

WORKERS' COMPENSATION CLAIMS MANAGEMENT

SCOPE AND OBJECTIVES

JULY 2, 2013

STATE OF WASHINGTON



JOINT LEGISLATIVE AUDIT AND
REVIEW COMMITTEE

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What Is Workers' Compensation Insurance?

Workers' compensation laws protect workers and employers from financial and other hardships that result from work-related injuries and illnesses. Workers' compensation insurance pays for eligible medical expenses, a portion of lost wages, permanent disability awards, and vocational services when a worker becomes injured or ill on the job. It also pays ongoing benefits to a surviving spouse or dependents when a work-related injury or illness results in death. In exchange for these benefits, workers cannot sue their employers for work-related injuries and illnesses, and employers are protected from potentially costly lawsuits.

In Washington, workers' compensation is provided by a state-operated insurance program known as the "State Fund," or by self-insured employers. Currently, over 3 million workers in Washington have workers' compensation insurance, with 170,000 employers. Over 146,000 new workers' compensation claims were filed by injured and ill workers in Fiscal Year 2012.

Why a JLARC Audit of Workers' Compensation Claims Management?

The 2011 Legislature enacted a number of major reforms to the state's workers' compensation system (EHB 2123). The Legislature also directed the Joint Legislative Audit and Review Committee (JLARC) to conduct a performance audit of the state's workers' compensation claims management system.

Claims management refers to a series of decisions the state Department of Labor and Industries (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, and assist in the worker's return to work.

This Scope and Objectives is derived from two documents presented previously to JLARC: a [briefing in June 2012](#), and a study design [briefing report in December 2012](#).

Study Scope

This performance audit will focus on the workers' compensation claims management system at L&I. JLARC will assess the overall promptness, fairness, and efficiency of claims management and will determine whether any changes are necessary to improve system results.

Study Objectives

The Legislature directed JLARC to address the following six topics:

- 1) Fairness and timeliness of **decision-making**;
- 2) Fairness, timeliness, and effectiveness of **complaint and dispute resolution**;
- 3) Timeliness, responsiveness, and accuracy of **communication** with employers and workers;
- 4) Efficiency of current claims management **organization and service delivery models**;
- 5) **Differences** in claims organization and service delivery **for retrospective rating plan participants and non-participants** and how those differences might impact rating plan refunds. The retrospective rating plan is a program available to State Fund employers that allows participants to earn a partial refund on insurance premiums if they reduce injuries and lower claim costs; and
- 6) Whether **current initiatives** improve service delivery, meet the needs of current and future workers and employers, improve public education and outreach, and are otherwise measurable.

JLARC's study design includes an extensive list of research questions in each of these six topic areas to ensure a rigorous evaluation of the system. See the [December 2012 JLARC briefing report](#) for examples of specific research questions in each topic area.

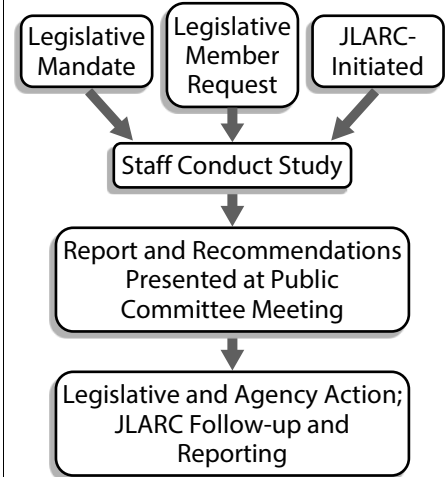
Timeframe for the Study

This fall, JLARC will hire one or more consultants to assist with the fieldwork for this study. Staff will present a briefing report on the consultant(s) hired and the work to be done at the JLARC meeting in December 2013. The study will be completed in June 2015.

JLARC Staff Contacts for the Study

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JLARC Study Process



Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources? For example:
 - Is JLARC the most appropriate agency to perform the work?
 - Would the study be nonduplicating?
 - Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?