



Fraud Prevention and Compliance

Fourth Quarter, Fiscal Year 2009

Workers' Compensation Fraud Report

Statistics at a Glance

Number of cases referred to prosecution	3
Number of Administrative (civil) Fraud Orders Issued.....	67
Number of Employer Audits completed.....	1,573
All Dollars Collected and Avoided.....	\$37,264,587

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.

Outreach Opportunities in the 4th 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.

Carl Hammersburg also gave presentations in Seattle on the overall Program of Fraud Prevention and Compliance for several business groups including; Puget Sound Partnership, Mixed business labor groups, and the AGC.

New Employer Review Project

Field Audit staff in Region 5 and 4 participated in a project that entailed educating new employers on keeping better time records and Independent Contractors' regulations. The 14 auditors that dedicated their time were able to reach out to 106 different firms. It was a confirmed success by the employers who were surveyed. This new audit project is expected to go into full swing in July 2009 with all regions participating.

The Audit staff's enthusiasm and willingness to complete this project reaffirms audit's commitment in educating the employer community.

Compliance Highlights

This quarter the Detection and Tracking unit received over 2312 referrals resulting in 2160 referrals to Employer Audit, Claims Investigations and other areas within the agency.

Leveling the Playing Field

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 Labor and Industries 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 multiple filer in Snohomish County was sentenced to 19 months in state prison for the balance of 9 claims 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 and must have been selling them. This case was filed back in 2007, but just came to an end as Mr. Reese had been 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 \$32,250.27 for working while collecting time-loss benefits. The Aberdeen man pleaded guilty in U.S. District Court in California and is awaiting sentencing.

Utilizing the results of the federal investigation, Labor and Industries 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 \$4,379,788 on salaries, benefits, and other expenses for the Fraud Prevention and Compliance program. L&I recovered \$35,257,479 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$2,007,108 (improper future benefits stopped by investigations).

Results: 8.5 to 1 return on investment – a cost of .12 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

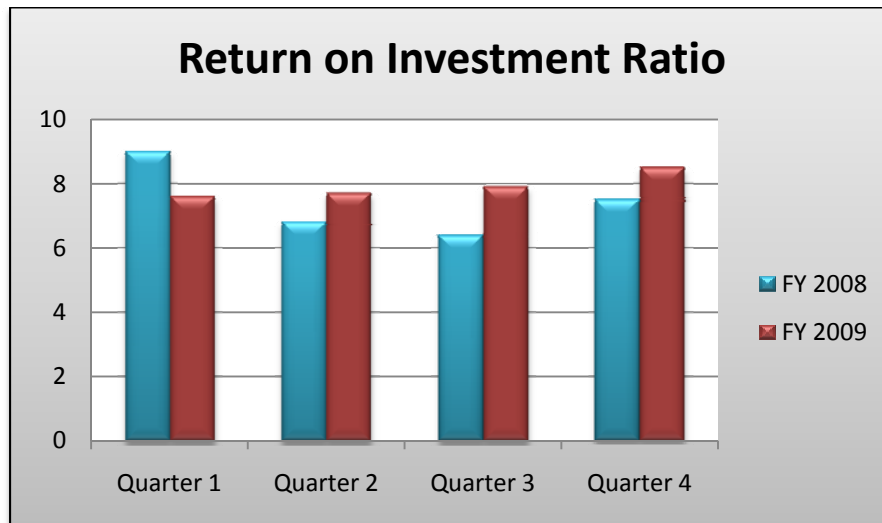
Assessments.....	\$764,606
Cost avoidance.....	\$98,108
Collections.....	\$1,365,644

Employer

Assessments.....	\$5,885,073
Collections.....	\$33,926,047

Provider

Assessments.....	\$243,965
Cost avoidance.....	\$66,034
Collections.....	-\$34,212



Need more information?

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