, Dept. of Consumer and Business Affairs, October 2014, found at: http://www.cbs.state.or.us/external/dir/wc_cost/files/report_summary.pdf.

2.2 AVERAGE AND MEDIAN DURATION OF TIME LOSS CASES

In this section we pay particular attention to the duration of TL benefits. This is an indirect indicator of human costs of disability, discussed earlier; TL durations also serve as a major cost driver in Washington. The payment of indemnity for lost wages is a basic component of workers' compensation. Although the time and reasons why an injured worker stays on indemnity payments is highly variable from state to state, it is considered a strong indicator of the performance of a system. Shorter durations of TL usually mean faster healing from the injury, less time away from work, and lower costs for workers' compensation insurance.

In Exhibit 5-7 we show an actuarial projection of the average days of TL duration when all claims for each year are fully resolved. (The selection of the third quarter of every year has no significance). It is apparent that the average duration climbed sharply during the "Great Recession." The reason for this is that the RTW opportunities are negatively related to the number of jobs available and the employers' outlook for sales. Economic activity sharply declined in 2008 and only gradually improving for the next three years, which probably deterred many employers from finding work for their injured employees.²³ Average durations since 2011 start to resemble levels just before the onset of the recession. This is roughly similar to the pattern of pensions (Exhibit 5-1), the exception being that pension levels fell to below their pre-recession levels, while average TL is slightly above pre-recession levels (2005). While there has been improvement since the nadir point of the Great Recession, it is puzzling that average temporary total disability has not dropped more in light of the very favorable change in the labor market of 2014. It may well be that the effects of several recent L&I initiatives have yet had a chance to speed early RTW.

Exhibit 5-7: Projected Ultimate Average Days of TTD/TL Claim by Accident Quarter



Source: L&I Actuarial Services, communication with actuary staff, 2014; graph by WorkComp Strategies

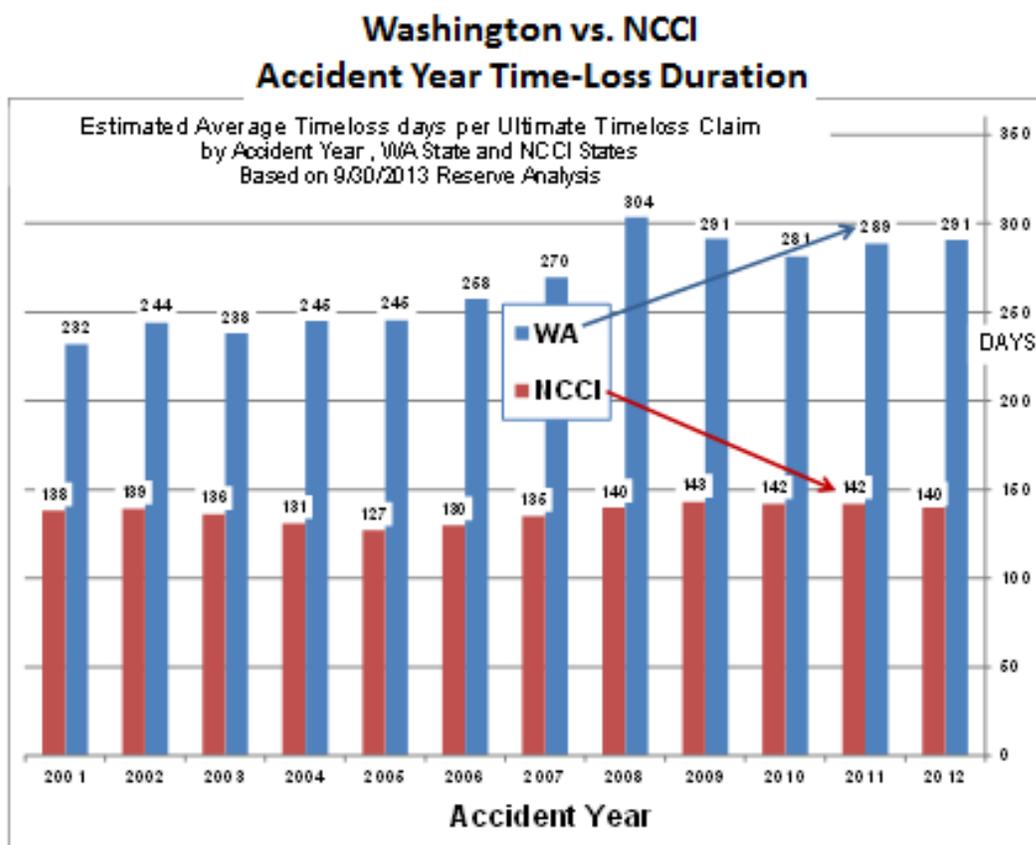
These durations can be compared to similar actuarial estimates developed by the National Council on Compensation Insurance (NCCI). NCCI's most recent published estimate of ultimate duration of TTD²⁴ averaged over 46 states is 140 days for Accident Year 2012. Washington is 102% higher than the

²³ The relationship between the unemployment rate and average duration of TTD is discussed in Lipton, B., J. Robertson, and K. Porter, "Workers Compensation Temporary Total Disability Indemnity Benefit Duration 2013 Update," NCCI, August, 2013, available on ncci.com.

²⁴ Note that workers' compensation systems commonly refer to temporary total disability benefits as "TTD"; in Washington, these same benefits are referred to as "Time-Loss Benefits", or "TL" for short. Temporary total disability benefit structures and amounts are highly variable across states.

national average, and higher than the 192-day average for highest state in the NCCI ranking²⁵ (Exhibit 5-8). Despite the fact that both were rigorous actuarial estimates, the NCCI and Washington findings have methodological differences and difference in caps on duration of TTD. Still the large difference between 291 days for Washington and 140 days for NCCI’s average (AY 2012) probably would not change significantly if the methodologies were harmonized more closely.

Exhibit 5-8: Projected Ultimate Average Duration of TTD payments: WA compared to NCCI States



Note: Durations for WA shown here are estimates that were developed earlier, and with different data, than the ones in Exhibit 5-7 preceding it.

Source: L&I; Graph developed by L&I Actuarial Services, 2014

Our review (see Appendix 2) and those of others²⁶ cannot find an explanation for these relatively long temporary disability periods in the unique nature of injuries or demographics of workers in Washington. The causes for the relatively high durations in Washington seem to result from a combination of factors discussed in Chapter 2, most prominently: the need to determine “employability” status for many workers, execution and design of disability management, non-outcome based CM case ownership, and CM performance on certain key claim management activities, specifically prompt client contact and proactive medical management.

²⁵ Barry Lipton, John Robertson, and Katy Porter, Workers Compensation Temporary Total Disability Indemnity Benefit Duration—2013 Update, NCCI Research Brief, August 2013.

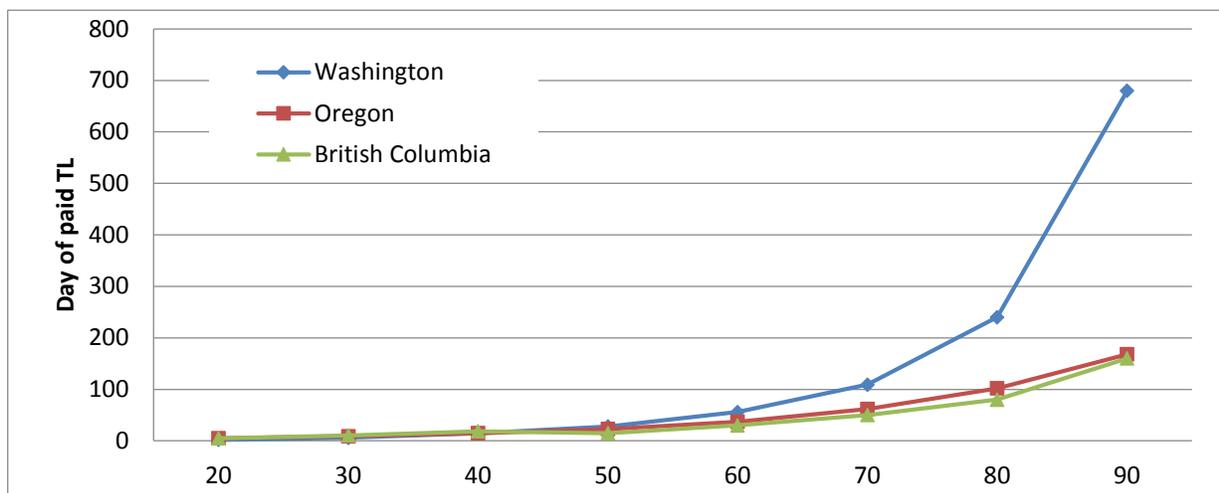
²⁶ Peter Barth, et al., Washington Pension System Review, Upjohn Institute, Technical Report 08-025, 2008.

As a final comment on durations, it is instructive to consider the large gap in TL duration between State Fund and self-insured claims. Granted, self-insured employers, because of their large employment size, have much greater return-to-work options than do smaller employers insured by the State Fund. However, the substantial difference (50% longer durations for State Fund claims than for self-insured claims, as discussed in Chapter 2) does indicate that disability duration is not pre-ordained by the nature of the injury, and can be managed. Long-term disability is remarkably cut if the opportunity for transitional or permanent modified duty is exploited by claims managers.

2.3 MULTI-YEAR DURATIONS OF WA TL CASES

One of the very unusual features of the Washington system is the high proportion of claims with multiple years of TL payments. This oddity was discussed in the 2008 Upjohn pension study.²⁷ Exhibit 5-9 shows the average days of TL in Washington, Oregon, and British Columbia at each decile of the claim distribution, i.e., the days of TL at the 50th percentile, at the 60th percentile, etc. As shown, the durations for all three are similar up to the 50th percentile; after that the durations in Washington pull away from the other two jurisdictions. At the 90th percentile (the top 10% of all claims in each jurisdiction), the Washington duration is 4.3 times that of British Columbia.

Exhibit 5-9: Days of Paid TL by Decile of Frequency Distribution



Source: WorkComp Strategies

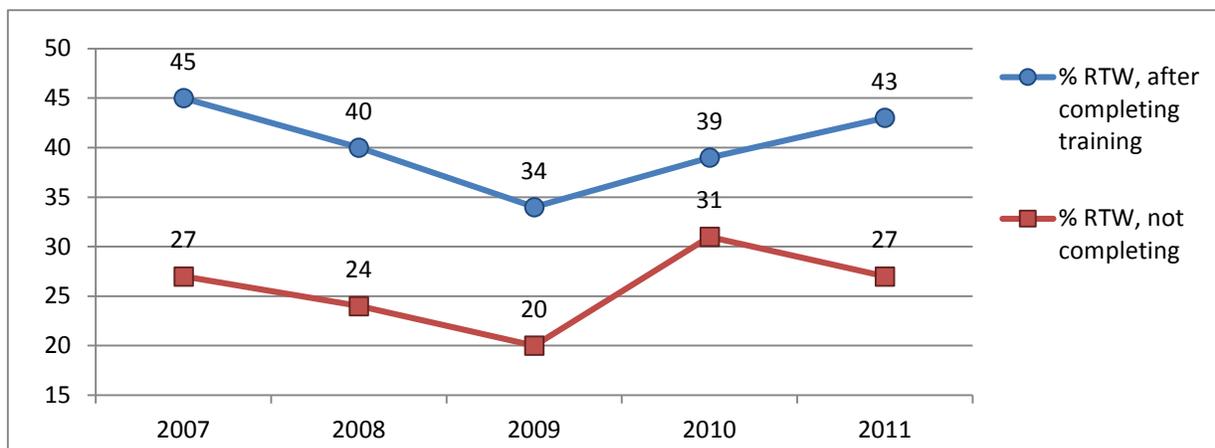
Why is this important? The odds of return to work after 6 months of disability are about 50/50; at a year they are less still. By the time one has reached two years of disability the chances of returning to work become miniscule.²⁸

²⁷ Barth, op. cit., p 3-52.

²⁸ The American College of Occupational and Environmental Medicine (ACOEM) puts the danger point for permanent disability even earlier: “Studies have shown that the odds for return to full employment drop to 50-50 after six months of absence. Even less encouraging is the finding that the odds of a worker ever returning to work drop 50 percent by just the 12th week.” See ACOEM, “Preventing Needless Work Disability by Helping People Stay Employed,” Journal of Environmental and Occupational Medicine, 2006, found at: <http://www.acoem.org/PreventingNeedlessWorkDisability.aspx>. See also Gregory J. Crabb, of Hartford Life Insurance Co., who said that after six weeks of disability “there is only a 50 percent chance that injured workers will return to work. When disabled for a full year, there is only a 1 to 2 percent chance that injured

The exception to these pessimistic return to work prospects are those small number of injured workers that are timely channeled into a good retraining plan that is matched to their aptitudes and interests. For these, one or two more years of TL while on retraining does not carry with it such a dismal future for work. But retraining is not a panacea for injured workers. Only 55% of those eligible workers who chose retraining (Option 1) successfully completed formal retraining; of these successful completions, only 34-45% have RTW in two years from claim closure.²⁹ About 45% do not complete retraining, and their RTW is much worse (see Exhibit 5-10).

Exhibit 5-10: % RTW in Two Years after Closure, By Training Completion Status



Source: L&I, "Claim Closure by Plan Outcome" (spreadsheet created 3/25/14)

As discussed in Chapter 1, most jurisdictions transition away from temporary disability benefits when the worker returns to work or is placed at "Maximum Medical Improvement" (MMI); in either situation the worker will receive a payment for their rated permanent partial disability (PPD). In Washington, however, MMI does not end TL automatically. For TL to end, one of three conditions needs to be met: 1) the IW returns to work, 2) the treating physician gives an unrestricted release to return to the job of injury, or 3) the worker is shown to be "employable" by a vocational assessment. Maintaining TL after MMI is a unique feature of the Washington system. The effect of this is to create a substantial demand for vocational assessments, not found in other jurisdictions. As suggested in the Upjohn pension report, if Washington offered higher PPD awards and closure at the point of Maximum Medical Improvement, and allowed settlements to be negotiated as in other states, the very long TL durations would be reduced.³⁰

Increasing the portion of claims that end with settlements may not be a necessary condition for reducing TL duration. British Columbia does not allow settlements, yet its average duration of TTD is similar to Oregon, which has a large volume of settlements. There appears to be a better approach in British Columbia and other jurisdictions to control long-term disability. One of the keys for Canadian systems is to use early vocational services directed at early return to work and not retraining.

workers will ever return to work." Located in "Hartford's Return to Work Program Proves Can-Do Approach Works," *BestWire*, April 10, 2003, found at: <http://www3.ambest.com/ambv/bestnews/newscontent.aspx?altsrc=108&refnum=56974>.

²⁹ See Chapter 2 for discussion of the choices available to a worker. In short, Option 1 involves a formal retraining plan, and Option 2 involves a lump-sum payment to the worker and claim closure, in lieu of retraining.

³⁰ Washington adopted structured settlements in 2011, but as discussed in Chapter 3 their use to date has been relatively low compared to the number of long-term disability claims.

2.4 PENSION RATES IN WASHINGTON

As discussed earlier, Washington has a very high rate of pensions. Because of this, pensions have become a major cost driver in the system. In Washington, the average total and permanent disability claim costs \$760,000 compared to the average short-term time-loss only claim cost of \$11,000.³¹ Another indirect economic cost of pensions is that the extended, multiyear period of temporary disability leading up to the pension takes time away from CMs that could be spent on managing claims to avoid total and permanent disability.³²

3 TIME TO CLOSURE

A statistic that is closely related to the length of TL payments is the time from injury to claim closure. Getting to closure as quickly as the medical and vocational factors will allow, is a cost containment measure. Claims left open without cause are more likely to generate expanded injury claims, more medical expenses, and disputes. “Finality” is a term that has positive meaning for many claimants. The popularity of Option 2, which allows workers found eligible for retraining to “cash out” their retraining plan for a payment of 6 months of indemnity and claim closure (as discussed in Chapter 2) is a good example of the desire by some to move on with their lives.

The Exhibit below shows the median days from injury to claim closure for claims with TL or PPD. There was virtually no change over the range 2011-14. However, the lack of improvement in days to closure runs contrary to the improving job market since 2013, which should have speeded up closure due to better RTW opportunities.

Exhibit 5-11: Median Length of Time from Injury Closure on a Lost Time/PPD Claim, By Year of Closure

Year	Median Days, Injury to Closure
2009	303
2010	327
2011	334
2012	336
2013	334
2014 (first 9 months)	333

Source: L&I “Accountability Report” (data on spreadsheet tracked starting October 2001 and updated monthly), received from L&I, October 2014

Time to closure is not strictly related to disability; there is also an administrative management component. For example, a claim might be left open even though the claimant was back to work with no further indemnity and no record of ongoing medical treatment. Such a scenario is not by design, but is the result of a delay in taking the administrative steps to accomplish closure. Another example is a claim kept open only because of weekly physical therapy visits; such therapy should be medically necessary to improve or stabilize a medical condition, or the claim should be closed. What the CM needs to do is

³¹ Source: Presentation by Kirsta Glenn to Workers’ Compensation Advisory Committee, L&I Research and Data Services.

³² Note that this economic cost is reduced somewhat by the Social Security Disability offset received by the State of Washington. See <http://www.ssa.gov/policy/docs/ssb/v65n4/v65n4p3.html>.

confirm the necessity of ongoing treatment, whether the claimant is in a “fixed and stable” condition, and whether there is an impairment rating requiring PPD to be paid.³³

4 OVERALL SATISFACTION, GAUGED BY STAKEHOLDER SURVEYS

The Department has several advisory groups that appear to help the Department to monitor stakeholder concerns and propose remedies. L&I seems to use these advisory groups to help shape administrative procedures. Examples of major rules developed by advisory committees include, the redevelopment of performance indicators for vocational counselors (by the Vocational Professionals Advisory Committee), audit standards for self-insurers, and pension financial accounting decisions (by sub-committees of the Workers’ Compensation Advisory Council).

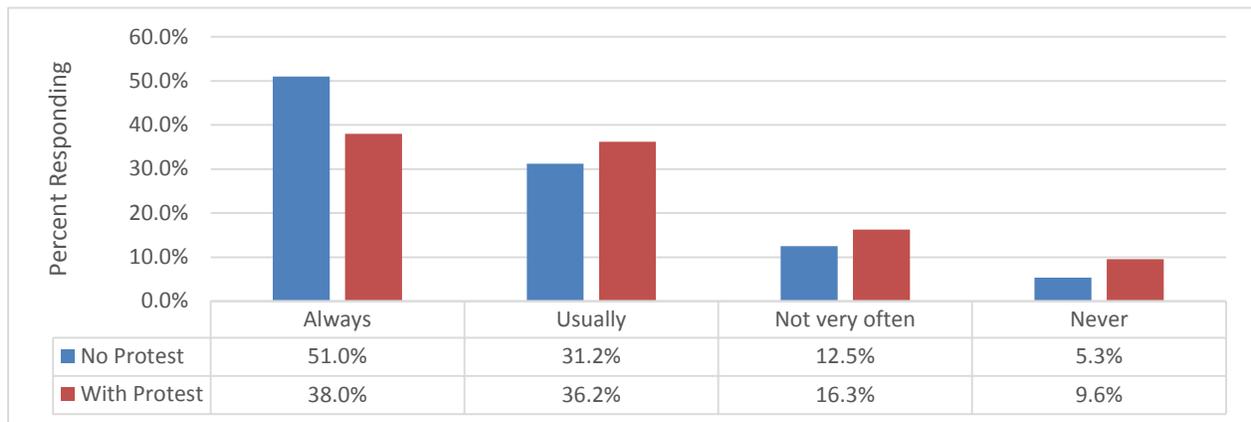
L&I reports that focus groups are used for in-depth exploration of particular subjects (no details have been published). The other feedback mechanism that seems to have received serious consideration by L&I are formal surveys. As of April 2015, L&I has sponsored four surveys of both employers and injured workers. Results tend to give L&I favorable ratings; in the 2013 survey, 61% of the respondents gave L&I a good rating overall.

In the course of the performance audit, we conducted an extensive survey of employers and injured workers. Although most of the questions targeted particular performance areas, some of the questions were designed to gauge overall performance and satisfaction, e.g., “treatment with respect” and “overall satisfaction with the protest process.” 79% of our worker respondents said that they were “always” or “usually” treated with respect by L&I. The 21% of workers who were negative about their treatment by L&I raises some concerns about the causes of this negativity. Was it just a matter of poor communication, or was there another clear cause for a grievance? Our survey of injured workers sampled those with relatively serious injuries as well as workers who were represented by attorneys. For discussion of the methodological differences, see Appendix 3.

Exhibit 5-12 groups respondents into the “protest” category, i.e., those with protests, appeals, or denials, and those without, and the “no protest” category. (Most all appeals include a protest, and almost all denials in the survey sample had protested their denial.) The results show that those without protests were a little more positive (and a little less negative) than those with protests.

³³ During file reviews, we observed in 20% of sampled claims that closure generally was needed, but not done. The reasons for this were not identified with precision, but only an observation was noted, based on factors that indicated the claim generally was a good candidate to be closed.

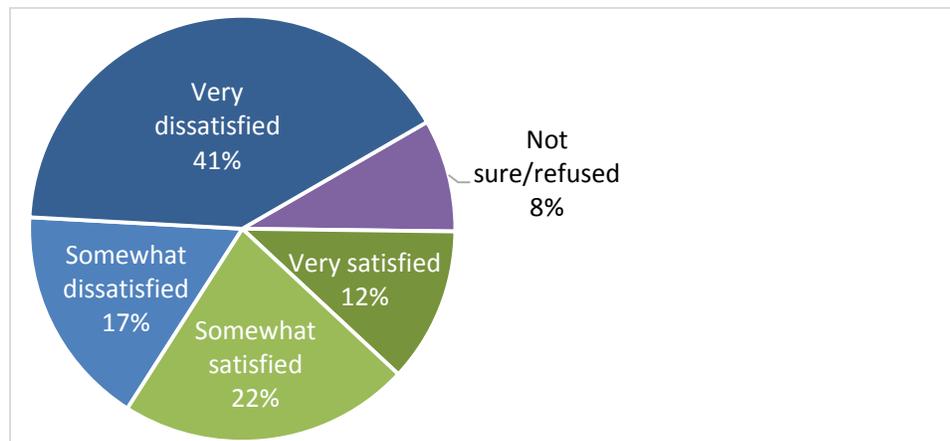
Exhibit 5-12: Treated with Respect When Contacting L&I: % Workers Responding



Source: WorkComp Strategies Worker Survey 2014 (sample of claims > \$5,000 in medical costs)

Among workers who had filed a protest, 41% were “very dissatisfied” and 17% were “somewhat dissatisfied” with the process involved in the protest (Exhibit 5-13). We suspect the very negative opinions were influenced by the outcome of the protest and perhaps the claims decision that led to the protest. Also, the length of time to resolve the protest might have been a strong contributor.

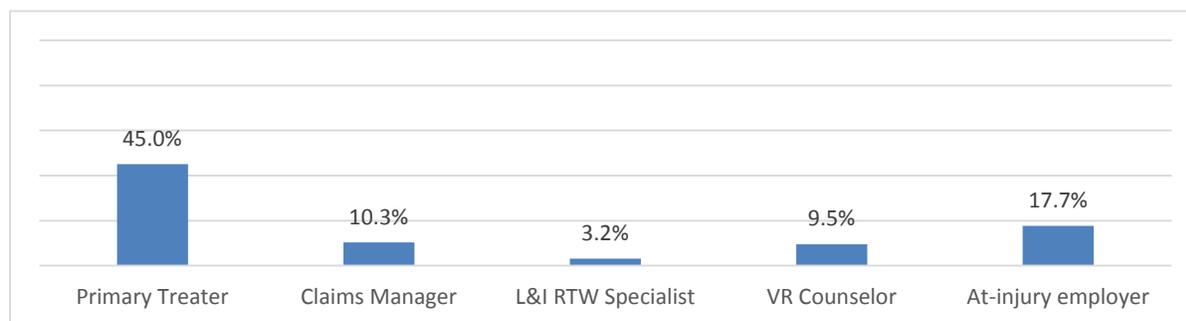
Exhibit 5-13: Workers with Protests: Satisfied with Process?



Source: WorkComp Strategies Worker Survey 2014 (sample of claims > \$5,000 in medical costs)

A key service that is closely connected with the cost drivers discussed above is delivery of vocational services. We surveyed workers on their satisfaction with those involved in the vocational services process (see Exhibit 5-14), and while 45% of workers responded that the primary treatment provider was helpful or very helpful, only 10.3% and 3.2%, respectively, of workers responded that the CM or L&I RTW specialist was helpful or very helpful. L&I survey results show higher satisfaction levels, but the samples draw from different populations. For additional explanation on methodology, see Appendix 3 – Methodology.

Exhibit 5-14: Percent of Workers Indicating That Parties to the Claim Were Helpful or Very Helpful



Source: WorkComp Strategies Worker Survey 2014 (sample of claims > \$5,000 in medical costs)

Employers' overall satisfaction with L&I was generally positive. The ratings were roughly similar for all three insurance groups (Retro, non-Retro, self-insured), although the percentage of very extreme ratings was highest for non-Retro and smallest for self-insured. Employer responses differed from worker survey responses in several significant ways. Employer responses were generally more positive toward treatment by L&I. Overall, almost two-thirds of employers (64.3%) that answered the question were "Very satisfied" (19.4%) or "Satisfied" (44.9%) with their overall experience with L&I. L&I also regularly surveys employers, and the results are similar (Exhibit 5-15). These results are discussed in further detail in Appendix 6.

Exhibit 5-15 Employers' Overall Experience Working with L&I in the Past Year

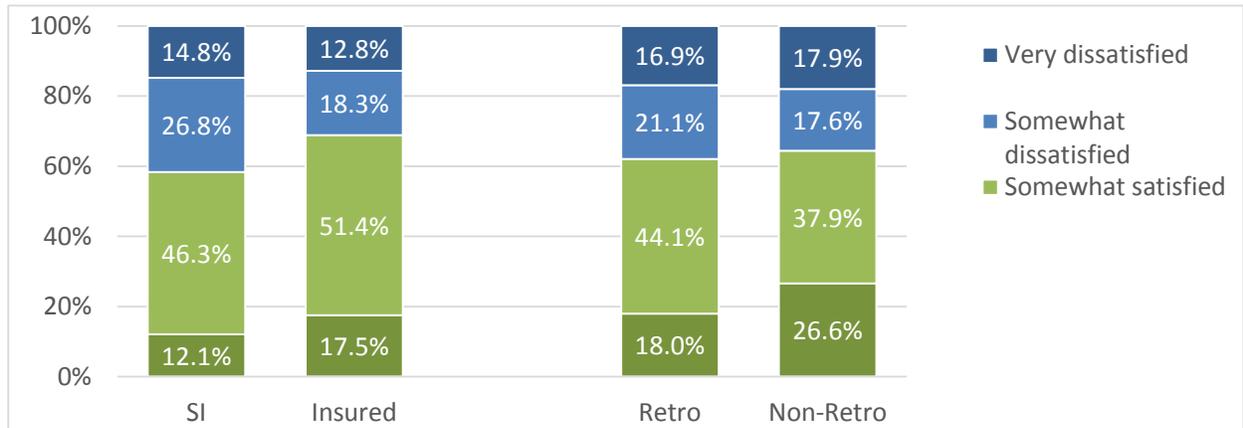


Source: L&I Employer Survey, conducted by Ipsos (November 2014).

Perceptions of overall satisfaction where an interaction takes place are highly dependent on the rating of the interaction with claims managers and staff. In the L&I survey results, respondents who had direct contact with claims managers reported relatively high levels of overall experience satisfaction. Interaction with claims managers and staff were very good/good in nearly 70% of responses. The survey supports the friendliness, helpfulness, and attentiveness (listening and understanding) of claims managers and staff. For additional discussion of these results, see Appendix 6: Employer Survey Results.

We also compared overall satisfaction levels for employers, as shown in Exhibit 5-16. Note that these results are split into separate groupings: the “SI” and “Insured” grouping compares SI employer with “matched” employers with insurance from the State Fund. This matching sought to group employers that are most similar, primarily in terms of size; the matching criteria are further described in Appendix 3. The other grouping, “Retro” and “non-Retro,” include only State Fund insured employers, but they are also matched by the same process, and in general are smaller employers.

Exhibit 5-16: Overall Satisfaction with L&I



Source: WorkComp Strategies Employer Survey, 2014

While the groupings show a close similarity for the percentage of satisfied employers, there remains an important fraction of employers in all 4 groups that are "very dissatisfied." Self-insured employers had the smallest percentage of “Very Satisfied.” and “Very Dissatisfied,” seemingly showing a generally satisfactory relationship with L&I. These results are discussed in further detail in Appendix 6.

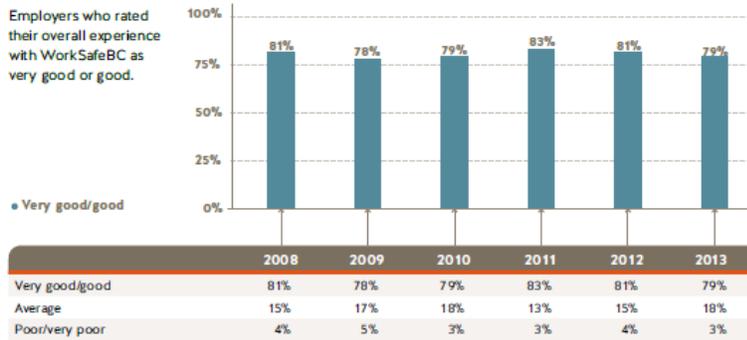
Although direct comparison between these results and those from other jurisdictions is problematic (for further discussion, see Appendix 6), L&I and the Workers’ Compensation Board of British Columbia (WorkSafeBC) have been asking similar questions with a similar general objective, and the two jurisdictions share similarities in industrial mix, economic conditions, organizational structure and legislation.³⁴ At the aggregate level, comparison of trends and some of results may provide insight into the Washington survey results.

Exhibit 5-17 reflects recent performance measurement results published by WorkSafeBC. The two measures were obtained using a similar independent survey methodology and include the time frames covered by the L&I survey results shown in Exhibit 5-15.

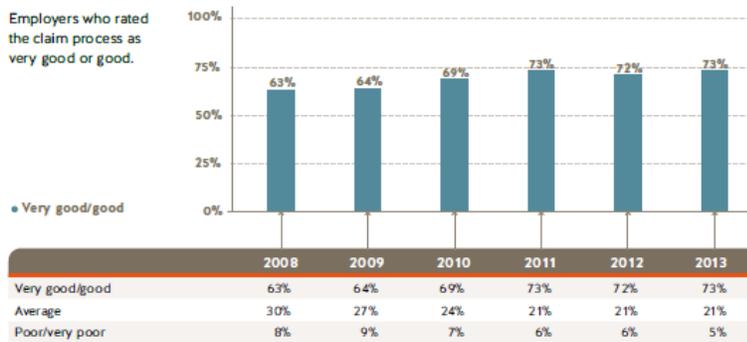
³⁴ See Appendix 2 for discussion of the similarities between Washington and British Columbia.

Exhibit 5-17 British Columbia Employer Survey Results 2008 – 2013

Employers' rating of their overall experience¹



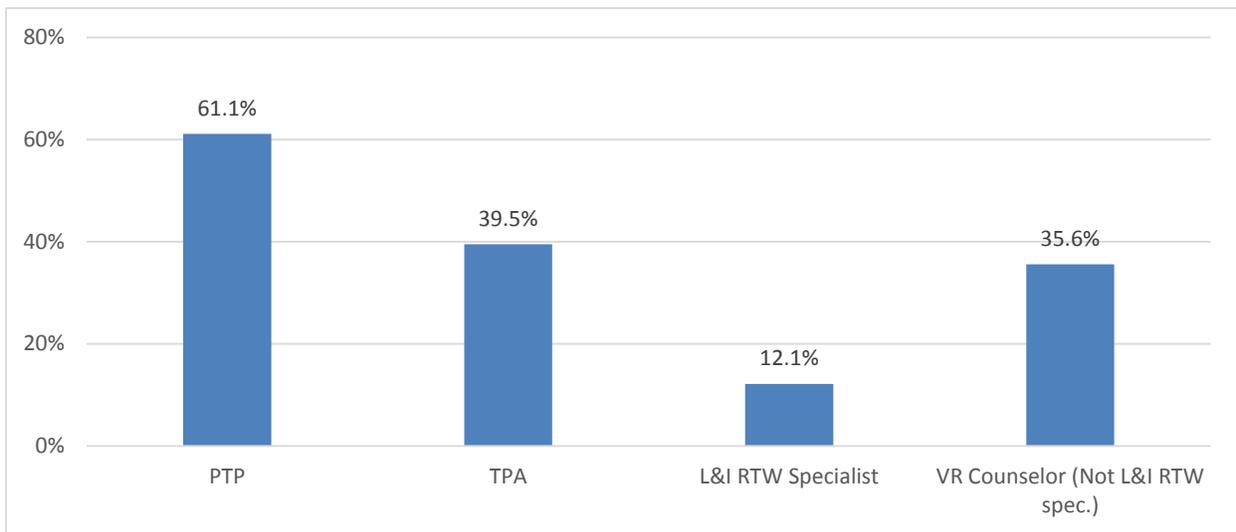
Employers' rating of the claim process¹



¹ Due to rounding, not all columns total 100 percent.

Source: WorkSafeBC, *2013 Statistics*, p. 97, available at http://www.worksafebc.com/publications/reports/statistics_reports/assets/pdf/stats2013.pdf.

We also surveyed employers on their perceptions of L&I's delivery of RTW services, which is closely connected with the cost drivers discussed above. Exhibit 5-18 shows that employers were considerably more positive than workers about the role of all the agents in the RTW process. As with the worker respondents (Exhibit 5-14), vocational counselors received the lowest levels of positive ratings, and L&I vocational specialists got the lowest ratings of all.

Exhibit 5-18: % Employers re Helpful RTW Services

Source: WorkComp Strategies Employer Survey, 2014

In this chart, PTP refers to “Primary Treating Physician” and TPA refers to “Third Party Administrator.” These questions were posed to both insured and self-insured employers, which explains the result that TPAs were considered helpful, as self-insured employers often hire Third Party Administrators for claims management, and specifically to assist with issues like RTW.

5 PERFORMANCE METRICS

A major part of this audit was scouring measurements of system performance from three sources: 1) L&I’s internal measurements; 2) performance measurements of other government and research related organizations; and 3) analysis of L&I claims data by the authors. Naturally, such statistical and descriptive data is useful for outsiders to evaluate performance. A number of organizations publish side-by-side comparisons of jurisdictional characteristics and performance, most prominently NCCI, WCRI, NASI, and AWCBC.

Yet another use of metrics is to manage organizational resources toward achieving management goals. We found a wealth of data used by L&I to track activities for compliance with law or internal standards. One of the important issues that repeatedly came up in our study was the use of data to measure system performance. In some areas L&I is zealous to report with detailed numbers. This is particularly true of financial and accounting information. We applaud L&I practices in this area.

However, although very much a part of internal management operations, other very important aspects of system performance rarely have the spotlight during public presentations. We have discussed the lack of non-economic indicators earlier in this section. A short list of expanded published performance reporting would include:

- Return to work at various time intervals after injury
- Persistence of work after return from injury
- Return to work with pre-injury employer versus other job
- Use of SAW assistance or Preferred Worker to facilitate RTW
- Recovery of pre-injury wage levels
- Percentage of claims with permanent impairments
- Average level of impairment ratings
- % claims treated by COHE providers
- Satisfaction with COHE and non-COHE medical care
- Satisfaction with IME process
- Protest filed and speed to resolution

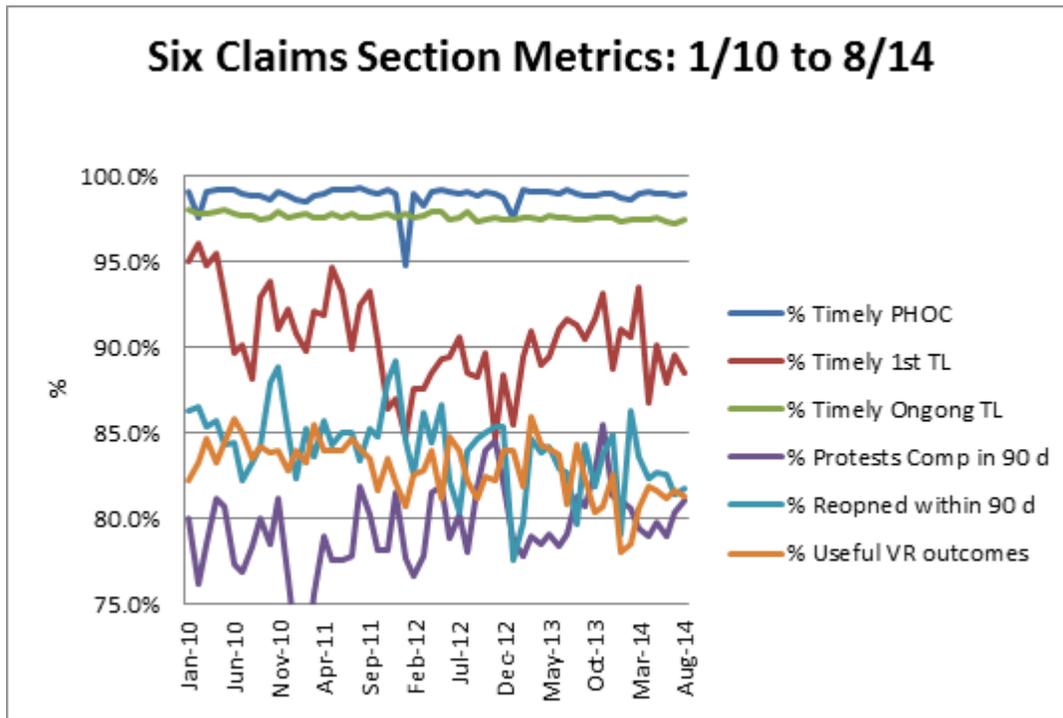
By no means is this an exhaustive list of useful indicators. The design of performance measurement should be built on top-level management direction and stakeholder accountability.

Switching from public to internal metrics, we reviewed a cross section of L&I internal reports, covering the claims section, vocational services, medical management, self-insurance, and the Retro program. We also reviewed a variety of actuarial reports.

L&I is active in elaborating charts, tables, and reports that measure details of the workflows and functional responsibilities in the agency. The Imaging Unit, for example, measures and charts its daily workflows and processing times; the call center monitors call volumes and hold times. Likewise, the Vocational Services Specialists are closely measured for their review times. These put into practice the management dogma: “If you can’t measure it, you can’t manage it.” These and other areas represent intelligent use of metrics.

One apparent problem, at least in the 2010-13 period in which the data was collected for the performance audit, is the proliferation of metrics without clear client users. There also appeared to be “inoperative” metrics in some past reports, that is, reports that get created without any apparent serious attention or effort to control the process they purport to measure. For example, we studied a spreadsheet called an “Accountability Agency Summary” that appeared to have been consistently generated for 10 or more years with detailed measurements of about 40 particular aspects of the Claim Section workflow. The Accountability Summary report is broken down into separate reports for the claims units. Reviewing an early 2014 version of this Agency Summary report, we were struck by the fact that the values seemed to change from month to month and year to year with no apparent movement toward or away from the desired outcome. Exhibit 5-19 plots six examples of performance from Jan 2010 through August 2014. Two of the six metrics, % timely first payment of TTD and % timely ongoing payments, were relatively unchanged over the period, although the first payment line shows some surprising monthly deviations from the trend. Three of other metrics (% timely PHOC, % reopened in 90 days, and % useful VR outcomes) show a slow downward trend, with fairly substantial drops in the most recent months. Finally, one metric (% protests completed <90 days) shows a slight upward trend and a strong improvement in the latest two months. Major consolidations and refinements have been made since 2013 in management reporting, e.g., the “CBOB+” report recently initiated by L&I.

Exhibit 5-19 Sample Metrics from Accountability Agency Summary



Source: L&I Accountability Agency Summary (spreadsheet), received from L&I, Oct. 2014

After inquiry into how such metrics are used by supervisors, we found that the above report and other metrics recently were substantially re-engineered. The new report, called “CBOB+,” is much more visually attractive and logically organized. In our interviews with Claim Unit Supervisors, we got mixed reactions to the value of some of the metrics in CBOB+. The Claims Section Chief reported that the reports were used by unit supervisors for comparisons of their unit’s performance with other units, and for the evaluation of the performance of individual CMs. Our impression was that these reports were being actively used as a management tool; with respect to the Accountability Report, though, they showed no clear evidence of performance changes over time.

Another tool recently made public by L&I is a performance “dashboard” used for internal management and for reporting performance to the WCAC. This dashboard is based on the CBOB+ report and was under development as of March 2014, and the number of metrics reported to WCAC varies from meeting to meeting. An outstanding feature of the dashboard is the very clear way it shows benchmark performance, goals, and movement toward goals. To its credit, L&I reports instances where metrics are not showing progress toward goals, or even deteriorating.

Other government workers’ compensation insurance programs publish annual reports containing performance measures; the exclusive fund states of North Dakota and British Columbia are good examples. The closest thing to this in Washington is the pamphlet “Your Premium Dollars at Work.”³⁵ This document falls short of a meaningful annual report. It is written primarily for employers. The statistics it contains really do not allow the reader to gauge system performance. It could be

³⁵ 2014 version available at <http://www.lni.wa.gov/formpub/Detail.asp?DocID=2722>.

substantially expanded and enhanced. The descriptive statistics on nature and cause of injury and highly aggregated claim information, while common in jurisdiction reports, are not at all useful for research or in-depth policy analysis.

Rather, the focus in a published performance report should be on how the system is performing in meeting legal requirements, management goals, and stakeholder expectations. Some examples of statistics that stakeholders could immediately relate to would include:

- Speed to make claim determination
- First payment of TL
- Average duration of TL
- Frequency distribution of claims on TL by length of payment
- Protests filed and time to resolve protests (30, 60, 90, >120 days)
- Claims treated by COHEs
- Cost of claims within COHE versus other providers
- Speed of provider bill payment
- Number of retraining plans approved and % completion

A host of accounting reports and financial metrics are reported in detail by L&I at WCAC meetings. By contrast, much less analytical effort and attention is directed to the claims process in WCAC presentation materials. For example, meeting contingency reserve targets gets a great deal of attention at the WCAC, but movement in the average duration of TTD or pension projections receives less frequent discussion.

A fine example of integrating strategic goals with measurements of success is the recent L&I attention being paid to the excessive amount of time it has taken to initiate and complete an AWA. The AWA process is integral to meeting L&I Goal 2 (Return to Work), shown in Exhibit 5-20. System re-engineering appears to have broken through the long lag time in completing AWAs. In 2014 a new emphasis was put on early AWAs. The success of this pilot program is being measured closely and will probably result in much closer attention to the traditional reports showing no progress. In addition, the emphasis given to RTW in the new “dashboard” described above will compel the section of L&I that manages vocational services to examine how their efforts contribute to meeting departmental goals.

Performance metrics need to be linked to goals, starting with top-level goals for the Department and further broken down to work unit goals. The top-level goals for the organization must be linked logically and practically with the goals of each sub-unit in the organization. We studied the linkage of goals within L&I and how they relate to measurement.

First, three recent successive L&I strategic plans have shared a good deal of consistency, e.g., emphasis on safety and combating fraud and abuse. We found that the quantification of objectives was most pronounced in the Strategic Plan for 2014-20.³⁶ Of the five top-level goals in that plan, Goal 2 was directly related to the claims process. Although the goal’s phrasing – “Help Injured Workers Heal and Return to Work” – is too general to guide action, within Goal 2 there were 12 relevant and useful sub-goals that would help injured workers to “heal and return to work.” Exhibit 5-20 provides details from that plan.

³⁶ Available at <http://www.lni.wa.gov/IPUB/101-171-000.pdf>.

Exhibit 5-20: Detail from Goal 2 from Strategic Plan 2014-20

2.1 Create a culture of return-to-work (RTW).	Goal 2: Business Vitality and Thriving Washingtonians.	<ul style="list-style-type: none"> ▪ Number of long-term disability claims per 10,000 total claims. ▪ % of injured workers who return to work within 6 mos. after claim received. ▪ % of new claims receiving vocational services by 90 days. ▪ % of injured workers surveyed who remember discussing RTW.
2.2 Reduce preventable disability.	Goal 4: Safe People 2.5. Goal 5: Efficient, Effective Government 1.1, 1.3, 3.1.	<ul style="list-style-type: none"> ▪ % of injured workers on time-loss at 3 months who are still on time-loss 6 months after injury (persistence rate). ▪ % of injured workers being treated by COHE providers. ▪ % of injured workers on chronic opioids. ▪ % of injured workers on time loss 6 months after injury.
2.3 Reduce system delays & improve customers' experience.		<ul style="list-style-type: none"> ▪ Average # of time-loss days paid 90 days after claim received. ▪ Overall injured-worker experience. ▪ Overall employer experience. ▪ Median days of time-loss paid at first referral for vocational services.

Source: L&I Strategic Plan: 2014-2020, Goal 2, available at <http://www.lni.wa.gov/IPUB/101-171-000.pdf>.

These 12 measures related to Goal 2 have not all been reported publically, though they may be monitored within the agency. Specifically, the median days of time-lost paid at first vocational service exists as an internal metric, but was not found to have been published or discussed with WCAC. Likewise, the extent to which all of these measures are part of regular internal monitoring is not clear; for example, the percent of workers surveyed who remember a RTW discussion is not reported as part of the new dashboard.

Of course there are many other metrics and performance goals that would contribute to the success of the Department in meeting the overarching objective of Goal 2. One of these is prompt contact with employers and claimants. Another is earlier and more complete injury reports. Two of the twelve listed Goal 2 strategic-plan measures are related to medical care delivery, yet these two do not adequately cover the range of management issues connected to “healing” of injured workers. Some of these subsidiary measures were discussed above in relation to the CBOB+ report. Finally, as discussed earlier in this chapter, non-economic impacts are vital to a full evaluation of overall performance. There are some non-economic indicators covered in the 12 named in Goal 2 of the 2014-2020 Strategic Plan, but many others, as outlined and discussed above, should also be measured and monitored.