

The first quarterly meeting of the **Retro Advisory Committee** for calendar year 2016 was called to order at 9:37 a.m., by committee chair **Tim Smolen**.

Members present today:

- **Brian Bishop**, *Association of Washington Cities*.
- **Scott Dilley**, *Washington State Farm Bureau*.
- **Lauren Gubbe**, *Associated General Contractors*.
- **Tammie Hetrick**, *Washington Retail Association*.
- **Teran Petrina**, *Washington Restaurant Association and Washington Lodging Association*.
- **Tim Smolen**, *Department of Labor and Industries (chair)*.

Introductions

Tim Smolen introduced **Milton Vance** (*court reporter*). The Committee members introduced themselves, followed by audience members.

Housekeeping/ safety

Mark Matthies reminded all present about housekeeping and safety concerns, including emergency exit protocols.

Review agenda/ minutes

The Committee approved today's agenda, and minutes of the previous meeting.

Safety message

Scott Dilley presented a safety message about how to be prepared for a road-side emergency.

Retro staff presentations

Enrollment updates – Rachelle Jefferson

RACHELLE: We received a total of two protests representing four accounts for October enrollment. Two of the four accounts are still being processed and we'll have a decision and a new order notice issued by mid-March.

For January we are processing eight groups. Another 22 groups are enrolling through what we call "staggered enrollment" and we've got 29 individually-enrolled employers. We received a total of 411 new applications. This is 100 more than we processed last January. As of today, we have sent out orders / notices for all individuals, all the groups and all but one of the staggered groups— that one is involved in the common ownership pilot. I'd like to thank those of you here today that worked closely with us for your quick responses when we've had questions or needed additional information.

BRIAN BISHOP: Of the 29 individuals, were those renewals from prior years or were they completely new?

RACHELLE: There were some from previous years and a couple new ones. So I'm guessing probably five individuals.

TIM: Rachelle is going to be a great leader here at L&I. And she was very generous this morning to do some mentoring for Nancy who's going to be your next presenter. We all three walked down together. And I said, "Rachelle, are you ready to give Nancy a little pep talk? She's kind of nervous about the program." And Rachelle said, "Yes." "You're going to do great." So there you go, Nancy.

Adjustment protests – Nancy Lach

NANCY LACH: I'm Nancy Lach. And I'm a worker comp adjudicator in the Retro unit. I've been here since July, and I've been with the agency since 1991. I worked eight years as a workers' comp adjudicator, the last couple in the out-of-state unit. Then I worked eight years with self-insurance: auditing self-insured worker comp programs, and I just loved that. Then I worked eight years in the rules and policy section. And I really liked that job. I found out that I really learned the rules and the laws, and that's helped me a lot here. With that said, I'm doing the adjustment protests.

First of all, I do want to say that I really like being here. I love all the staff I work with. They're so supportive. And I enjoy doing the adjustment protests because I like to write and I like to research, and I like math which is really great for doing the recalcs.

For the January protests, we had 117 claims protested. 69 are completed, and 48 are left to go. There's four groups left to go. I anticipate meeting the 90-day expectation of March 30th and having them mailed out. (Last year for January, we had 138 claims.)

April adjustments went out February 3rd, and protests should be coming in any time.

I want to say that the protests are really good protests. They're well outlined. It's at a good starting point, and this helps me a lot. So now that I'm settled in a bit, I've got my cards. If you want to call and ask me, I've been around for a while, so if you have any claims questions, please feel free to call me. Thank you.

LAUREN GUBBE: We're excited to have you on board. We like your enthusiasm.

NANCY: Thanks.

TIM: Yeah, you're doing a terrific job, Nancy. We're really grateful. So adjustment protests are something that we've invested a lot of time and energy and kind of improving that process. And as Nancy said and Rachelle said, we— one of the things that has been really successful for us in terms of promoting more efficiencies is just improving the collaboration between the department and you all. And

so things like the quality of the incoming protests or the enrollment exception reports or common ownership exceptions. I just feel like the quality of the back and forth is getting better all the time. And that really helps us get to decisions faster, to make decisions more consistently, and I think for us to do a better job of articulating kind of what's in bounds and what's out of bounds and how we're likely to decide things. So I just want to thank you all on the committee and in the audience. I feel like the quality of the collaboration is getting better all the time. And that also makes a better learning experience I think for the staff as well. And thank you both for doing presentations about the work of your areas. I think both enrollment and adjustment protests, things are going really well. I'm really impressed. So thank you both for your leadership. And a thank you to Marnee. It was a bit of a chore for her to imagine kind of letting go of this and letting someone else work on this. She has a tremendous sense of, you know, personal accomplishment and pride in kind of standing up this new process. So thank you for being willing to kind of let go a little bit and share the load with Nancy. So thank you for that. That's a big deal. And so that's great. So next up, we're going to talk about updates for a couple of the workgroups. A few years ago we had some conversation to get some feedback about our performance and to identify some priorities for things we could do to make things go better. And out of that, we chartered two different workgroups that Ashley Frank has been leading us through. So you're going to get a report this morning about kind of progress for the data workgroup first and then the enrollment workgroup. Is that right? Are you ready to start?

ASHLEY FRANK: Sure.

TIM: Moving from the introvert presenters to the extrovert presenters.

ASHLEY: Thank you. So this is going to annoy Marnee a bit. But I think I'm going to do enrollment first and then data. So going against the agenda, which is Marnee's favorite thing.

Enrollment workgroup – Ashley Frank

ASHLEY: So with the enrollment workgroup, as Tim mentioned, we started this a while ago. And we kind of divided the work into two phases. So phase 1 was really focused around what were those process things that were just getting in the way of enrollment. And so we spent some time identifying what those major issues were, and then we came up with things that we could do that would eliminate or reduce the gaps that were happening because of those processes. So we identified 13 overall process improvements. And we have one step remaining. So that last step is we wanted to create a fact sheet that would kind of walk our customers through how we reviewed the different types of enrollment denials. And so some of the feedback that we were receiving was people didn't know what we were necessarily looking at when we were doing an override. And also people didn't know what they could actually protest when it came to enrollment decisions. And so the point of the fact sheet is to really provide some transparency into the enrollment process and make sure that everyone is kind of on the same playing field with regards to kind of what to protest. And within that document we will outline kind of the criteria that we use. And so hopefully that will help people provide more detailed information within their protest and help us resolve them quicker. So where that's at right now is still waiting on internal feedback. And then that will be shared with the rest of the workgroup for a final ap-

proval. And then the goal will be that that will be one of the sheets that we would put on the forms and records portion of the Web site so it would be available to everyone. So— yeah.

TAMMIE HETRICK: Do you have a deadline goal or any time frame you're hoping to meet on that?

ASHLEY: Tim?

TIM: I love Ashley. So when Ashley said she was waiting for internal feedback, she meant it's at my desk. That was a euphemism for "I'm waiting for Tim to finish." So yeah, we'll— Ashley— we're really close. Ashley and I will finish next week. We passed it back and forth. She did a draft, and I had just some modest edits. So we have a final one that's ready. I think all of the enrollment coordinator staff have seen that. It's a couple of like three of four pages long. But— yeah. So next week. I guess part of the delay, our object was we— Ashley and I agreed that we would let the workgroup committee see it before we brought it to the whole RAC. So that was our commitment.

TAMMIE: So next week it will go to the workgroup, and then from the workgroup to— okay.

TIM: Right.

ASHLEY: I was trying to make it easy on you. So the second phase of the industry— or of the workgroup was really focus on the industry category guide. And kind of— during the first part when we were doing our brainstorming, it just seemed that the industry category guide was just a completely separate beast in itself. And so it kind of deserved that undivided attention. And so we've spent over the last year or two a lot of time developing a process for how we would go about updating that. And so I feel like we have a really good framework for how to get new risk classes or kind of what the process would be to have a conversation about assigning industry categories to risk classes. However, right now based on the limited staffing within Retro as well as the other priorities that we have such as making sure the insurance table study goes all the way through and things of that nature, we've decided to hold off on implementing phase 2. And so— by "hold off," I don't mean that we're not going to do it; I want to be clear on that. But what we do want to do is the enrollment coordinator team has gone through a couple cycles now of debriefing enrollment, figuring out what worked well, what didn't go so well, and they've kind of created a parking lot item of things that they feel would help the process go better. And so what we want to do is be able to present that back to the Retro community and include in the industry category guide as one of those things and really let the Retro community help us identify what that priority should be. Given that we have limited resources, what should that focus be. And if it turns out to be the industry category guide is thinking we have a good framework, but if it turns out to be something such as improving account balance report or something within the process that the rest of the community feels is of more importance, then we want to be able to direct our attention to the thing that will get the most bang for our buck. So that's kind of where we're at with phase 2.

LAUREN: Ashley, can I just ask?

ASHLEY: Yes.

LAUREN: So the new risk classes, though, that are out there, those have all been assigned to industry categories?

ASHLEY: No.

LAUREN: That's the only thing that would be kind of weird about putting them out because it seems like you have to have that for Retro enrollment.

ASHLEY: Right.

LAUREN: Or you will have to make a decision on the fly.

ASHLEY: Right. And the way that we handle that right now for any risk class that's not assigned to an industry category, it pops up as a risk class denial. And so what— we do our full account review. And so we are keeping track of, you know, what those risk classes are. And there's one risk class that I can think off the top of my head that they've kind of said is an automatic in, and that's for a food industry category. But other than that, we haven't really ran into— for those new ones that don't have a home, but they keep popping up all the time that would warrant just go ahead and add it at this point. But we do have a list of those new risk classes that have been created. So once we have that time, that portion should go pretty quickly. But there's still that discussion about is it more than one industry category, and really having a comprehensive conversation about it. So— because the industry category guide isn't exclusive. So risk classes can fall within more than one industry. And so we just want to make sure that we have a thoughtful conversation and we're not just throwing them into one just because it's easier. We want to make sure we have an all encompassing approach to it.

LAUREN: How many new ones are there?

ASHLEY: I don't know the exact number off the top of my head, but not many. Like maybe 20 or so.

LAUREN: Yeah. Because it seems like that might— I don't know about everybody— it just seems like they might want to know who they can market or whatever. So maybe just that little teeny 20 could be done.

ASHLEY: Okay, I'll do that.

SCOTT DILLEY: I think for me, what's the most important thing here is that we not lose momentum, right? We've been working up to this point for a while. And I think we need to go ahead and proceed with this. I don't think it's a huge time commitment, at least from folks in the Retro community to review those kinds of— anyway, so, you know, those 20 risk classes and anything that— you know, I don't think it's a huge project in that regard. So I think it's something that can be done relatively quickly, at least to make those determinations for the guide. And part of the process as established needs to be one that will allow for changes year in and year out. You know, so at a certain point every year or every two years we allow for more discussion to be had. So it's not as if we need to go and make this huge leap even for the first step. All we need to do is take, you know, the first few steps on updating that document. I know— so I know the resources are limited. But I would like to see us, you

know, move forward on that. And if there are other folks here who are very much interested in that, I certainly — you know, through the workgroup and other things, would love to have them volunteer and allow us to move forward on it.

ASHLEY: And thank you guys for that. We have it down as a — (*inaudible*).

LAUREN: Yeah, I'm just thinking we have the largest enrollment commitment, but there's only 20 that don't have a home that might want to — for people that — I don't know. I was just thinking about enrollment.

TIM: So maybe what — I guess two things. So to your expression, Lauren, about kind of making those decisions on the fly, when — our current process is that the enrollment coordinator team just staffs all of those kinds of denials. And in general, those kind of new — newly added risk classes are not getting in the way, they're not slowing down the process. Scott, I think — the other thing I heard into your remarks was maybe you'd be willing to help the workgroup bring some recommendations to the staff about — so here's a new risk class; it seems like it belongs in industry category 3, or 3 and 7. And then I think that could help us with our internal process so that we're — you know, I think in terms of an efficiency, that — if you all could come to some agreement among yourself, I think that makes our work easier, right? Is that fair? Can I say that?

LAUREN: There's your part, but there's their part too. And so your part might be clear on what you're going to do with those 20. These guys (*indicating*) don't know. Are they mine? Are they mine? Mine, mine, mine. You know, what's that Finding Nemo movie? They don't really know if there's a market or not. And so it's just — I was just trying to — because you got to think about that too. I mean, I don't have a — I just think that since it's the largest enrollment, we should find out. You know what I mean? Everybody should talk about it.

TIM: Yeah. So would you — I guess I'm meaning to address the whole committee, not just you or Scott. But would you guys feel comfortable going first then and saying, "As a committee we feel like it makes sense that this risk class belongs here." Because, again, I think that would help us, right?

LAUREN: Sure.

BRIAN BISHOP: I think I want to speak on behalf of the committee as well as the Retro community that when we talked about this item, this issue, we really kept it at a high priority. And I understand insurance tables are a very big deal right now and going through those actuary studies. But we want to, like you said, lend some help. I'd like to add myself to that workgroup if I can to look at the enrollment. Because we felt we needed to have a committee presence on there as well. And I know the community as well as the committee would be interested in coming up with some type of workday planning. Let's lay it all out. It seems like a low hanging fruit type item that we could knock out pretty quickly without taking too much of your resources off your insurance study tables. So we want to offer that. As well as to voice our opinion that this is kind of still a high priority with us and try to knock it out this year and work with you and your work schedules.

TIM: So I think— where Ashley and I were at, Brian— I appreciate the offer— was that we really wanted to think about remaking the composition of the committee so that it was really the right people for the next steps. So I think it makes sense that we can include you and whoever else you guys want to include from the community to do that. And Ashley— we can send this out again. But Ashley prepared a really nice review of kind of the process for doing those reviews, both in terms of the ones that are kind of contemporary and then the ones that are going to be recurring, right? Because there is, you know, Chris and Keith, Julie Black, there is that process of adding and removing the risk classes. She had a really nice kind of white paper that described a process for doing that. And so I think we could follow that along pretty well, right? Is that fair?

BRIAN: Once we have something set, is it a lot of internal programming within L&I that's going to have to— it's pretty easy to just go with that?

TIM: *(Nodding affirmatively.)*

BRIAN: Okay.

SCOTT: Are there other folks here who would like to be added to the list on the workgroup? *(Various hands being raised.)*

TIM: So just for our friend, Milton, then, so Scott's question was about volunteers from the community that would be willing to help. And Tim Lundin from Archbright, Rick Clyne from Farm Bureau, Kris Johnson from the BIAW. Milton, am I going too fast?

THE REPORTER: *(Shaking negatively.)*

TIM: Milton has memorized all your names and associations, so this is easy for him.

MS. JOHNSON: Tim, I had maybe a suggestion for consideration. So maybe the first step that we could consider looking at is identifying all the classes that don't have a home and you could produce a list of those and present them to this newly formed committee, and then also a list of exception classes or classifications that have been granted as exceptions and where they were placed. Maybe we could just tackle those two items and give recommendations for that.

ASHLEY: Yeah, I'm happy to send that out.

TIM: We can— Ashley and I can just negotiate right here in front of everybody. Are you going to continue working on this workgroup?

ASHLEY: Why, yes, Tim. Thank you.

TIM: I was getting nervous. She's afraid it's coming to her.

ASHLEY: Great. Thank you. Yes. Yeah. So after the meeting, I will go. And like Tim said, we have the paperwork for how that process will go about. And so I'll send that to the committee and Tim and those people— other people that have volunteered, and also send out the list of the new classifications

that have been created and just kind of use that as a starting platform. So I'll get that out by the end of next week.

TIM: And Lauren, just for clarification, what I heard you're suggesting is, ideally those could be done before we start July enrollment.

LAUREN: I'm just concerned about— yeah, and— I mean, because you guys— June 15th, right? Because you're going to be making those decisions. But these guys need it way before June 15th. And I don't mean to be on the workgroup. I just— logically it's going to be an issue. So

TIM: But just for scoping, I'm just trying to get a sense of how— when you guys kind of want to start and stop, right? or when you want to get to a—

MS. JOHNSON: A date?

LAUREN: Yeah, they're asking for a date. Do you have a date?

MS. JOHNSON: I'd have to look at my calendar. I can't just give you dates right off the top of my head.

LAUREN: No. A date when they want it done by.

UNIDENTIFIED: I think April 1st. I think it should be April 1st because a lot of people will be sending out enrollments, marketing hard in April.

LAUREN: Okay, that sounds good.

TIM: My staff are startled because I don't tend to work on deadlines.

LAUREN: That's why I want that one-pager with what it is and what the estimated date is.

TIM: Thank you.

ASHLEY: Okay. So anything else with regards to enrollment?

SCOTT: So— and I don't know about Teran, but I— you know, so Brian volunteered. Lauren, do you want to be— I'm just wondering, can we get all the RAC committee members on the list for the workgroups? I mean, I— yeah, might as well. Both for that and the data workgroup.

LAUREN: I want to be on the data workgroup.

SCOTT: Yeah, might as well just put us all on. Okay, thank you.

Data Workgroup

ASHLEY: All right. So on to data. We have pretty good news today. So I know over the last couple RAC meetings you've been hearing we're working on the same files over and over. But good news. We're finally at a place where we feel like those are ready to be rolled out to the rest of the community. And

so **John Meier** from *Employer Resources Northwest* and **Mark Henderson** from *Approach Management Services* have volunteered to kind of speak on behalf of the workgroup and kind of share their perspective on where we've been and how we got here and, you know, the benefits of the new files. Before they get going, I will say the colorful spreadsheets within your handout lists the new columns for both the claim and premium files. And so that's just there for you guys to take a peak at. And the thought behind the files is we really want these to go to the people who are going to find them useful and effective. And so we want to be able to offer this in kind of an opt-in or subscription basis. And so in the workgroup update, I have my e-mail address. And so after the presentation today, if you guys are interested in having your group or if you're a TPA firm and you're interested in receiving that information for your members, I am asking that you send me an e-mail with your information in it, and then I'll make sure to add you to the SFT process. And so the files will be loaded into your SFT folder once a month. And so the thought behind that is that we're really getting the information to those people who are going to use it and how to be the biggest benefit. And kind of phase 2 would be asking you to go out to enrollment meetings, you know, marketing it more for those people who may not be taking full advantage of the resources that we have. So with that, I'd like to ask John and Mark, if you guys would be willing to come up and share your experiences.

MR. MEIER: John Meier, Employer Resources Northwest. Really, what we did — and this started two years ago I think? Yeah, two years ago where — I mean, those of you who run Retro programs know that, you know, we get this quarterly report, we get this monthly report. They have two different sets of data for two different periods of time. And then with a number of companies and a number of administrators, there are extra data requests that get made to L&I to pull data all the time. What we tried to do was to work with Retro to design data that we could get on a more regular basis that included all the fields that we would have liked. And I think we got — we got pretty close. All the fields that we wanted in a single data download every month or as frequently as we possibly could get. So what we did is we asked L&I for basically a copy of all the data requests that companies like mine and Approach and other Retro programs make of L&I, we combined all the fields that people ever asked for, and then we went back to Retro and said, "All right, here are all the fields that anyone ever wants. How many of these can be made available to us on a monthly basis?" They went through and did a lot of work with IT and identified here are the data fields that can be made available to you. And then over the last I would say six months or so those reports have been generated, and we've been going through the data making sure that it's accurate and have made a couple of recommendations and a couple of changes. And then starting next month I think we should have the final version coming out. And really the goal is that we just get more information on a more timely basis that is more useful. These date files do not replace the monthly and quarterly reports that you get already. They're in addition to them. The monthly claim files or premium files don't have any Retro-specific data in it. So you won't be seeing development factors. You won't be seeing any kind of Retro reserving in those files. So they're pretty clean. For those of you that have decent Excel skills, you can combine those two tables fairly easily in a workbook to be able to get data out of it. For those of you who use databases and other types of systems, they're fairly easy to import. So hopefully that gives you a good idea of what those files are. And I would like to thank Ashley in Retro for working through there. And I think that there's a — you know, the whole process gave us a pretty good idea of maybe what we can use it for.

MR. HENDERSON: Mark Henderson from Approach. Years ago employers started to ask for more information, different information and information illustrated differently than the monthly quarterly report that we're familiar with. So a lot of us started asking Ashley and other members of Retro for external data. We wanted extra data. So over time that data would be produced and sent to us, and we utilized it to provide the service to the customers that were asking for this additional information. The data workgroup evolved. And we have a very good dataset now that's going to be timely. We've looked at the quarterly data for so long, and it's always been so outdated. It's interesting, but how useful is it? It's moderately useful. Now we'll be getting current plan year data every month so we can adequately track changes in claims, look at trending and provide analytics that will give us better managed claims and really work on the claims that are the problem claims. As John said, there is no Retro information really in these, but again, if you're good at Excel or you have your own database you can apply those factors and do your projections from that. And again, thank you, Ashley. It's been great.

ASHLEY: Thank you guys.

LAUREN: Is there some reason why we couldn't just so you don't have to assume people are good at Excel, why you couldn't just put that field on there?

ASHLEY: Yes. So the way the— and that's a ask, and that's the ultimate goal. But the way Tyler— so I want to send a huge thank you to **Tyler Greathouse** and **José Cuellar**. They were the ones after my workgroup meeting started to say, "Okay. Now, help me make this happen." And so they— Tyler was the one that actually built the query or the system to get that information in. So with the claim file, the thing that's so unique about it is it's fresh information to the day. And so because it's run on a daily— or it can be ran on a daily basis, the Retro pieces are only uploaded monthly or quarterly; I couldn't remember. But he wasn't able to connect those tables in a way where he could get that information and still connect it to the daily upload of the claims. And so that's unfortunately why we couldn't do it in this round. But I know they are working on enhancements to the data warehouse and trying to re-platform some of the data. So again, ultimately that would be where I would like to end up. So that way it does or can be used as kind of an all-encompassing file. But for right now, it's not ... yeah.

TAMMIE: I just wanted to thank both of you for the work that you did on this even though it was very time consuming. I appreciate that you gathered data from everyone and worked to put this together.

ASHLEY: Yeah, the workgroup has been super fun to work with. I think each meeting we came away with something accomplished. And I don't know that we can say that about every single meeting that we all have, right? But with that one it felt like we had a clear purpose, and we were able to take action after each meeting. And so I know it took us a while to get here, but I think that we really do have a good product that we can roll out to the community. And the biggest benefit I see with the claim file specifically is, you know, it was asked of more data, more timely. And so instead of monthly reports only being for the current coverage year, you get all coverage years that still have actual adjustments on a monthly basis. And so it really is meant to give you more recent up-front information on those remaining coverage areas. So I just wanted to send a huge thank you to the workgroup and the time that they put into it. So we're in a good place.

LAUREN: And thank you for your leadership on that.

ASHLEY: Thank you. Appreciate it. (*Clapping.*)

MR. MITCHELL: Robert Mitchell, Washington Retail. A quick question on this topic.

ASHLEY: Yeah.

MR. MITCHELL: I heard it may not be Retro specific, but when you start combining those two reports, to me that sounds like it's very group specific, you know, for whatever group I'm looking at. When you log into the Claim & Account Center you can choose to go in as a TPA or as a Retro administrator. And would this be a report that could be made available for me to request on my own just through the Claim & Account Center? If it's going to be query that's already set and available, I think that would be a wonderful place to store it where I still would not have to call Retro and request the report; I could just log in as a Retro administrator and request that report.

ASHLEY: That's a good suggestion. I'll take that down. I hadn't thought about putting it in CAC. But that leads me to another— good point. Thank you, Robert.

MR. MITCHELL: Thank you.

ASHLEY: The goal with these files is also that— because right now they are running at the Retro ID level. Once a month they're put into your Retro ID folder. But the goal is that these get created in a way where you can request information from prospective accounts. So you get used to seeing the same type of data both from your Retro customers and your prospective customers. So instead of having things look differently or kind of paper format, you'll want to be able to put as much of it electronically as you can. And so Tyler and José right now are working on a way to get that where you can get— we can order it at an account level. And so that will hopefully be coming shortly. But as far as CAC goes, I think we'll put that down as a request and see how far we can take that. Okay, I'll pass it over to you.

TIM: Thanks for the suggestion. I think maybe that's a thing that we could ask Marnee to help kind of shepherd along as part of the U-C-IT group, right? Because we have a lot of other requests for kind of things we can get through, kind of promote our self-service. Does that make, Marnee, that we could roll that up as a U-C-IT suggestion?

MARNEE COUTHAN: Yeah, that would be great to kind of— (*inaudible*)— Retro in-box probably as a suggestion.

TIM: Yeah. I think— we are working on a couple of other reports that are— you know, just to promote more self-service, you know, go to CAC and order it directly. So that's a great suggestion, yeah. And I'm grateful that you all appreciate it. Ashley, you just did a fantastic job. And as Mark and John said, this has been kind of a long-term project. And I appreciate you starting from kind of conceiving the project with the end in mind about what really matters to our customers. And I think we always had that clarity of purpose. And then you were really diligent about working through it with them and working with the IT staff and Tyler and José. And you did a nice job of getting the department to come

along, which isn't always easy. But you just did an outstanding — great leadership. Thank you. I'm really grateful for that. So I'm at the place where we can keep going or we can take a break, whatever you guys prefer. Where do you guys want to be at?

VARIOUS: Keep going.

TIM: Keep going? Okay.

Early Case Reserve

TIM: So the next topic is sort of a logical extension of the conversation that Ashley just led us through. So we're calling this early case reserve. And by way of background, what early case reserve means to the department is really kind of coming into line with where the rest of the industry is, how other insurance companies kind of manage their business. And what — just by way of background — and **Sandi Haerling** and **Ellen Swihart** are here from the Case Reserve unit, the claims managers who currently do case reserve. And so please stop me if I stray, ladies. But in general, the current protocol of the department is that claims receive a case reserve estimate from a claims manager based on the data in the claim file at about nine months. So when the claim's about nine months old. And that's with few exceptions the only time that we do case reserve on claims. And what we're trying to do at a high level with early case reserve is to attach a case reserve value to all of the claims closer to the time that they're received or allowed by the department. And so at a high level, what we're really trying to do is improve the quality of the financial reports, right? Because, you know, in a language of the financial people of the agency, the claims are a liability, right? And so this is about sort of estimating our liabilities. And so when you don't have kind of good estimates, it just raises the question, you know, what's the quality really of the financial reporting, right? And so although we typically start at about nine months, we also stop at about seven years. So — and so a relatively small number of claims, but for claims that extend beyond seven years, they typically don't get another reserve value. And so sort of the long-term, the arc of the project is about reserve claims closer to allowance and then continue to reserve them all the way until they're closed. And so that is kind of the perspective of the department, right? And this is about all State Fund claims, not just for Retro. So this is about for all the employers claims in the State Fund, right? And so we're sort of stepping through this in phases, right? So first phase for us looks like using the same sort of predictive analytic model that we have used for things like auto-adjudication of claims, to apply them to claims that are less than nine months old. So imagine that space kind of between intake and nine months and applying a case reserve value to it, but rather than having a claims manager, rather than having a workers' comp adjudicator do it, the computer will make that assignment of a value. So we've just sort of accumulated a bunch of historical claims, say 500,000 claims worth of data and said based on what we know about claims like this, the ultimate disposition turns out to be a time-loss claim that costs about this much money. And that — in sort of layman's terms then, that's how the early case reserve model is designed to work. And it's actually set — the real typical rhythm for us then is to get reviewed and get it every month. And those values then get loaded into what we call the data warehouse. And so what we've been working on for a couple of years — and there's a really bright person, **Henry Cheng**, who works with Bill Vasek in the actuary office — Henry's not an actuary; he's the statistician, but he built this model. And the model we've been kind of testing it

now for a couple of years working back and forth with Ellen and Sandi and the case reservists to look at kind of the values of auto-predicted compared to what the department actually paid to kind of get the model to get better, right? And Henry would say it's a learning model. So every month he's looking at new data to improve the quality of the model. So we're at the place where we feel like the model really works. And it's sort of ready to go live. And my commitment to Vicky Kennedy all along has been that we won't go live as a department until Retro is ready. Because the impacts on Retro are different than the impacts on the rest of the State Fund. What I would say in general, and meaning no disrespect to other employers in the State Fund, is that our Retro customers tend to be more sophisticated and to pay more attention to these claims and manage the claims differently. And so for us, our perspective is that it's a great tool for the Retro community. I would say similar to like the admin to the Stay At Work program, I expect the Retro community to kind of be early adopters of the technology and to be more sophisticated about using it. So I think that you will figure out how to use these data, you know, as Ashley and John and Mark said, kind of like more data earlier to identify those high-value claims and make an intervention that ultimately will sort of bend the curve in terms of the disposition of the claim. So we want to make sure that we're really setting you guys up for success in terms of understanding how the model works, how to use the values, and then similar to the work of the data workgroup like how do we get them in your hands in a way that it makes sense, right? so that that interface is a good interface. The other side of that is we want to make sure that no one is sort of surprised about the financial impacts as well, right? Because that really is peculiar to Retro, the fact that we have refunds or assessments for the groups or the individually enrolled employers, and these early case reserve values would be folded into the calculation that we currently do for the refunds and assessments. So at a high level, what's important for us to tell you guys is that we're not changing the way the math works, right? It's still the same math. It's still sort of the same order of operations. So when we get to say April 1st this year will be the freeze date for the July groups, the protocol is exactly the same, right? It's like at the time of adjustment, is it open or closed? Does it have a reserve or not? Is the reserve value greater than or less than the paid-to-date value? So logically the system is exactly the same. The difference is that we'll have these early case reserve values for the zero to nine-month claims, right? or the ones that are more than nine months. And these are, you know, a small number of cases, but more than nine months that haven't had a reserve. So when we all started working together at Retro, for those kinds of claims we had two values. We had a value for Medical Aid Fund claims and a value for Accident fund claims. So in cases where there was no case reserve, we were looking to that kind of singular value, right? And then when we updated the computer systems around the rules changes that came on-line in 2011, then we went from those two values to the current values that are by claim type, right? So we expanded that. And those are the values that we currently refer to as the actuarial averages. So by claim type there's a singular value for an actuarial value. So a time-loss claim has a singular value that we call the actuarial average. And in cases where at the time of adjustment we don't have a case reserve that was done by a "WACA" (*phonetic*), we use that value in calculating the adjustment returns. So the idea here is that we'll essentially substitute those early case reserve values for those actuarial averages. So instead of having a singular value for a time-loss claim, that value will depend upon what we know about that particular claim, right? So we're considering things like what is the age of the worker? What kind of industry are they working in, right? And it's all the kinds of things

that you would predict are the things that are in the model. The rest of that story is that because the singular value really is kind of a composite value, in some cases the early case reserve value will be higher than that number, and some cases it will be lower than that number. And it's not easy to predict for an individual claim is it going to be higher or lower, or how much higher or lower. So what we've been doing for the past several months is working to try to estimate what those impacts are going to be on Retro at large kind of by industry category and then down to the Retro group level. And working through that we've gotten to the place where it's clear that it's really difficult to predict using the monthly report data or the quarterly report data. And the only way we're going to get to sort of a meaningful estimate that you guys will sign off on is to actually create kind of a parallel adjustment report. We're going to have to actually kind of run the process over two times. Because otherwise you all are not going to go with me. And it's important that you all go with me. And so what we're going to do is we're going to push the go-live date. So we have been trying for a go-live date the end of April. And we had initially settled on that date because I didn't want it to affect the results for the July groups, right? I wanted to do it kind of post adjustment. But where we're at now is we want to actually run the sort of routine adjustment report for the July groups, and our kind of planned release date for those is April 29. And then pretty immediately we'll run the adjustment reports over again, this time using those early case reserve values and see how much the results are different, and then share those results back to the community so that you'll get the data for the Farm Bureau, for the Retail Association, for the Restaurant and Lodging so you can see for your particular group or for the groups that you manage how much money moved kind of as a result of using early case reserve values in lieu of these actuarial averages. And I'm hoping that that then will be persuasive, that you guys will feel comfortable kind of taking the leap with us and saying, "Yeah, we feel okay about this," or "We feel okay enough about this."

TAMMIE: I have a question.

TIM: Please.

TAMMIE: So are you going to be ready by that date to determine what loss development factors are and how those are going to change? To me, that's the biggest part of this. And the unknown is how it's going to affect those developments.

TIM: So are we going to be ready?

TAMMIE: Yeah. I mean, if we're going to be looking at a comparison, it's not just the numbers of the claims; it's also how it's developed out. So, you know, that's a big factor in all of this.

TIM: It is. So I would say a couple of things, Tammie. So I think the— the first impact that we're concerned about in terms of how this will affect the performance or the early returns is that— and it moves a little bit depending on what industry you're in, right? that returns at first adjustment can sometimes be higher than returns at second adjustment, right? There's that affect. And so I think that what you will see with the advent of the early case reserve is that it'll be flatter first to second to third, right? So that first adjustment results will look more like third adjustment results than they currently do. So I

think that would be the first thing that I would sort of forecast. And we've seen that, Ashley and I, working through kind of the preliminary datasets, that's kind of what it starts to look like. And again, those impacts, you know, would be bigger say for Lauren's group than Teran's group. The movement from first to second is more pronounced say in construction and manufacturing than in restaurant or retail, right? And— yeah, absolutely. In general what you'll see then is with the early case reserve values in place, there'll be— the loss development factors will be smaller, right? So the developed cost should be pretty well the same, right? sort of the forecast of the developed cost should be pretty well the same. Which to the extent of the early case reserve value is more accurate than the actual average, that margin should shrink, right? The loss development factors should decline to represent that. The total developed costs aren't moving. So if that factor moves up, the loss development factor should go down. And I think that over the long term then you'll see that the development factors at first adjustment will go down. In the way that they currently move down from first to second to third, you'll see that they just move down in general at first because they'll look more like third. Because really what's driving that is we know more at third adjustment about ultimate cost than we do at first adjustment. So to the extent that the model is pretty good at predicting ultimate costs, those factors ought to move down to represent that. Is that right? We're in the same place?

TAMMIE: Yeah. As long as that happens.

TIM: Right. Right, right. Well, so I would say this: I would say if that doesn't happen, then we won't sort of flip the switch and go live, right? If you guys aren't satisfied that that's happening in the way that you expect, or if we can't explain the discrepancy, then we just won't do it. But I think in terms of your readiness question, yes. And those are the conversations that we've been having with Bill and Nicole and Henry is about making sure that, in fact, we can represent what the sort of transition needs to be in terms of those factors, right? Yes, Greg.

MR. KABACY: Greg Kabacy. So in terms of these new reserves you're putting on, are they going to be visible in the CAC system? Because right now when the actuaries put their averages out there, we really only see them on the paper reports that are old. So, you know, is that your plan to get that out there in the reserve section of the CAC?

TIM: It is, yes. So— yeah. So part of the challenge and part of the reason it's taking us a little while to get to here is, as I said, it really only— the value of it is attached to how useful it is to you. And it's only useful if it's timely, right? So we've been talking about how do we need to sort of represent it both in the paper reports and then in the on-line systems as well. So I'm going to a little bit go sideways on the agenda here, so just bear with me. This last week we released some new technology that we're calling the My L&I Program. And in that technology there is what we're calling the employer dashboard. So that as an individual employer, you can log into the system and have kind of an added glance review of your account with L&I, including claims that have recently been filed. And in the current view then, what's happening on the My L&I Web site is you're essentially seeing the same data that we represent in CAC. And so if there is a case reserve value, you see that. If there is no case reserve value, you see the paid-to-date costs. So what we're trying to do is to get the early case reserve values to show up in CAC and in the employer dashboard so that they're available in real-time. And then to differentiate—

and I'm not sure how we do that, sort of like is it an asterisk or is it a plus sign, right? But to differentiate a claim that was reserved by a "WACA" (*phonetic*) compared to a claim that was reserved by the computer. But you would know whether it was an early case reserve value or a paid cost value. But that both of those values would be available in real-time in the Claim & Account Center and in the new employer dashboard, and then they would show up on the monthly reports either in paper form or in the data files that we create. So that's the work that we've got in front of us in terms of the programming right now.

MR. KABACY: Do you know if that's critical for us because you and I have had discussions about the system we're using and how it's pulling data directly from CAC on a daily basis, and obviously there have been the issues with that. But that's where we would need the data so that we have that information up-to-date. You know, the claim file information is good. But again, we're getting this stuff on a almost up-to-minute basis. And if it's not there, it's not useful.

TIM: Absolutely. So timing-wise then, we're— I mean, we're trying to move everything closer to real-time. In the first release, so assuming that we land on top of a June go-live for the early case reserve, the early case reserve values would be updated on a monthly basis, right? So on a daily basis, you wouldn't necessarily see that value change for a currently reserved claim, but a newly allowed claim then would get an early case reserve value within the first 30 days, or at day 31, right?

LAUREN: I just have a couple questions. So would there be someone you could contact if something had changed on the claim and it was close to the freeze date? You said they're changing all the time, so it's working. So conceptually you wouldn't have as many calls to the case reservist, right?

TIM: (*Knocking on wood.*)

LAUREN: Yeah. But then if it's closer to a freeze date for Retro or closer to a freeze date for their experience rate, I would think that you— because, of course, you want this to work for everybody and there to be an incentive to return to work for their employers. And if there's big fat values on them, employers are going to say, "Why should we do it? Because our rates are going to be impacted by this or our Retro"— you know what I mean? So ideally we're going to be able to call somebody, right? It's not going to be like when you guys did the "auto-ajud" thing and said, "Don't call."

TIM: It's not going to be like that.

LAUREN: Okay.

TIM: So Sandi, are you still in the room? Sandi is sitting— Sandi Haerling is sitting in the room with Marnee— and Ellen Swihart's also in the room. Ellen is the supervisor for the claims managers who work in case reserve, and Sandi is the manager for that unit. So yeah, we have a commitment from them that their staff will take those questions directly from customers including Retro groups and TPA's.

LAUREN: And then the second question: So it sounds like this is going on with new claims, but I heard somewhere that a live body will look at every single claim by the third adjustment. Is that true or not true?

TIM: So I think in the short-term we're not talking about changing how the case reserve unit works. So they'll still look at— take all of the claims at nine months and up to seven years. So there are in general very few claims. And so just to use some recent data that Ashley and I were working on, in the quarterly reports that were released in December, there's about 160 claims that didn't have a reserve at first adjustment. And so by third adjustment, it's practically zero. And those are like the real exceptional cases. But whether it's first or second or third, we would absolutely want your questions about those, especially if you see the value move significantly, right? or a new value comes on-line.

LAUREN: So I'm wrapping my arms around it because this, you know, is the first time we're hearing— so the predictive analytics are going to be in effect, though, not just on new claims, but constantly all through. So it's— you're not just talking about new claims, you're talking about it all the way to seven years.

TIM: So zero to nine initially. And then --

LAUREN: Okay. And then it gets let go for more. And then that affects Retro. Because we have— somebody said, "Oh, it's just Retro." And I said, "No, it would be rates too." So it's their experience rates too. And that will— you know. Obviously there's all the things that go with rates then.

TIM: Yes.

LAUREN: I know you understand --

TIM: I do.

LAUREN: — about construction and bidding and things going— you know, rates being impacted by reserves when the claims aren't closed. And so— at least in our industry and knowing that 32 percent of the Retro premium is construction or something like that, it's a big deal to us for experience rates. So— yeah.

TIM: It's a big deal to us as well.

LAUREN: Good, good. So it's just a little nerve racking for— you know.

TIM: Me too, yeah.

LAUREN: Okay. So— it's because— you know, it's not just a data thing. This is how, you know, refunds and rates are going to be calculated. So I guess I just— I look forward to getting the information when you got it for seeing it modeled side by side and stuff like that so that I can digest it for myself. Because I don't think any of us in here want anybody else— you know what I mean— forming an opinion about that on behalf of ourselves. You know what I mean? We want to look at it.

TIM: Absolutely. Yeah, absolutely. Thank you.

TAMMIE: In addition, when we do look at this data and this information, will we have data or information on non-Retro also to see the comparison and how this changed maybe that calculation also?

TIM: Yes. Jessica and I were talking about that yesterday. I mean, again, these are challenging conversations, right? Because it's not my money; it's your money. And so I'm trying to be thoughtful to say, you know, as we think about things like the work that Chris and Keith and Julie do in Employer Services, and that Bill and the actuaries do about rate setting, by the time we get to claims that affect the employers' premiums and the calculation of the experience modification factor, there's a very small number of claims that haven't been reserved. And it's typical— and again, Sandi and Ellen, help me out if I stray here— that for those claims that may affect an employer's rates, then typically the actuary staff are reaching out to the case reserve staff to get one or to get an updated one to make sure that the rates are as accurate as possible.

LAUREN: But my concern is that you're— it sounds like there's this computer going (*making sounds*), and this guy's (*making sounds*), you know, in construction and ra-ra-ra-ra. And that's making the reserve --

TIM: Milton is enjoying recording the sound effects.

LAUREN: And that's what's making the reserve instead of a live body going, "Oh, my gosh, this employer is going to accommodate him with a full-time bona fide job. They're shopping. I'll go for training on it." Do you know what I mean?

TIM: I do.

LAUREN: So for me to lose the human element and have all the claims being impacted by this predictive analytic which makes a lot of assumptions. And we all know every case is not the same. And— it's just— it is scary to me. And I guess the other thing I would add is— I mean, we are really a different state. Our rates aren't calculated the same as other states at all. And we have a 140,000 companies that are— out of 170 or 180 or whatever that is— they're in the claims-free discount. I mean, no other states do that. So we have a lot of things different than other states. And so I guess I just— I'm just so cautious. But I'm appreciating you're hearing my concern and that you're going to take some time and make sure we can digest this, make sure— you know. Because those are the kind of things that frankly we look at, and we tell our members, you know, this— if you do light duty, return to work and all of that, your claim value won't be as high as it would if it was reserved. And so if you have this predictive analytic thing going, Wow, this guy's in his 40's— he's 45, and he's got, you know, a total knee replacement, and this is a big pension, you know, or whatever. Or maybe not a pension, but— you know, surely it's going to be just absolutely horrible, you know.

TIM: Even someone who is so young at 45.

LAUREN: No. I mean, I'm just saying, though, without knowing that, you know. I guess the other thing I would want too just so I can educate members, staff so we understand more about it is if you have those predictive analytic values what they are, the range of values, we have— be it age, condition or whatever, you know— and I know that's asking a lot, but you must have it if the computer's going to do it. I'd like to see it.

TIM: We're happy to share it with you. We do have it, and we're happy to share it with you. So I think it's a conversation for us about how to best get that in front of you all or your members or your— because I think the less mystery about it, the better, right?

BRIAN: How many are there? Are we talking thousands?

TIM: No. No, not thousands.

BRIAN: Hundreds?

TIM: No, not hundreds.

BRIAN: One hundred?

UNIDENTIFIED: Do I hear eighty?

TIM: You and I need to go garage saling together. No. What I would say is, Brian, that there are a relatively small number, say 12 or 15, that drive most of the estimation. And then there's another 12 or 15 that kind of help get it closer. But I think there's a small number— a relatively small number that are driving that, you know, estimated value. And we're happy to share the model with everyone for sure.

BRIAN: Speaking of the— going back to the Retro comparison where you're going to take the July group and the current refund model, and then you're going to throw on the reserves, everyone's going to see retail's and—

LAUREN: No.

BRIAN: So how would I know what that looks like?

LAUREN: You make it your own report.

BRIAN: But mine is in January. So for those who don't have a July group— I understand July is the biggest area. How would someone who doesn't have a July group— I can think of one, maybe mine— and— so how would we see that comparison so that we could come and talk as a Retro community and weigh in on that?

TIM: So— it's a great question. And I think that— you know, for us, it's meant to be a two-way conversation, right? So what would you need to see so that you're comfortable with it? I think in general as we do with the other adjustment data, you know, the results, we would share both the actual results and kind of the simulated results broadly with the whole community, right? And so what we're essen-

tially hoping is that either there's a group that you think is enough like yours that you can estimate the impacts or that we can provide some kind of claim specific data to say, you know, claims like these, which cities has a lot of or restaurant has a lot of. Because it definitely is different in cases where sort of the concentration of Medical Aid compared to Accident Fund is different, right? Or short-term duration or long-term duration is different. So there is that difference. So I guess what we're hoping is out of— Rachele, help me— do we have 28 July groups of the— Rachele says, "It's in your chart facts. Don't you read your notes?" We're hoping out of that that there's enough data or we can describe the gap so that you guys do feel comfortable with it. I guess my reluctance to be really candid is I'm reluctant to wait till we cycle through all of the adjustments and simulate them for everybody. And it's really tough to do it backwards. You know, it's really tough to go backwards. Because as Tammie said, the factors that are in place change, right? So— and it's just a lot of work to begin with. If we're going to obligate a lot of the staff time of Bill and Nicole to do the simulated adjustment on a going— or contemporary basis. But you know, the bottom line is it has to satisfy— it has to satisfy Teran. And if we can't get there by doing July, then let's speak of another way we can get there. Is that fair?

BRIAN: Yes. And I think this is more of a longer term, and then I'll let the audience go. Since we are putting a lot of work and money and time into this, is there a plan for when it goes into CAC or at least into the system for the claim managers to be trained on looking at these reserves the way we would look at them and say, "Wow, this is going to be a big claim. We need to hit it hard now." Is that part of the long-term goal? And if not, can we kind of put that out there?

TIM: Uh-huh, yeah. So short-term goal for us is that those of us who have been working on it internally, sort of staff committee, will meet with the employer services all-staff group, and then we'll do the same thing for claims all-staff group so that we at least— and with case reserve as well— and sort of talk about— You know, I'll just be really honest. I think you guys know this. The department doesn't tend to think of itself as an insurance company, right? So there's a long way to go just in terms of raising the level of literacy about the fact that we're an insurance company, and that we're moving \$2 billion a year. That decision you make at your desk has a financial impact, not just an impact on someone's work, right? And so I think we're not of a mind about how to stage those conversations. There's, you know, a lot of sensitivity about Retro not being— Retro claims not being handled differently than non-Retro claims. There's a lot of sensitivity about claims managers making the best decisions independently of the impact on an individual employer's rates or things like that, right? But I think it is important for people to have that sort of baseline awareness that we're moving real money here, and that these decisions have real live consequences, right? So in the short term, I think it's just awareness. I think it's just that there's going to be a value that attaches to this claim that's not like something you've seen before, and it's going to be a moving value. I mean, I think that's the other thing is that— and again, Sandi, help me if I stray here— but typically after a claim has been reserved at nine months, it's unlikely that it get looked at again at month 10 or month 11. But what you're going to see is these early case reserve values are going to be day 31, day 61, day 91, right? and they're going to move. And so that's going to be kind of a novelty to people and you all who are in CAC or in, you know, the My L&I dashboard, that value's going to be a moving value, depending on what's happening with the claim. So I think we just have a long way to go in terms of educating people about that. And the ac-

count managers as well, right? Because I think the claims managers may get calls. Account managers may get calls. How is this claim going to affect my rate because you put a ginormous case reserve value on here, right? And so I think we have a lot of education to do inside the department about that.

LAUREN: Yeah.

TIM: I think the long-term plan for educating, I don't know. The short term plan is just awareness. Like we're going to do this. It's going to show up. And we're asking for calls to be directed to Sandi's team, not back to account managers or claims managers. We don't want it to disrupt the flow of their work. And part of it is just the uncertainty. We don't know what we're going to get, right? And so I think from the Retro groups it's like we want you all to kind of send those to us so we can help manage them and we can use it as a learning experience. But in the long term, yeah, we need to— from my perspective we need to move the department closer to the reality that this is an insurance company, and that should just be kind of baked into everybody's basic training here.

LAUREN: It should be, because if it was, I think people would be happier overall with the department, everybody, if they thought of it like insurance. But— yeah.

TIM: Yes, please. Let's have questions, Natalee.

MS. FILLINGER: Natalee Fillinger. And I think folks have touched on this. You know, the first nine months of a claim, that's the vast majority of claims that are with the Department of Labor and Industries. To me, I would be very concerned if there's going to be a PowerPoint with ten items that might be a risk factor. The reality is these are figures that are going to be hard wired into a computer system. They are 100 percent knowable. I think, in fact, there should be a building of a calculator with the department, tell us what the risk factors are, what's— we know— what's the job area, what's the age, what's the injury? We're going to have this information, and we should be able to immediately be able to calculate it. And before it goes live, we should be able to look at the underlying factors that are going into it and— there's going to be oddballs; there just is. And it shouldn't be a Monday morning "Oh, my God, we had no idea that we unfortunately have this weird risk class that, you know, general overall averages aren't going to be helpful." The devil is in the details. And it feels like there's a lot of space between now and details. So— I mean, I just think it's not just sort of wouldn't it be great if you revealed details. I don't know how you go live if you're not giving significantly more details about how all of this math is done. So that's my two cents.

TIM: Thank you. Thanks, Natalee. We're happy to do that. Yeah, Rick, did you have a question?

"RICK": Yeah. Is there some legislative mandate that you have a go-live date implemented?

TIM: No.

"RICK": So— I mean, I heard earlier when you first threw this out to the community— you know, you've been working on this two or three years doing this modeling, and now I'm hearing too that the reserves are going to be, yeah, it's great that they're going to be looked at every 30 days or as they go

along. I think you really need a good one-year cycle of letting the community see what these reserves are doing over time. Because that's new. And you're going to try and educate people, well, this is what they're going to look like, but let's see some real data and see what they look like first before we can put our green light on and say, Yeah, we're comfortable with this. State Fund should be comfortable with it. So I mean, if there's no legislative go-live date, what's from holding it up one more year? And let the January folks get their say as well.

LAUREN: Yeah. I'm going to go on record and say that that sounds like you hit a good plan, if we have any say in this.

TIM: You do.

LAUREN: I hope so. Yeah, because it's a concern. I mean, when you have people spending \$50,000 in addition to their L&I premiums to do light duty, return to work, and all that stuff, those costs would be system costs. And the department needs to think about that. Because if we don't have incentive to do that, then you guys are going to get your reports going back to the legislature saying that your time "osteration" (*phonetic*) is up and you're not looking so good on your books if we're not paying the 50 grand and keeping it out of the system. And so for us, those are costs that we are paying. You don't see it. But we're paying it. And so we want to get our refunds back. We want to have our rates lower so we can bid jobs more competitively. But it's not just willy-nilly. They're spending money to do it, and you guys don't see it at the department. So— but we do. And that's why we're so concerned and want it, you know, to be correct. Because otherwise, I can't get these guys to do it. And then the injured workers lose. They don't maintain their contact with their employer and all that. So— you know, and there's some great outcomes, especially for heavy industry with people that are retrained to be minimum-wage workers. When a construction employer modifies a job and brings that person back and they make a similar wage than what they were, you know, earning when they were injured, that's a much better outcome than having them have no contact with their employer and be lost in the system and— so— I mean, it's a big deal. It's a big deal. And I am very passionate about it. So— obviously. I know my members would be passionate about it, and I haven't even breathed a word of this yet. So I'm going to wait, and I'm going to look at everything and see how it shakes out.

TIM: I appreciate you giving us— your chance to have some dialogue, right? And, you know, as much as we can, Lauren, we, again, want to support you in those conversations or be part of those conversations. I think— it's really clear to me that what we're trying to do is support those efforts, not derail those efforts, right? And so, you know, the thinking, again, at a high level is like having more timely access to the data about the likely outcomes of these claims in terms of the costs should be a tool for you all to manage, you know, better, more robust return-to-work programming, right?

LAUREN: Yeah, provided that those reserves changed. So when you slap the big one on it, and we get the good stuff going on it, as long as those are adept in changing. And that's the big mystery that I'm so nervous about. And so if you can quell that and the reports look great, I'll be a happy camper. But I just wanted to go on record and say what companies are doing out there that maybe people at L&I don't know. And I know you know, so it wasn't for your benefit; it's for the minutes.

TIM: Understood. Yeah, thanks, Lauren. I appreciate that. And Rick, to your point, I think, you know, we can provide some claims data, right, independently of our financial data. We can show you kind of how the values of the model forecast change over time. Whatever will be helpful for you all in terms of understanding how it works or the implications of it, we're happy to do that.

MR. METZ: One point of clarification. This goes back to if this was to go live, I just want to be clear. My understanding of the employer dashboard is is when they log into that, it tells them what has changed on their claims. So they'll get a real-time the same day – the same-day notice when it happens. And I just want to be clear that the employers are getting that same because we can't log into the employer dashboard so we don't have that service. So let's say I have an appointment tomorrow, and I'm going out to a member, and I want to do a last-minute check, you know, I go in and I look to see what's going on with the reserves, is that still possible and stuff? Did I miss something there?

TIM: You got it exactly right. So again, the only thing, Chris, would be just about timing, right? So the early case reserve values are updated say on about a monthly cycle around --

MR. METZ: Yeah, I've heard the monthly.

TIM: So it— yeah, the value would change, and it may be different on, you know, Friday compared to Monday, but only if that was coincidental with the cycle when all the values were updated.

MR. METZ: So the employer— when the employer gets that notice on their dashboard --

TIM: Yeah, it would be immediately available to you.

MR. METZ: — it would be immediately available if I go look at the case reserves.

TIM: Yes.

MR. METZ: Okay. Thank you.

TIM: You're welcome. Carl, please.

MR. YAMADA: Carl Yamada from Vigilant. I understand Lauren's concerns about the accuracy of case reserves. And I have concerns also. But I know there's some states that are similar to Washington. Have you looked into the other states in terms of how they do their case reserves and check their accuracy? Because the other states— maybe we can pick up something.

TIM: So I— that's a question that I'll need to take away, Carl. I don't have an immediate answer for you about how — What we considered in building the model that we're using here, I can say, you know, relative to your observation and Lauren's that all of the forecasting that the model is doing is with L&I claims, right? So it is specific to L&I and our workers' comp system in that way.

MR. YAMADA: So there are certain intangibles that should be looked at, as Lauren stated, if you have your age or industry factors. But I think the biggest thing from working in claims and based on my experience is the worker's attitude. I don't know if that's looked at or even considered.

TIM: And I can't say, but I'm happy again to— that's one of those things we can run to the ground or bring back the model for everyone to take a look at or have a conversation about. I don't know.

SCOTT: So Tim, I think that would be important, kind of going back to Natalee's point. I mean, we're dealing with— and Lauren as well— we're dealing with a black box, and the Retro community has dealt with a huge black box in the past ten years with regard to, you know, making substantial rule changes. And so there is a lot of trepidation out there about any sort of change. And I think it would be beneficial to know what factors are going into this, what assumptions are being made, what the formulas are just as a matter of being a public insurance agency. I mean, that's— it's— you know, you mentioned being an insurance company, but it's also a public agency. So we need to have that kind of transparency about these kinds of figures. So --

TIM: That's really helpful. And, again, we're happy to do that, Scott. I think— our experience has been, you know, Ashley and the folks on the data workgroup have been helping us kind of think through kind of the messaging about this and what kinds of things will people be likely to care about and what kind of data can we put in front of them to help them understand how they might be affected. And I think what we've learned is really at every turn— and I'm exaggerating a little bit, right, just because we're friends— is kind of like "that's nice but." So if I show you the model and I say, "These are the ten factors the model considers to be important: the age of the worker, the industry they're working in, whether it's their first claim, married or single, English as a second language." Then you say, "That's nice, but how does it affect these claims that I've had over the past ten years?" And then I give you those data. And then you say, "Well, that's nice, but how is it going to affect my returns?" And so I think at every turn we're like, "Okay, we're going to have to just run the adjustments two times." Because at the end of the day it's like— even if I tell you you have this many of those claims that move 2 percent, it's like, "Okay, but I know that at the end of the day there's a whole PAF conversation where my performance is affected by everybody else's performance. So how does it come up for me?" So we're happy to provide all— you know, kind of all the steps along the way. But what I'm persuaded is that people aren't going to come along with us until they see those adjustment results. Because kind of an academic argument until then.

SCOTT: Yeah, I'm not suggesting you don't do that. I'm just saying I think people would be best served to have access to what goes into that model. And I had a— I was thinking kind of the same thing that Carl was. Are there other models that are out— you know, this model, of course, is Washington specific. What are the commonalities between it and other models and what are the differences? And I'm not saying we can compare across the board all the time. But it would be nice to know what other models in other states are geared toward measuring so that we can see in this model if those same things are being measured or if other things are being not considered or whatever. So just having, you know, some clarity about that later would be helpful too.

TIM: And we're happy to do that. And I think maybe what's going to help us, Scott, and other folks on the committee in the room is if we can, you know, just have some conversation back and forth about what are the kinds of things that you want to know more about so we can, you know, stage the appropriate conversation.

SCOTT: And so can you just revisit the time line again in terms of what will be happening and when? Going back to that trepidation about black boxes, it would be nice to know more clearly what's going to happen and when and what people can expect.

TIM: I'm happy to. Thank you. So if you don't mind, I'll just work backwards then, right? So what we would like to do is imagine kind of a go-live date say in June. Say end of June. And what we want to do ahead of that is secure the commitment of the Retro community that you all would support us kind of flipping the switch. That's kind of an indelicate way of saying it, but flipping the switch to say, yeah, we're going to essentially take the values that the model forecasters predict and put them into the LINIIS screens. And then as Chris suggested or Greg suggested, then those values in LINIIS are going to show up in real-time in the CAC system and in the L&I employer dashboard, right? That's kind of how the interface works. The same values that are in CAC are the same values that show up in LINIIS that show up in the dashboard. So that you all would sort of sign off on us, or flipping the switch so that those data that— and say about a monthly cycle, right? so that as those values are derived by the model and updated, those are the values that are loaded into the LINIIS system and available through CAC. So sort of immediately ahead of that then, what we would imagine is we're going to provide you all with essentially like a parallel adjustment report or a simulated adjustment report so that for the July cycle— Marnee, April 1 is the freeze date, right? for this cycle? April 29 would be the, you know, forecast release date for the adjustment reports. So we would have sort of our typical protocol where we create refunds and assessments for the groups and individually enrolled employers. At the same time that we're doing that, we would kind of load the alternative data file that used these early case reserve values for the claims that hadn't been reserved by a case reservist, right? So instead of using the actuarial average values, we would use the earlier case reserve values to drive out the same refund or assessment calculation so that we had sort of a parallel set of adjustment reports. So for the 28 groups and individually enrolled employers you would see that in the current world, AGC earned a \$20 million refund out of the \$150 million earned by all of Retro. Now let's run the reports again as if the early case reserve values had been in place. It's still the same \$150 million, right? It doesn't move the size of the pie calculation. But the distribution's affected in a way that now the refund for AGC is \$19,999,000. So it moved it a dollar. And Lauren says, "It's easy. Let's go." Right?

TAMMIE: But we're also going to see how the pie itself changes with the factor affecting Retro and non-Retro.

TIM: Yes. And Tammie, what I think you're going to see is these— there are so few claims that it's not going to— but yes, absolutely.

TAMMIE: Yeah. I mean, bottom line, it shouldn't change a whole lot—

TIM: Right.

TAMMIE: — and work the way you're supposed to.

TIM: Right. Okay. So then— I'm still kind of trucking backwards, right? So then ahead of that what then I'm hearing is from the committee and from our colleagues in the audience is that we would also

then kind of get some expectations about what do I do with my questions or concerns, to whom do I direct them, what kind of response can I expect back from the department. And that we would share back to you, kind of to Rick's point, something about just what does the arc of claims look like? What is the model predicting? And then also just share kind of the factors to do the point that Greg and Chris and Robert made is what are the things that the model considers? What are those 12 or 112 things that, you know, Brian and I were kind of talking about? What are the things that drive the forecast that the model is making in general, right? to Natalee's point. Just show us kind of the skeleton that the flesh hangs on, right? And then I think ahead of that then is just us having a conversation with you guys about we can share at kind of a current state level where does the modification happen. So again, that algorithm that I walked through really fast at the outset. So open or closed, reserved or not, medical aid, accident fund, paid to date, reserve— that we can just show you that— sort of the order of operations is not changing; the logic is not changing. We're just substituting these early case reserve values for these actuarial averages in the cases where so everybody's clear about what— like at a gross level what the change is. I think that— help me, Jessica. What am I missing? Does that seem like the right kind— that's our project plan? Have I missed something?

JESSICA NAU: I might want more specific time lines for that. So when we spoke with the actuaries, we'll be running July adjustment reports in April. And the parallel report you will get, and subsequent to that in May. So we don't want to run into this again where we have parallel files that are being run at the same time as July adjustments. We want to preserve the data integrity for the adjustments, so we'll be doing those separately and apart. And then in May we will start that parallel report process to get that data out to you guys with the results. I think I would add too that I think we— Brian, to get to your concern about seeing your own group's or January group's results, when we run those adjustment reports for July, we're running simulated adjustments for everybody. So we could provide data that would say— I know I have to talk louder. If we were to run to reports, then we could say, "Here's what January would have looked like had they been adjusted in April." And you would also then have parallel data. So I appreciate it's not a complete apples to apples from when your adjustment would normally occur in October. But you would also then have some specific data for comparison to look at. At this point in time, you have two different data points to compare. So I do believe that we can get that Retro ID specific data for everybody regardless if your adjustment cycle is July. And that would be my goal in terms of parallel reporting for May.

BRIAN: That would be acceptable. Thanks.

JESSICA: Oh, I would add— Tim, I'm not done. Sorry. I would add too I think there is that outstanding question in terms of when it goes to State Fund and we're doing the loss ratio comparison to come up with a target par. I think we do need to study that to see if is there an impact to that overall target pie, especially when we look at the volume of construction in Retro compared to non-Retro. And then I think there's also some follow-up in terms of what does that do to the distribution between the four quarters, right? So if the target pie's 100 million, in July you'll see you're getting 50 of that because it's such a large concentration, we might see more of these in the construction industry, but that reduces to 45, and does that mean January picks up the additional— (*inaudible*)? If I am in your shoes, those are

the questions that I have. And I think that's our commitment in terms of providing that data that would show that breakdown at the highest level and the lower level of the target pie. The pies are then divided between the quarters, and then your individual slice in terms of coverage year.

BRIAN: Speaking of that a little bit, has the actuary looked at any prediction of the impact on the PAF that this new reserving will have? And it's just ironic Bill just walked in the room. So ...

TIM: Good time for a break. No. Bill and I actually talked about that this morning. Bill was kind enough to come by, and we were just talking again about— yeah. So I think, Brian, it's the analog back to Tammie's question about the loss development factors, right? And so to the extent that the PAF is trying to help us sort of land on the right distribution, I think, again, at a high level, what the early look at the data tells us— and Jessica kind of alluded to this is that the impacts do vary by industry. And what that— what the derivation of that really is about because those actuarial average numbers are literally averages, they're composite values. That means someone's on the high side, and someone's on the low side. And in general, then what we're led to believe is that say for a time-loss claim that has an actuarial average value, in general the construction actual numbers that are going to follow the early case reserve are going to be on the high side, and restaurant's going to be on the lower side. So— but that's how you got to that composite, right? And— but it's random. And again, it's a very small number of claims, right? So I just have to keep reinforcing that this is a very small number of claims. When Ashley and I looked at the December quarterly report, this is 158 claims, right? So a very small number of claims. But— and some randomization. But in general I think it is going to be the case that, as Jessica said, if the construction groups are half of the total refunds, and for the construction groups in general, then the averages are slightly higher, then you're going to see that the path is going to move to accommodate that, right? But I think these are really small adjustments because it's not really about the overall performance of any group. Again, because it's such a small number of claims.

LAUREN: Initially. But it will be all of them initially.

TIM: I guess what I mean is it's a very small number of claims where we would substitute the early case reserve values or that they would be that different than the current actual average values. And just, you know, compared to the refunds that the large groups are earning now. And I guess there is a sense about— Good morning, Bill. There is a sense about that— there's kind of a buffering— I mean, it's kind of the law of large numbers thing, right? A \$20 million group really regardless what we do is going to experience less impact than a \$500,000 group. So yeah, I mean, I think the effect on the path will be modest. Can I say that, Bill?

BILL VASEK: Good morning. I'm Bill Vasek, the chief actuary here. I haven't had a chance to look at it. We're down a person. And **Russell Frank** who was doing a lot of the analysis, he retired. And so I get to pick up some of the slack here until we get somebody hired into his position. So I haven't had a chance to look at the data yet. But here's some common things that happen. And when you look at this stuff, first of all, the amount that goes into your Retro evaluation isn't the case reserve amount; it's the developed cost amount. Okay? And so the first thing that's going to happen is the total case reserve amounts are going to be a little higher because you're going to have a few claims that all of a sudden

now have a case reserve that didn't have one before. So the total level of the case reserve will go up. The way we calculate case reserves here at the department is we first calculate the actuarial estimate of what the total cost is. And when we do that, we don't look at any case reserves at all. Those are actuarial calculations that the actuaries do. That's not going to change. So this early case reserving isn't impacting that. So we have a total amount we're trying to get to. We then look at the case reserves and look at what the total amount of case reserves are. And then what we have to do is leverage that up to the total amount. Okay? Let me just give you a simple example. And these aren't the right numbers. But let's say that we're trying to get to a total amount of losses of 100 million for a certain period of time, and the case reserves are let's say at the level of instead of 100 million, they're at 50 million. So what do we need in order to get to 100 million from the case reserve level of 50 million? We need a loss development factor of 2, right? If you multiply the case reserves, every one of those case reserves by 2 will get them up to 100 million. Now, what's going to happen is the case reserve amount which includes paid data amounts on claims that have closed, that will go up. It'll go up a small amount. And let's say— oh, I don't know— let's say it goes up to 55 million from 50 million. So what we need now is a loss development factor that gets us from 55 million up to 100 million. So instead of a loss development factor of 2, it's going to be something like 1.9 or something like that. It's going to be something small, okay? So what's going to happen is the claims that were previously case reserved and still are case reserved, they'll be hit with a smaller loss development factor. So you're going to see that. And then the claims that weren't case reserved before, they will get a case reserve, but they will get hit with a smaller case reserve which they had before. But the total cost is still going to come in at 100 million, okay? And so it's the total cost that's going to impact your refund. So the refund levels should stay the same, okay? And should that affect the PAF's, you know, if there is some changes to PAF's, we're talking about rounding kind of things going on here. So --

BRIAN: Bill, did you mention you're going to be adding new LDF's then? So there's going to be a new LDF set for like a PPD claim with an early case reserve?

BILL: No, no. We're not going to— we do not have a different LDF. Let's look at one of the types of claims we have an LDF for. A time-loss claim, okay? We don't distinguish whether the time-loss claim is open or closed, okay? We don't distinguish whether it has an average case reserve or not, okay? It's just a time-loss claim. And all the time-loss claims are going to get a loss development factor. The example I just talked about was the one— today it has a loss development factor of 2, and that loss development factor bringing in these higher level of case reserve now, the LDF will drop. It will drop down to let's say 1.9.

BRIAN: Right. I got it.

BILL: And— (*inaudible*)— case reserve previously. But in total, it will add up to the same amount of money because we're not changing the way we look at the total amount of money we're trying to get, okay? So it should be— you know, there could be some rounding issues on the PAF's. It won't be exactly the same.

UNIDENTIFIED: Hey, Bill, I don't think that's my concern. My concern is taking a what might be a medical-only claim and gets a reserve that has a PPD or a time loss on it, all— (*inaudible*)— changes what that type of claim is, not only at a Retro adjustment, but possibly at an EMR calculation. So now somebody loses a time-loss free discount because of one of these predictive reserves put on which really shouldn't necessarily be there. I understand the leveling effect of the LDF's and the refund and all of that, and that makes sense. I am worried about getting down to the micro level of our members who may see a detrimental effect because of a change of claim type or a factor put on that removes them from getting a claim-free discount. That's my concerns.

OTHER UNIDENTIFIED: And going over one in a construction— going over one in a construction industry in commercial construction firms is very critical, and they don't get the bids. And then— or they have to jump through a million hoops.

TIM: So first— and, you know, a little bit recreating the conversation we had with Lauren earlier— we care about this as much as you guys do. We appreciate that this is a big deal. And so I don't want you to walk away thinking that, you know, we're just writing it off. We're taking it very seriously. As with, you know, again, where we were a moment ago, this is a thing that moves from first to second to third, right? And Russell had some data for us maybe two years ago, 18 months ago about the number of claims that at the time of adjustment are having something other than a case reserve value assigned by Ellen's team, and it's, you know, at third adjustment, it might be three across all of Retro. I think in terms of how we use those numbers in terms of rate making, that's— I mean, that's a conversation Bill can engage more directly. But again, not a departure from current practice, right? and vanishing these small number of claims, but— (*to Mr. Vasek*) Do you want to address that question more directly?

BILL: Well, I mean, our job as the department when it comes to rating and reserving is to get the most accurate reflection of what we think the ultimate cost of a claim is, okay? And so what we're talking about here is a process of the department sharpening its pencils and getting similar to what's done with other insurance companies. And so we're— by taking this step which makes us closer to what other insurance companies do is recognizing the cost of some claims are going to be a little higher than before. And we're just recognizing it earlier, okay? That recognition of the fact that it's going to be a PPD claim will get recognized down the road eventually, okay? And we're just recognizing it a little sooner. And that is, you know, something that other insurance companies do. And that's what we're trying to do here is to try to get all the claims case reserved. The only cases are a fraction of the claims, and we're trying to get to the point where cases are all the open claims if possible. So it's a step. And to me, it's a step that's an improvement because we're going to be using this in all the financials that we do, similar to what other insurance companies do.

TIM: Let me do kind of the worst-case scenario first, and then work back to like more of a place of reality. So nothing that we're doing with regard to early case reserves for Retro or non-Retro would do anything to abridge any employer's right to protest their rate notice, right? So if— in a worst-case scenario, if it comes down to the fact that a claim type flipped in a way that it drove a lot more cost that was used in calculating employer premium, we're not doing anything that would abridge their rights about making a protest or having the department look at it again. So nothing is changing in terms of

how the department relates to those kinds of decisions. I think a sunnier outlook really is that for all the employers, again, because these data will be available in CAC and through the employer dashboard, there ought to be sort of fewer surprises, right? You'll know way more immediately in a claim that, "Gosh, this is potentially going to turn into a very expensive claim. I really better not just kind of hope for the best or assume that because it came out good for Mark, it's going to come out good for Carl. Because I've had two claims in the history of my company when L&I has had 500,000 claims like that," right? I mean, there's a way in which we're trying to say, "Gosh, pay attention to this because we don't want a lot of claims like this, and this the something you should really get busy working on." So I think the more positive aspect is like we're really trying to put more tools in the hands of individual employers, groups and TPA's sooner so that we're not sort of surprising them with a jump in the rate or a jump in the EMR or, you know, a different kind of valuation that affects the adjustment. So really trying to drive down the incidences of that happening. But more directly, yes, I think it is reality, you know, to Rick's point, that when we start looking at these claims and the forecasting of the model, it will do things that the actuarial averages didn't do. In other words, predicting the claim type might change, right? So I think there is a good conversation for us about when is that happening? why is that happening? how often is that happening? how often is that happening to me? how much is that going to cost me when that happens to me? So I think there are some conversations there. But again, I think the context is trying to give you all better tools to manage— and your employers, whether they're enrolled in your groups or not, better tools to manage those claims, fewer surprises from the department— to your point, Scott, more transparency, right? And it's complicated, right? So we still have a lot of work to do in terms of educating people and helping them, right? Am I responsive to your question, Rick?

"RICK": Yeah. I'm just not a big fan yet.

TIM: We're not going for fandom today. We're just going for hang in there with me.

SCOTT: Well, and I— kind of going along with that, I mean, when I hear that we'll have parallel reports sometime in May, and that could be the very end of May, given that there are quite a few reports out there, and this is scheduled to go live at the end of June, there really isn't a whole lot of time there. And I think— I'm not trying to throw a wet blanket on this model or this approach. I think there are some very good things about it. But there is just some— I don't know. I just think people— I have questions, and I'm assuming based on some of the comments here that other people have questions about, you know, is it appropriate to give people basically a month notice that something may be changing. It may be a good change. It may be a catastrophic change. We don't know. And so just I think maybe a little bit more time, you know, in terms of flipping the switch, right? And maybe it's better to not do it at the end of June. Perhaps end of December or a year. Get a little more data in here, actual data so we know what's going to happen. I think that will help the comfort level.

TIM: I was saying to a friend of mine this morning, you know, about the meeting. I said, "You know, the challenge for this meeting is, I just have so much affection for you guys," right? And so when that happens, sometimes then my sense of humor can get in my way. And so I was just sitting here listening to Scott, thinking is he suggesting we flip the switch on the 4th of July? No, probably not.

SCOTT: Or there could be even more information—

TIM: Absolutely.

SCOTT: — available at the May 20 RAC meeting after --

TIM: Right, right.

SCOTT: — those reports are run— presumably after the reports are run. That I think would be helpful. I don't know if that is even enough lead time to get us to a comfort level of a July 1st or 4th switch. But I think that would— more information about this would be better before there's an actual change.

TIM: So let me come back to— for me, where we're all coming from is that our commitment is that you guys have to be ready before we do it, right? So if that date doesn't work, then we just need to pick a different date. And so I think then our challenge, you know, working together as partners is— you know, obviously I would like to go as fast as possible, right? So whenever I say to Jessica, "Jessica, am I trying to do too much?" She says, "You're always trying to do too much." So— yeah. So yes. I want sort of the most aggressive time line that we can make that you guys can support. That's the balance that I'm trying to strike. So I think— yeah, I'm appreciating, Scott, that say if we release those sort of parallel reports in May and then talk about a June go live, that may feel like it's not enough time. So are there other things we can do kind of all along the way that can help, you know, raise people's level of comfort so that we're not only relying on those parallel reports to get people there, but we're not only thinking that report plus 30 days gets us there. What else can we do all along the way, you know, including things like sharing the model or those kinds of claims.

LAUREN: Yeah, show us the model, show us our dual reports. Because you got to keep in mind, you guys have been looking at this for what did you say, two years? I'm hearing about it in— what is this? February? We make plan selections in June, and I'm not even going to get my report till May, and I have to have a plan selection by June 1? And I have to get with my committee. I have to— you know what I mean? It's like we're actually making our plan selections before, you know, before you even give me the data. I'm going to be making plan selections in April, and you're not going to give me data till May. But it might not be that it's anything. Because you guys— because you've looked at it. But for us for comfort in financial decisions when you're risking paying L&I back more money and how your plan is structured and what kind of claims cap you're going to have, and you're talking about changing the claims values, that's important information for us to have before we make our plan selections. I think.

TIM: I agree with you.

UNIDENTIFIED: And that's exactly what I was going to say is that we have to do plan selection. So we have to have this information and have some idea how we understand it and how we're going to implement it. Because in a small group— because I'm in a— it's a 5.1 million group— in a small group we manipulate kept on salary really closely and do manage those claims immediately. And so if those claims— if all claims are going to be reserved— and I actually would be probably one of the groups

that does have the majority of my claims not reserved on first adjustment. So I have to look at that, and then go to my committee and find out how are we— you know, what are we going to do with plan selection now because we're going to have immediate— and that's the other thing that I need to see is what are those reserves going to look like? Are we going to— I mean, are those reserves going to be \$100,000, \$125,000 when somebody has a back injury and they're 50 years old? And even though I have an employer that's going to pay kept on salary more than six weeks and offering a permanently modified job, what am I going to do? Yeah, I mean, that's not enough time. And then it would be— and if you're saying flip the switch June 30th, that means we're going into July 1, our new plan year, with this in effect. And we haven't had any time to actually look at how that's going to play out.

TIM: Sure. So did you want to say something, Lauren? Or shall I respond?

LAUREN: I mean, the same thing. I mean, we— everybody makes those kinds of decisions on kept on salary and how long you go out. And that's the big thing. And that even goes into your participation agreements with your members that you have to have way out there. You know what I mean? So it's like— it just seems like if there's a way to not fast-track it so fast. And I know you're super excited because you guys have looked at it and you're stoked and it's going to be better and other people do it that way. For us, it's like there's a lot that happens that maybe you're not aware, you know, all the decision-making processes that go into place and how much time that takes. So ...

TIM: So we're trying to be aware of that. And we're open --

LAUREN: I know.

TIM: — to learning more. And I think— this is where I'm going to get in trouble. I think that— I can't really see where the change that we're talking about for early case reserve would affect anybody's plan choices.

LAUREN: Okay.

TIM: The changes are just— I mean— I know you're just being— you know, as a rhetorical flourish to say catastrophic. But this is such a modest change that I really can't— Jess, am I wildly out of bounds here? I can't see that this would affect a group changing their plan choices.

LAUREN: Or their claims cap?

TIM: Right, yep. And again, the reason is because that at a high level, what we're really talking about again is like the difference in— and just to pick numbers, right? These are not real numbers, but just for illustration. If there's 50 of these at first adjustment, there's five at second, and zero at third. And so to the extent that, you know, our counsel is always that you're making plan choices across three adjustments, not just to hit a first adjustment number. This should not affect the decisions that you take about how you enroll your group. Can I say that?

JESSICA: That's fair.

LAUREN: Yeah, you can say that. I mean, you're super comfortable with it. I just --

TIM: I want you to be comfortable with it.

LAUREN: Yeah. Well, I haven't seen it. I don't even have the report so I can look at it. I have people in the data workgroup that said they looked at it and there were some anomalies or whatever and it's not complete data, but they're okay. But I'm -- I want to look at my own data.

TIM: And that's -- absolutely. We want to give that to you, absolutely. And so then I think for me, it's like besides that, you know, and ahead of that, what else can we -- Suzanne or Lauren or other folks -- what can we put in your hands to help kind of bring you along, right?

SCOTT: Catastrophic may have been a little bit of a hyperbole, but the question -- or the issue really is people have questions.

TIM: Absolutely.

SCOTT: And we need to have clear data, clear analysis, clear answers to those questions just to get us to a comfort level on this or any other changes that happen to -- factors that go into --

TIM: Right.

SCOTT: -- this program and at --

TIM: Right.

SCOTT: -- what point.

TIM: Because -- so what's fun about this is that obviously lots of energy, right? about the early case reserve adjustments. And the conversation that has more potency, right? for me, for Bill, for Debbie is the insurance tables study, right? But we sure don't want to say anything today that discounts that you feel like we're being dismissive of these concerns. We're taking it very seriously. And we're committed to doing whatever we can to help you guys feel comfortable with it. It is a big change, even though it -- you know, it is what other people do, and it is, you know, sort of Washington state specific. And it is grounded in two years worth of testing and data. It's still a big change, right? So ...

LAUREN: I just want to see it. I mean, maybe after we look at it, maybe after you guys cut those reports lose, people feel more comfortable, and then we say, "Go ahead."

TIM: Right.

LAUREN: But -- I mean, I hate saying "Go ahead" if you're saying we have a choice and I haven't even seen the report. It seems like I'm not -- I mean, why would I say "Go ahead" if I haven't seen it? You know what I mean?

TIM: I do. I do.

BILL: Let me say something about capping of the claims. One of the things that will happen is the loss development factors will go down because the case reserve level is higher. And as the loss development factors go down, what's that going to do to the high cost claims that hit the cap? It's going to be fewer of them.

LAUREN: But see, that's something we would figure out, and that would affect the plan selection maybe for somebody. I don't know. So that makes you think, well, maybe we should give it to them before they have to fill out their selections by June 1.

BILL: But that's just at the first adjustment.

TIM: Thank you. Thanks, Lauren. How about— Brent?

MR. KOHLER: Over the years we've had a lot of conversation about the loss development factor, and it's just— you know, it goes up and up and up. So do you anticipate that with automated case reserve that the loss development factors will be more stable?

BILL: That I don't know. But that would be lower. But if they're lower, they'll probably be more stable.

LAUREN: We want to hear you say "yeah" because it's predictive analytics. It should be more stable, right?

TIM: So let me say a couple things. And for the record I let Bill go first. So one thing is that some of that, Brent, what you're describing is just sort of the general kind of inflation in the cost of claims, right? So although there's a long-term trend that there's fewer or less serious accidents and injuries, right? we're getting safer all the time. When claims happen, they tend to be more expensive, right? And so there is this kind of monotone increasing quality about when claims happen, they're more expensive. And so the factors are going up, right? Back to this specific change, what I would say is, again, what you're going to see is that the factors at first and second will look more like the factors at third. So there will be kind of a flattening effect, right? So right now where we change those factors every quarter and you see them on an annualized basis for your plan contract and you say, "Holy smokes, at first adjustment a time-loss claim is four and a half, and then at second it's four, and at third it's three and a half," what I would predict is you're going to see that first adjustment number come back down to where the third adjustment number is because we have a better forecast now than we did in the current world. But is it going to go from four and a half to five to five and a half over the course of 30 years? Yes.

LAUREN: Yeah, because we don't do insurance the way other states do. Because they're the ones— it's written in there, right? Automatic rate increases because it's based on wages and not hours. And Washington state's unique because we do our rates based on hours. So that makes sense.

TIM: We're unique, right?

LAUREN: We are unique.

TIM: And for the record, Bill consented with my analysis. How about other questions? Lloyd?

MR. BROOKS: Lloyd Brooks, Archbright. I just want to clarify the intent isn't to replace case reservists.

TIM: Human beings?

MR. BROOKS: Yes.

TIM: No.

MR. BROOKS: Case reservists are still going to do their job just like they're doing today, correct?

TIM: Yes.

MR. BROOKS: And we talked about this earlier— or at a earlier prior meeting with the workgroup, my concern is that the case reservist would see this number and be apt to say, "Well, I would have case reserved this maybe a little bit lower because of my experience in looking at claims and that sort of thing. But I'm seeing in the computer saying it's higher, so maybe I'm going to bump it up a little bit." That's my only concern. Because if the case reservists are still doing their job exactly like they're doing it today, it's not going to make that much difference in my mind.

BILL: Let me say a few words here. We're looking at it very early on in the claim. And there isn't a lot of information early on in the claim. As the claim gets older, there's more and more information that appears for the claim. Also, we can't see the same information that the case reserve staff looks at. We can only look at things that are electronic. The— our computer system is bad at reading handwriting, you know. So there's no way we can do that. Whereas, a case reservist with their eyes can actually read handwriting. And so they're capable of looking at a lot more information than we are. So, of course, they would look at one of the case reserves later on with a lot more information now on the claim and make a more intelligent decision as to what that case reserve ought to be. And I would expect that. And most of these claims will have closed by the time, and so it wouldn't even be on the work list for case reserve staff because the claims have already closed. Because we're just looking at stuff early on.

TIM: And Brian, will you hold for just a moment? I just— I need to give Milton some space. He has to get to another appointment. So with the consent of the committee, is it okay if I excuse him and we continue without the reporter in the room? Milton, thank you.

(Whereupon, the court reporter was excused at 11:48 a.m.)