

## Fraud Prevention and Compliance

*Third Quarter, Fiscal Year 2009*

### Workers' Compensation Fraud Report

#### Statistics at a Glance

Number of cases referred to prosecution .....	8
Number of Administrative (civil) Fraud Orders Issued .....	23
Number of Employer Audits completed .....	1,503
All Dollars Collected and Avoided .....	\$33,566,105

#### Prevention Highlights

Key Components of Fraud Prevention and Compliance Program:

- 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.

During the 3rd the quarter of FY 2009, the Department of Labor & Industries (L&I) received 2,314 referrals related to employer and worker fraud.

#### **Outreach Opportunities in the 3rd Quarter**

In Bellingham, Fraud Prevention staff held training sessions on workers' compensation basics, independent contractors, and premium liability issues.

In Seattle, a presentation was given on proper coverage for truck drivers; it was sponsored by Urban League of Metro Seattle.

General presentations regarding employer and claim compliance and fraud issues were given in Seattle to multiple groups, including the Puget Sound Partnership, and the Associated General Contractors (AGC).

#### **New Employer Review Project**

Field Audit staff in Southwest and Central Washington participated in a pilot project that entailed educating new employers on time records, classification issues and reporting of covered workers and independent contractors versus independent contractors that are exempt from coverage. The 14 auditors that dedicated their time were able to reach out to 106 different firms. Based on a survey completed by employers who were part of the pilot, it was confirmed as a successful form of outreach and education. It is being adapted for statewide rollout beginning in July 2009.

## **Compliance Highlights**

### **That House Didn't Paint Itself**

The owner of a Spokane painting company will pay \$212,000 in back premiums and penalties in a case involving false reporting and cash payment of wages to avoid workers' compensation premiums. The firm pleaded guilty to two counts of third-degree theft and the owner will serve 30 days on electronic home monitoring. If the balance owed is not paid in full within five years, penalties will double and interest will accrue until paid in full. In return for the guilty pleas and financial settlement, the Attorney General's Office agreed to drop six felony counts.

This is part of L&I's efforts to find unregistered contractors and construction companies that purposefully underpay their insurance premiums. The state's underground economy task force estimates that in 2006, the underground construction economy cost Washington state \$113 million in unpaid taxes and premiums.

### **One Too Many Times**

A Snohomish County man that had filed 9 false claims was sentenced to 19 months in state prison and ordered to pay restitution to the medical providers for 368 doctor's visits. The Judge realized the magnitude of the false filings, commenting that one person could not have physically taken all of the drugs proscribed and must have been selling them. This case was filed back in 2007 but just came to an end—the defendant had previously been on the run as a fugitive.

### **Gainful Employment**

An Aberdeen man arrested during a federal investigation into the manufacture and sale of illegal steroids was issued a willful misrepresentation order in the amount of \$32,250 for working while collecting time-loss benefits. He pleaded guilty in U.S. District Court in California and is awaiting sentencing.

Utilizing the results of the federal investigation, L&I investigators were able to ascertain the claimant had purchased equipment, hired employees, and produced tens of thousands of steroid pills to be shipped throughout the world. Notwithstanding the Board of Industrial Insurance Appeals earlier decision that illegal activity, no matter how lucrative, cannot be considered 'gainful employment', an order was issued finding the claimant had, in fact, returned to work.

## **Program Administration**

L&I spent \$4,229,081 on salaries, benefits, and other expenses for the Fraud Prevention and Compliance program. L&I recovered \$31,959,574 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$1,606,531 (improper future benefits stopped by investigations).

**Results: 7.9 to 1 return on investment – a cost of .13 cents for each dollar collected.**

## More Fraud Prevention Figures

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

### **Worker**

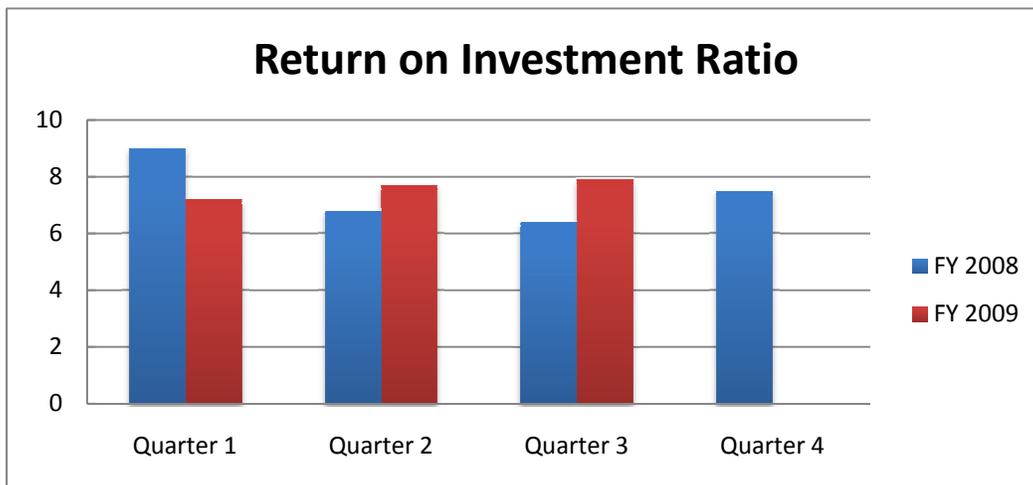
Assessments	\$861,824
Cost avoidance	\$1,540,497

### **Employer**

Assessments	\$5,836,705
Collections	\$29,595,244

### **Provider**

Collections	\$621,915
Cost avoidance	\$66,034



### **Need more information?**

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