

**FOLLOW-UP: 1998
WORKERS'
COMPENSATION
PERFORMANCE AUDIT**

REPORT 03-10



REPORT DIGEST

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STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

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OVERVIEW

In 1998, JLARC conducted a performance audit of Washington's workers' compensation system, which is managed by the Department of Labor and Industries (L&I). While JLARC conducted follow-up activities to this audit in 1999 and 2000, the current trend towards substantially higher workers' compensation premiums motivated JLARC to revisit the recommendations of its 1998 audit. JLARC contracted with Edward M. Welch, a national workers' compensation expert from Michigan State University, to assist with the follow-up. Mr. Welch was the leader of the 1998 audit team.

OVERALL FINDINGS OF THE 1998 AUDIT

A major finding of the 1998 audit was that Washington's workers' compensation system was particularly efficient. Benefits provided to injured workers were high, while costs to employers were low. While the 1998 audit found Washington's system to be efficient, it also found many areas where improvements were needed, and made 32 recommendations for such improvements.

CONCLUSIONS OF THIS 2003 FOLLOW-UP

JLARC found that the Washington system continues to be efficient. Benefits provided to injured workers continue to be relatively high while costs continue to be relatively low. While L&I has recently raised its premiums, premiums are also growing around the country. We also found that L&I has made substantial efforts to address the 1998 recommendations, either directly or through other changes that were not specifically recommended. Nevertheless, many important recommendations of the 1998 audit have yet to be implemented. Some of those potential changes are standard practices, and could generate substantial improvements in how L&I manages the system, as well as potential cost savings. In addition to his observations about the 1998 recommendations, JLARC's consultant had three additional suggestions based on his current observations. Mr. Welch suggests L&I should:

- Put greater emphasis on return to work.
- Change how performance is measured to emphasize return to work.
- Continue to promote improved safety in the workplace.