

Study Design for Evaluating Workers' Compensation Claims Management

Briefing Report

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Joint Legislative Audit & Review Committee

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JLARC

2011 Legislation Directs Workers' Compensation Claims Management Audit by June 2015

- 1st briefing in June 2012
 - ♦ Reported that we hired a consultant to assist with study design
- Today's briefing will include:
 - ♦ Overview of Washington's workers' compensation claims management system
 - ♦ JLARC's study design plan
 - ♦ Study cost and timeline for full evaluation

I. Overview of Workers' Compensation Claims Management



Workers' Compensation Insurance Seeks to Protect Workers and Employers

- Pays for eligible medical expenses, portion of lost wages, permanent disability awards, and vocational retraining
- In return, workers cannot sue their employers for work-related injuries or illnesses
- Workers in WA are covered by the state insurance plan ("**State Fund**") administered by Labor and Industries (L&I) or **self-insured employers**

Over 146,000 Workers' Compensation Claims Were Filed in Fiscal Year 2012

Fiscal Year 2012:	State Fund	Self-Insured Employers
Workers	2.4 million (74%)	850,000 (26%)
Employers	167,000	2,300
New Claims Filed	101,500	45,000
Benefits Paid	\$1.5 Billion	\$419 Million

What Is Claims Management?

Series of decisions L&I and others make to:

- ◆ Help a worker recover from a work-related injury or illness
- ◆ Mitigate the economic impacts of that injury or illness
- ◆ Assist the worker in returning to work



Decisions include:

- ◆ Has injury/illness created a disability from work?
- ◆ Is worker eligible for portion of lost wages?
- ◆ When is medical treatment no longer necessary?
- ◆ When to close a claim?

II. JLARC's Study Design Plan



Research Questions Focus on Timeliness, Fairness, and Efficiency of Claims Management

- Audit will assess whether changes are warranted in six areas of claims management

1 Decision-making:

- ♦ **How long** does it take for benefits to be paid to injured workers and providers?
- ♦ Are key decisions made **consistent** with statutes, rules, and L&I policies?

Research Questions (cont.)

2 Complaint and Dispute Resolution:

- ♦ **How long** does it take for Department to respond to a protest on a claim decision?
- ♦ Are the complaint and dispute resolution processes applied **consistently** for State Fund and self-insured claims?

3 Communications:

- ♦ Is the content of L&I's forms, publications, and website **usable** and **easy to understand**?
- ♦ Do workers and employers believe they receive information (such as appeal rights) in a **timely** manner?

Research Questions (cont.)

4 Organizational Structure and Service Delivery Models:

- ♦ Do L&I's organizational structure and delivery systems support **prompt** payments?
- ♦ Are they focused on encouraging **rapid** and sufficient physical **recovery** and **returning workers to work**?

Research Questions (cont.)

5 Service Delivery for Retrospective Rating Plan Participants versus Non-Plan Participants:

What is the retrospective rating plan?

A voluntary program for State Fund employers that promotes safe workplaces and provides partial refunds on insurance premiums to employers who reduce injuries and lower claim costs.

- ♦ Is L&I **organized differently for the handling of claims** from retrospective rating plan participants?
- ♦ If so, can one determine whether those differences **impact** rating plan **refunds** for plan participants?

Research Questions (cont.)

6 Current Department Initiatives:

- ♦ Do current initiatives **improve service delivery** and provide new opportunities for education about how best to return workers to work?
- ♦ Is the Department measuring the impact of new initiatives?

JLARC Will Compare Performance in These Six Areas Across Claim Programs

State Fund		Self-Insured Claims
Retrospective rating plan	Non-retrospective rating plan	

To the extent information is available, compare performance to workers' compensation programs outside of Washington and industry practice

Study Will Require Multiple Evaluation Tools and Interdisciplinary Team of Experts

Evaluation Tool	Consultant Expertise Required
Statistical analysis of claims data	Labor economics/statistics; data programming
Claim file reviews	Claims management; workers' compensation law
Surveys of workers & employers	Survey implementation
Interviews	JLARC staff and consulting team

III. Study Cost and Timeline



Cost for Expert Consultants

- Estimated cost for consultants is \$664,000
- Estimate developed with workers' compensation expert and reviewed by four independent professionals
- Appropriation in 2013-15 Budget is needed to carry out this study

Full Evaluation to be Completed by June 2015

Phase 1

✓ **Dec 2012** Briefing report on study design plan

Phase 2

Dec 2013 Report on progress of audit

June 2015 Present audit results to Legislature

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