



Workers' Compensation Fraud Report

FY 2007 Third Quarter (January through March 2007)

Statistics at a glance

- **Number of cases referred to prosecution 2**
- **Number of administrative (civil) fraud orders issued..... 86**
- **All dollars collected.....\$40,360,277**

Major milestones

The fraud program at L&I continued its steady progress toward identifying and eliminating fraud and abuse in the workers' compensation program. This quarter L&I tested the new computer systems for employer field audits and for tracking employer referrals. When the systems are implemented in June 2007, referrals will be reviewed online, in the referral tracking system, and transferred automatically to the new audit system. The new systems will vastly improve L&I's ability to audit employers.

L&I also improved the *premium status web site* that the public uses to review employers' workers' compensation accounts. The site now includes an estimate of employers' number of workers (expressed as a range of probable workers), based on the hours employers reported for the purpose of calculating premiums. A new link to the Department of Revenue has also been added so that the public can verify that employers have an active tax account. By making it easier to determine if a firm is properly registered as an independent business and properly reporting, L&I increases the public's ability to help identify fraud and abuse in the workers' compensation program.

Prevention highlights

Three key components of a fraud prevention program are:

- Creating an informed public that helps identify noncompliant employers.
- Helping those who use the workers' compensation system to follow the law.
- Building public awareness of compliance actions taken.

In the third quarter of FY 2007, fraud prevention staff presented a training session to contractors in Tumwater on independent contractor and premium liability issues.

Convenient options for reporting fraud and abuse include phone and online. During the third quarter of fiscal year 2007, L&I received over 425 referrals related to employer and worker fraud via these options.

Compliance highlights

Employer

In Poulsbo the owner of a construction company was charged with engaging in business without a certificate of coverage. In March, he pled guilty to a Class C felony for failure to register and agreed to pay restitution in the amount of \$100,000 to L&I.

Worker

An investigation of an Everett man revealed that he had filed twelve false claims, leading to his prosecution for willful misrepresentation. He is currently serving a 43-month sentence with the Department of Corrections.

Program administration

L&I spent \$3,806,281 on salaries, benefits and other expenses of the Fraud Prevention and Compliance program. L&I recovered \$40,360,277 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$1,137,529 (improper future benefits stopped by investigation).

Results: 9.2 to 1 return on investment – a cost of 10.9 cents for each dollar collected.

More fraud prevention numbers

These figures represent dollars collected from fraudulent activity due to misrepresentation, overpayments to workers and providers, and employers owing delinquent premiums.

Worker

Assessments	\$564,342
Claim overpayment collections.....	\$4,076,172
Cost avoidance	\$1,089,793

Employer

Assessments	\$4,897,175
Collections	\$36,177,812

Provider

Assessments	\$1,273,404
Collections	\$106,293
Cost avoidance	\$37,736

