

Workers' Compensation Advisory Committee

June 24, 2014



Agenda

Time	Topic	Presenter(s)
9:00am-9:10am	Welcome & General Updates <ul style="list-style-type: none"> • Introductions • Motion to approve meeting minutes • Logger Safety Initiative • Safety Message 	Joel Sacks Vickie Kennedy
9:10am-9:20am	JLARC Audit Update	John Bowden
9:20am-9:30am	Board of Industrial Insurance (BIIA) Update	Dave Threedy
9:30am-10:15am	Industrial Insurance (State) Fund Financial Overview	Sharon Elias
10:15am-10:30am	WCAC Sub-Committee – Pension Rate Discount & Mortality Tables	Randi Warick
10:45am-10:55am	BREAK	All
10:55am-11:10am	Insurance Services Performance Metrics Dashboard	Vickie Kennedy
11:10am-11:55am	Health Care Quality Update	Leah Hole-Marshall
11:55am-12:00pm	Closing Comments & Adjourn <ul style="list-style-type: none"> • Future agenda topics 	Joel Sacks Vickie Kennedy

WELCOME & GENERAL UPDATES

*Joel Sacks,
Director*

*Vickie Kennedy,
Assistant Director for Insurance Services*



SAFETY MESSAGE

Eye on Safety – *Ladder Falls*

www.EyeOnSafety.Info



JLARC's Workers' Compensation Claims Management System Audit

Worker's Compensation Advisory Committee

John Bowden, JLARC Staff

Joint Legislative Audit & Review Committee

June 24, 2014



Quick Overview of Today's Topics

- Performance audit research areas
- Contractor's completed work:
 - ◆ Interviews; and
 - ◆ Claims file review
- Continuing Work:
 - ◆ Claims data analysis;
 - ◆ Employer and Worker Surveys; and
 - ◆ Comparisons with Other Jurisdictions and Best Practices

Performance Audit Research Areas

1. Fairness and timeliness of decision-making;
2. Fairness, timeliness, and effectiveness of complaint and dispute resolution;
3. Timeliness, responsiveness, and accuracy of communication with employers and workers;
4. Efficiency of current claims management organization and service delivery models;

Research Areas (continued)

5. Differences in claims organization and service delivery for retro and non-retro;
6. Differences in rating plan refunds for retro and non-retro accounts; and
7. Whether current initiatives are improving service delivery.

Completed Work – Interviews

- WCAC members
- Self-Insured – employers and TPAs
- State Fund:
 - ◆ Non-retro employers; and
 - ◆ Retro – employers and group administrators
- Labor
- Project Help
- Attorneys for both employers and workers
- BIIA (board members and judges)
- L&I staff

Completed Work – Claim File Reviews

- Sample of claims for hand review:
 - ◆ 310 state fund; and
 - ◆ 190 self-insured
- Review team has broad claims experience
- Used checklist for documenting several aspects of L&I operations including compliance with:
 - ◆ Internal L&I standards;
 - ◆ Statutory requirements; and
 - ◆ “Best practices”

Continuing Work – Claims Data Analysis

- Claims data from L&I with injury dates from 2010 through 2013 – 614,000 claims
- Additional claims data from self-insured employers
- Wage data from Employment Security
- Identifying data stripped away, encrypted, and secure.

Continuing Work – Surveys

- Compare perceptions about claims experiences across subgroups
- Sample based on date of injury and medical costs greater than \$5,000
- Nearly 13,000 letters going out
- Separate surveys for:
 - ◆ Employers (~ 1,200 desired completions)
 - ◆ Injured Workers (~1,500 desired completions)
- Phone calls and online
- Reviewing other surveys conducted by L&I

Continuing Work – Comparisons

- Comparing Washington with/against:
 - ◆ “Similar” jurisdictions:
 - Industry mix, wages, unemployment rate;
 - Insurance structure – exclusive state funds; and
 - Adjacent jurisdictions
 - ◆ Best practices and national standards
- Direct comparisons for cost and worker outcomes are nearly impossible
- Comparisons will focus on timeliness, fairness, and efficiency

Next Steps and Contacts

Preliminary Report

June 2015

Proposed Final Report

July 2015

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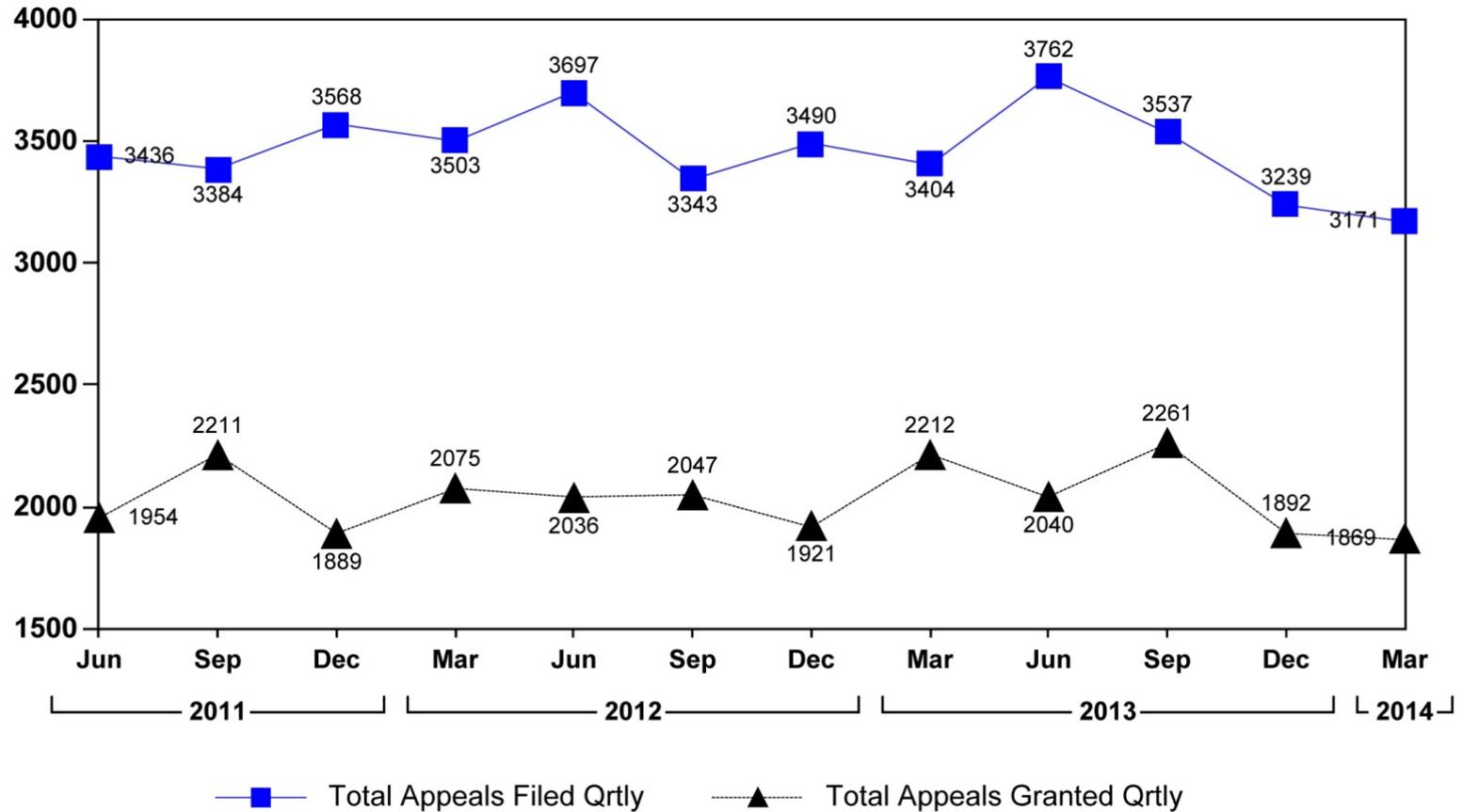


BOARD OF INDUSTRIAL INSURANCE (BIIA) UPDATE

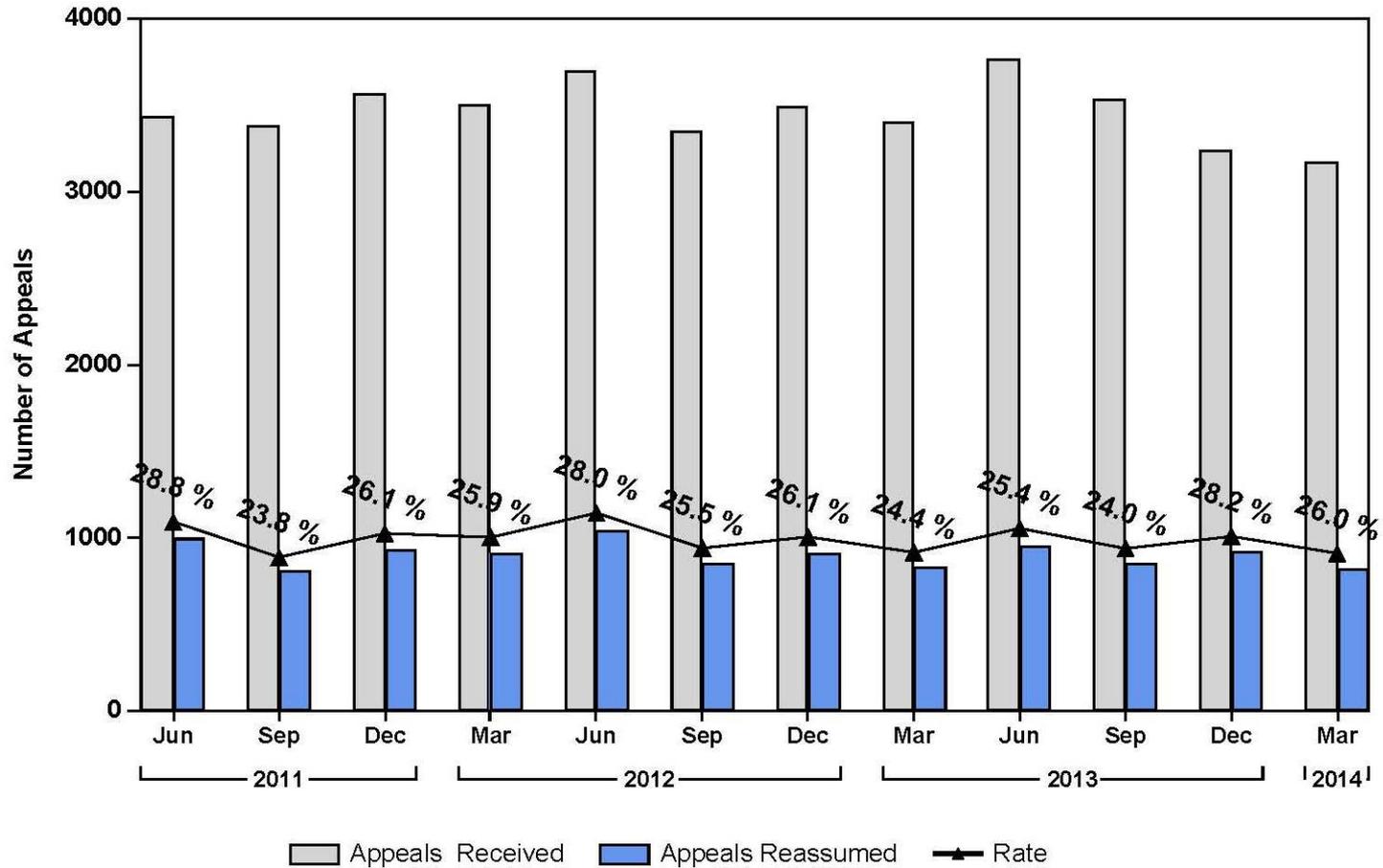
*Dave Threedy,
Chair*



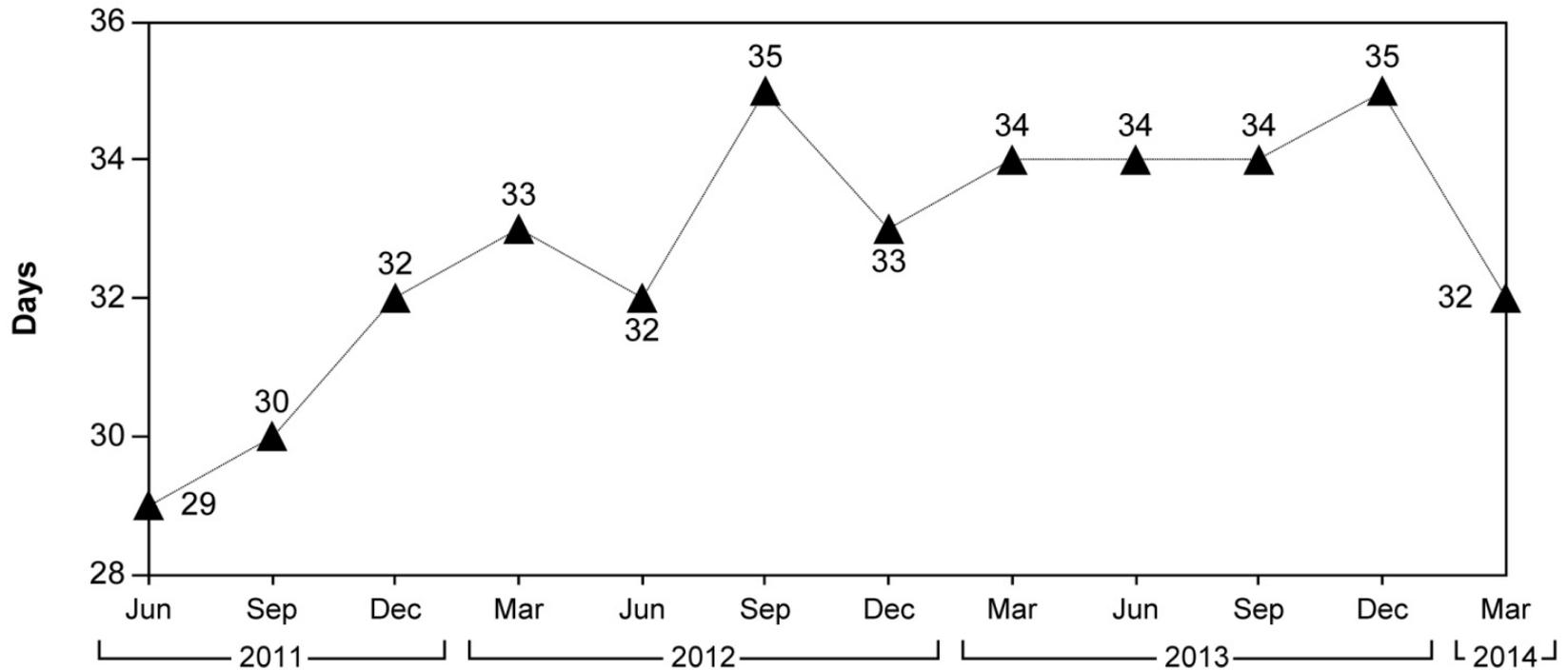
Total Appeals Filed and Granted



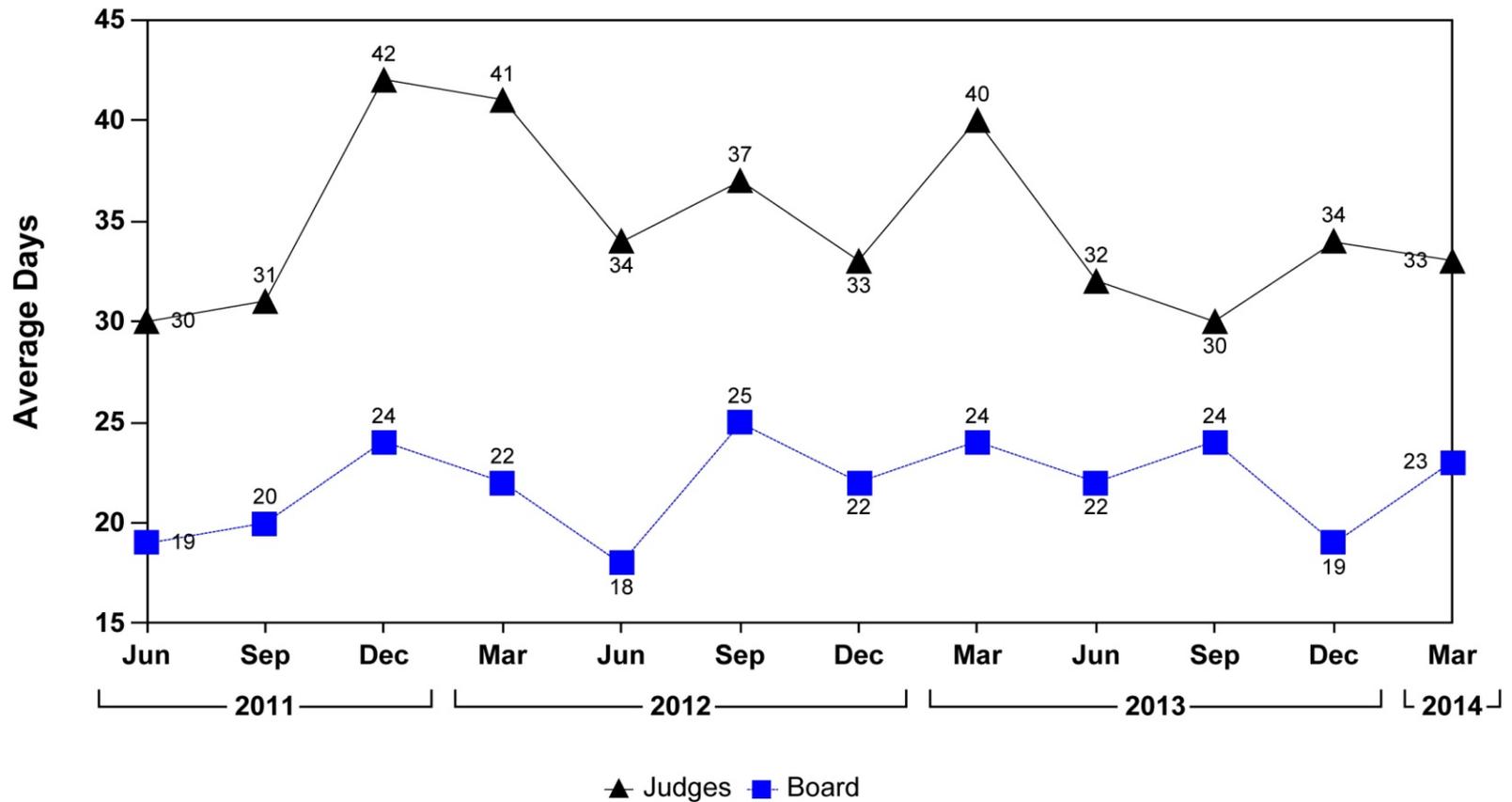
Department Reassumption Rate by Quarter



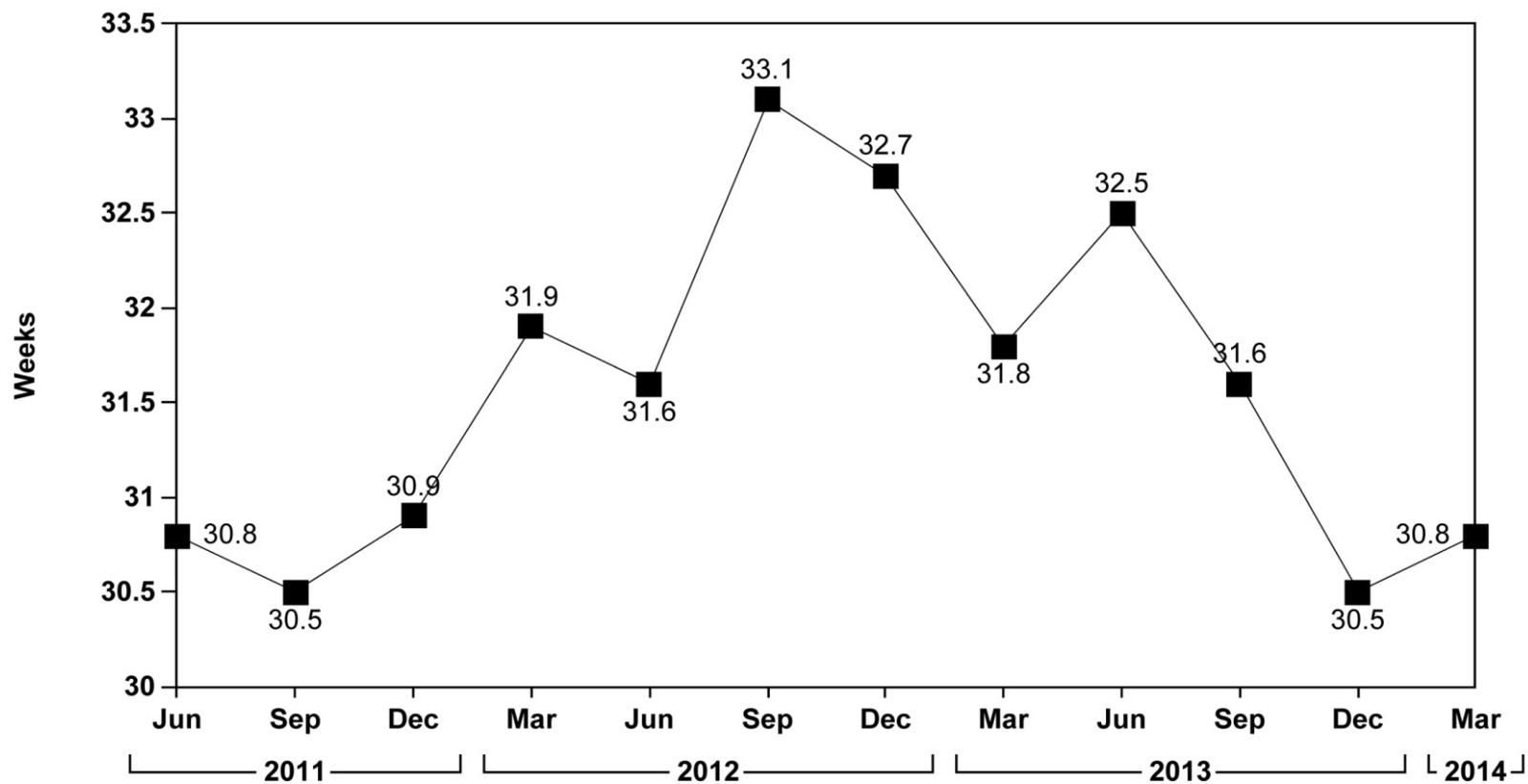
Average PD&O* Time-lag by Quarter for Hearing Judges



D & O* Time-Lag by Quarter

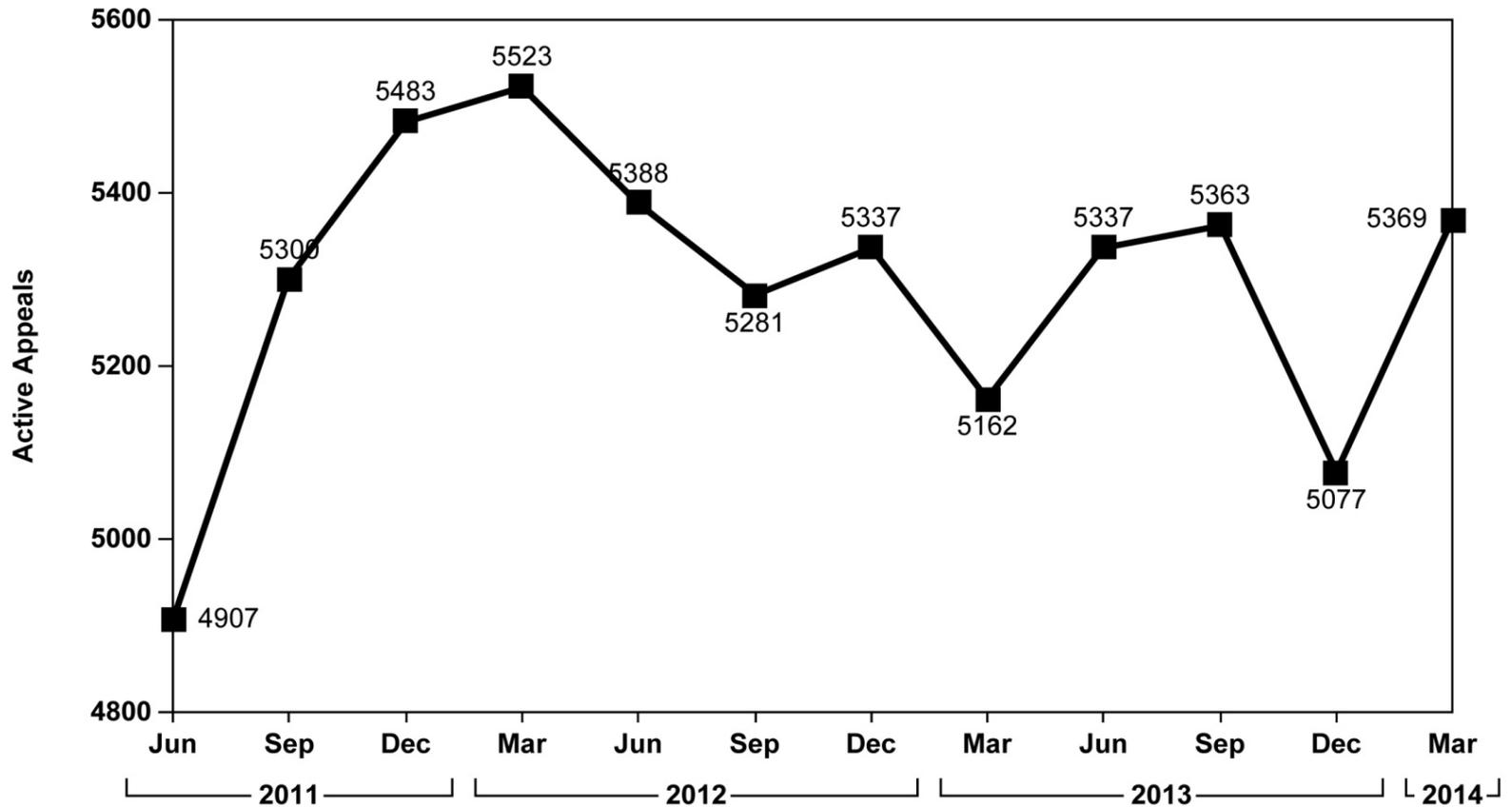


Quarterly Average Weeks to Completion



All orders issued by quarter from date filed to date of final order

Caseload at End of Quarter



Structured Settlements as of 6/18/14

Claimants Involved: 149

Approved: 137

Rejected/Best Interest: 1

Rejected/Other Grounds: 8

Pending: 3

INDUSTRIAL INSURANCE (STATE) FUND

FINANCIAL OVERVIEW

STATUTORY FINANCIAL INFORMATION
FISCAL YEAR 2014 – THIRD QUARTER
JULY 2013 THROUGH MARCH 2014

Sharon Elias
Chief Accounting Officer



Nine Month Financial Highlights

July 2013 through March 2014

- For the first nine months the contingency reserve increased \$304 million, from \$620 to \$924 million largely due to a strong stock market and favorable development in benefit liabilities.
- From second to third quarter, the contingency reserve decreased \$117 million from \$1,041 to \$924 million because of adjustments in actuarial assumptions.
- First time since 2007 that we ended the 3rd quarter with a net income largely due to:
 - Benefit liabilities increased less than expected due to fewer active pension, time-loss and medical claims.
 - \$239 million in realized investment gains due to the sale of TIPS and Equities.

Change in the contingency reserve by quarter:

- June to Sept. - contingency reserve increased \$240 million, from \$620 to \$860 million.
- Sept. to Dec. - contingency reserve increased \$181 million, from \$860 to \$1,041 million.
- Dec. to Mar. - contingency reserve decreased \$117 million, from \$1,041 to \$924 million.

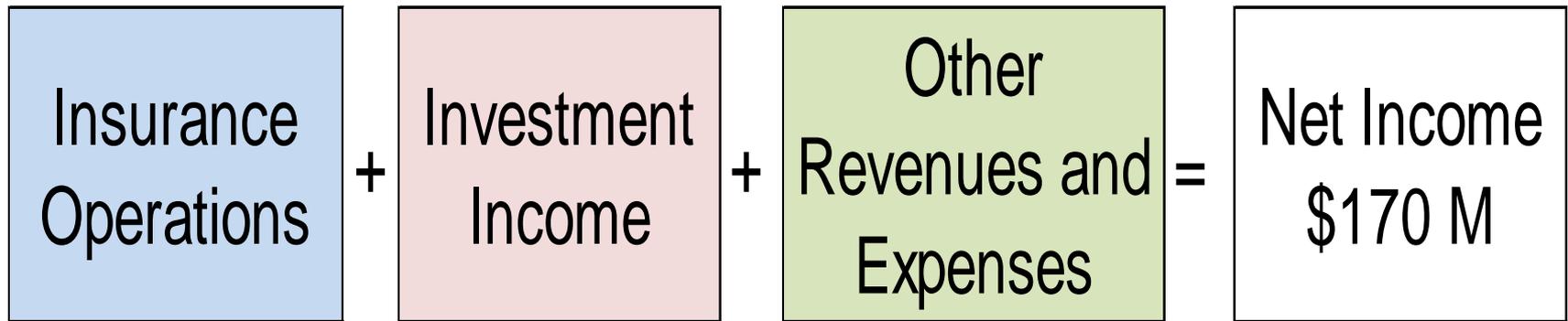


State Fund Results

“Net Income”

July 2013 through March 2014

July 2013 through March 2014 revenues exceeded expenses resulting in net income of \$170 million.



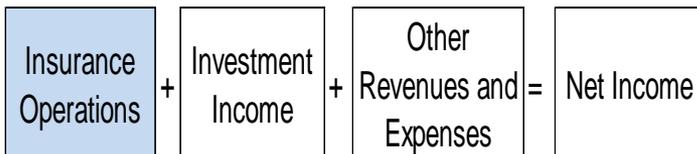
Insurance Operations

July through March
(in millions)

	Nine Months Ended		Fiscal Year
	March 31, 2014	March 31, 2013	Ended June 30, 2013
We took in (Premiums Earned)	+ \$ 1,208	\$ 1,151	\$ 1,584
We Spent (Expenses Incurred)			
Benefits Incurred	1,501	1,568*	2,163*
Claim Administrative Expenses	121	107	150
Other Insurance Expenses	56	55	76
Total Expenses Incurred	- 1,678	1,730	2,389
Net Loss from Insurance Operations =	\$ (470)	\$ (579)	\$ (805)

**Includes reduction in structured settlements savings*

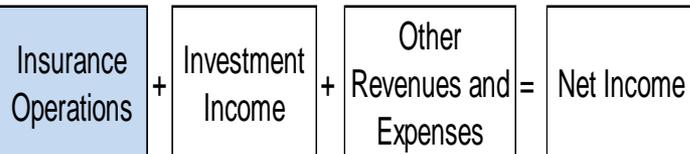
Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.



Premiums Earned

July through March
(in millions)

	Nine Months Ended		Difference
	March 31, 2014	March 31, 2013	
<i>Standard Premiums Collected</i>	\$ 1,367	\$ 1,305	
<i>Less Retrospective Rating Adjustments</i>	(37)	(38)	
Net Premiums Collected	1,330	1,267	
Changes in future Premiums Amounts To Be Collected	(6)	(37)	
Changes in future Retrospective Rating Adjustment Refunds	(116)	(79)	
Net Premiums Earned	\$ 1,208	\$ 1,151	\$ 57



Benefits Incurred

July through March
(in millions)

	Nine Months Ended		Difference
	March 31, 2014	March 31, 2013	
Benefits Paid	\$ 1,149	\$ 1,153	
Change in Benefit Liabilities			
Change in Prior Liabilities			
<i>Impact of Discounting (Expected)</i>	488	345	
<i>Other Development (Unexpected)</i>	(149)	128	
New Liabilities	1,137	1,080	
Claim Benefit Payments	(1,149)	(1,154)	
Self-insurance Pension Awards	25	16	
Total Change in Benefit Liabilities	352	415	
Benefits Incurred	\$ 1,501	\$ 1,568	\$ (67)

Negative number indicates a decrease in the benefit liability

Insurance Operations	+	Investment Income	+	Other Revenues and Expenses	=	Net Income
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Impact of Discounting

July 2013 through March 2014
(in millions)

Fiscal Year to Date	
Dec. 31, 2013	Mar. 31, 2014
\$192	\$250
\$166	\$166
\$72	\$72
\$430	\$488

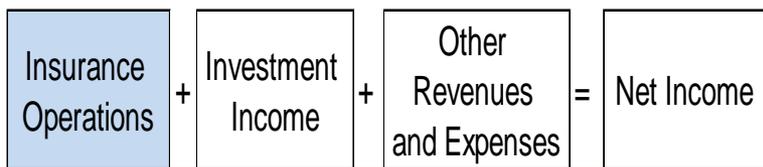
Explanations as of March 31, 2014

- **Actual changes in discounting**
 - Includes discounting adjustments from changes to existing liabilities between June 30 and the current quarter.
 - Calculated by comparing the difference between discounted and undiscounted liabilities as of June 30th to the current quarter.

- **Changes to the pension reserving assumptions**
 - Estimated pension reserve amounts were increased for planned gradual reduction in pension discount rate over the next 9 years.

- **13 year old TPD (Total Permanent Disability) discount rate change**
 - 13+ year old claims converted from TPD liabilities to time-loss liabilities.
 - Time-loss reserves (discounted at 1.5%) increased \$254 million.
 - TPD reserve (discounted at 4.5% to 6.5%) decreased \$182 million.
 - Increase in liability is almost entirely due to reduction in discounting of these time-loss payments.

Total Impact of Discounting



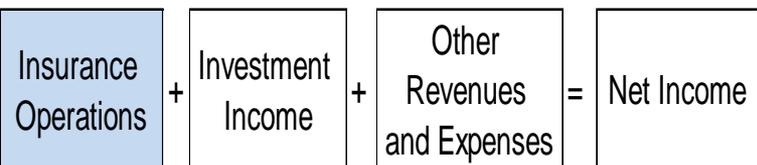


Unexpected Changes in Previously Estimated Benefit Liabilities

July 2013 through March 2014

(in millions)

Fiscal Year to Date		Explanations as of March 31, 2014
Dec. 31, 2013	Mar. 31, 2014	
(\$227)	(\$166)	<ul style="list-style-type: none"> Total permanent disability pension reserves developed better than expected <ul style="list-style-type: none"> Fewer active time-loss and pension claims resulted in a better than expected development of \$30 million. Reducing expected persistency rates for claims less than 6 years old resulted in a better than expected development of \$136 million.
\$15	\$20	<ul style="list-style-type: none"> Permanent partial disability (PPD) reserves developed unfavorably, excluding hearing loss <ul style="list-style-type: none"> Average cost of PPD awards were higher than expected.
(\$55)	(\$48)	<ul style="list-style-type: none"> Time-loss benefits reserve developed better than expected <ul style="list-style-type: none"> There were significantly fewer active time-loss claims than expected.
(\$142)	(\$102)	<ul style="list-style-type: none"> Medical Aid reserves developed better than expected, excluding vocational rehabilitation and hearing loss <ul style="list-style-type: none"> Primarily due to fewer anticipated active claims from prior injury quarters.
	\$40	<ul style="list-style-type: none"> Structured settlements assumption was changed
	\$71	<ul style="list-style-type: none"> Planned accounting adjustment - savings are now reflected in operations. This avoids double counting.
\$17	\$16	<ul style="list-style-type: none"> Stay at Work costs net of savings developed unfavorably <ul style="list-style-type: none"> Program maturity reserving assumption changed from fiscal year end 2013 to fiscal year end 2017. Costs developed better than expected by \$13 million. Savings developed unfavorably by \$29 million.
\$21	\$20	<ul style="list-style-type: none"> All other unexpected development such as private vocational rehabilitation, medical hearing loss, and vocational option 2
(\$371)	(\$149)	Total unexpected changes



Negative numbers indicate a decrease in the liability



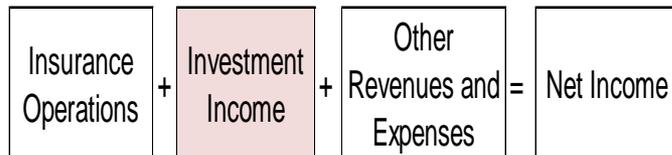
Investment Income

July through March
(in millions)

	Nine Months Ended		Fiscal Year
	March 31, 2014	March 31, 2013	Ended June 30, 2013
Investment Income Earned from Dividends and Interest	+ \$ 358 *	\$ 350	\$ 466
Realized Gains from Fixed Income Investments Sold	+ 198 **	71	74
Realized Gains from Stocks (Equity Investments) Sold	+ 41	6	13
Total Investment Income	= \$ 597	\$ 427	\$ 553

* Includes Lehman settlement recovery of \$9 million

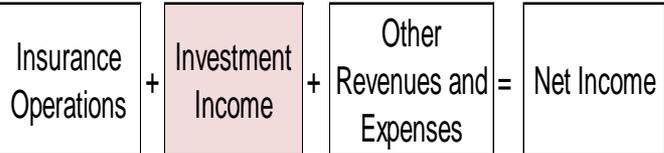
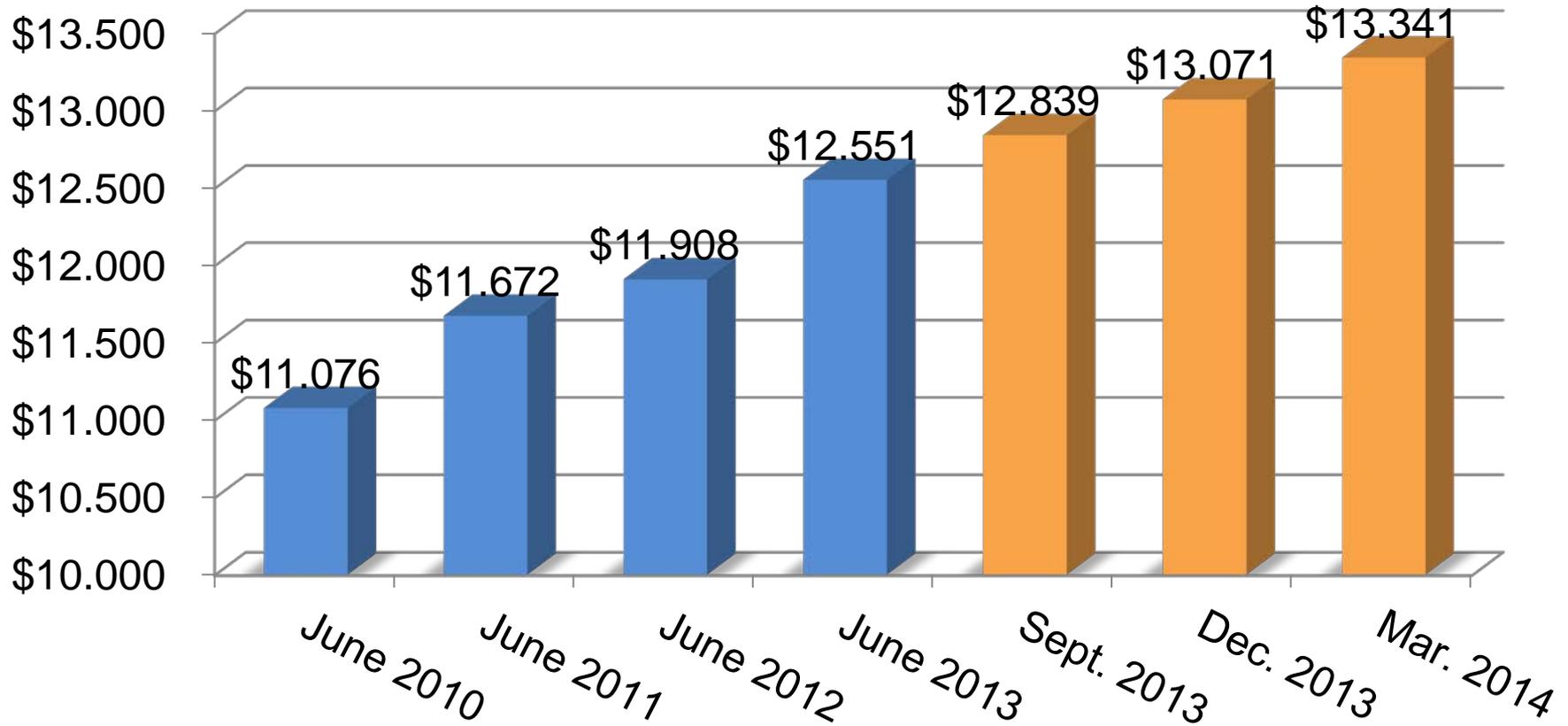
** Sale of TIPS due to new allocation policy resulted in realized gain of \$191 million





Total Investments

(rounded to billions)



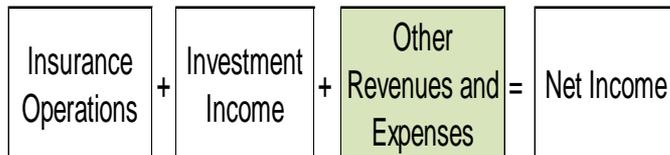
Other Revenues & Expenses

July through March
(in millions)

	<u>Nine Months Ended</u>		<u>Fiscal Year</u>
	<u>March 31,</u>	<u>March 31,</u>	<u>Ended</u>
	<u>2014</u>	<u>2013</u>	<u>June 30, 2013</u>
Fines, Penalties, Interest, and Other Revenues	+ \$ 39	\$ 35	\$ 49
Net of Self Insurance Reimbursements and Expenses **	+ 39	27	44
Non-Insurance Expenses	- (35)	(36)	(52)
Net of Other Revenues and Expenses =	\$ 43	\$ 26	\$ 41

Note: For example, non-insurance expenses include DOSH, SHARP, Employment Standards, Apprenticeship, and Department of Health.

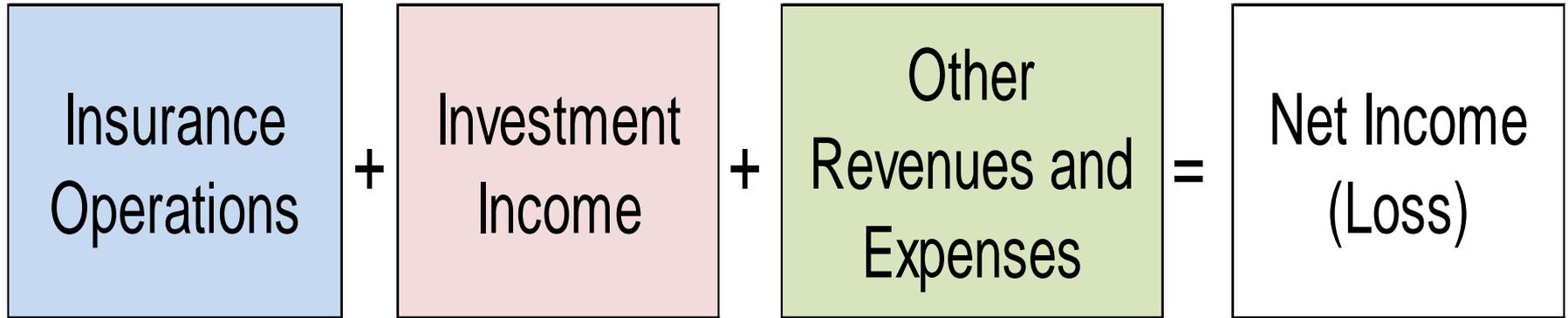
** This number does not include SI benefits incurred.





Results of Operations

July 2013 through March 2014



(\$470) million + \$597 million + \$43 million = \$170 million

Historic Results of Operations

Five-Year Comparison

July through March

(in millions)

As of Quarter Ending March 31,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2014	(470)		597		43		170**
2013	(579)*		427		26		(126)
2012	(620)		395		51		(174)
2011	(540)		416		53		(71)
2010	(696)		371		33		(292)

*Includes changes to the structured settlements savings in benefits incurred. Income from insurance operations would have been (\$337 million) and net income would have been \$116 million excluding the change.

** This is the first time since 2007 we have had a net income at the end of the third quarter.

How Did Contingency Reserve Perform?

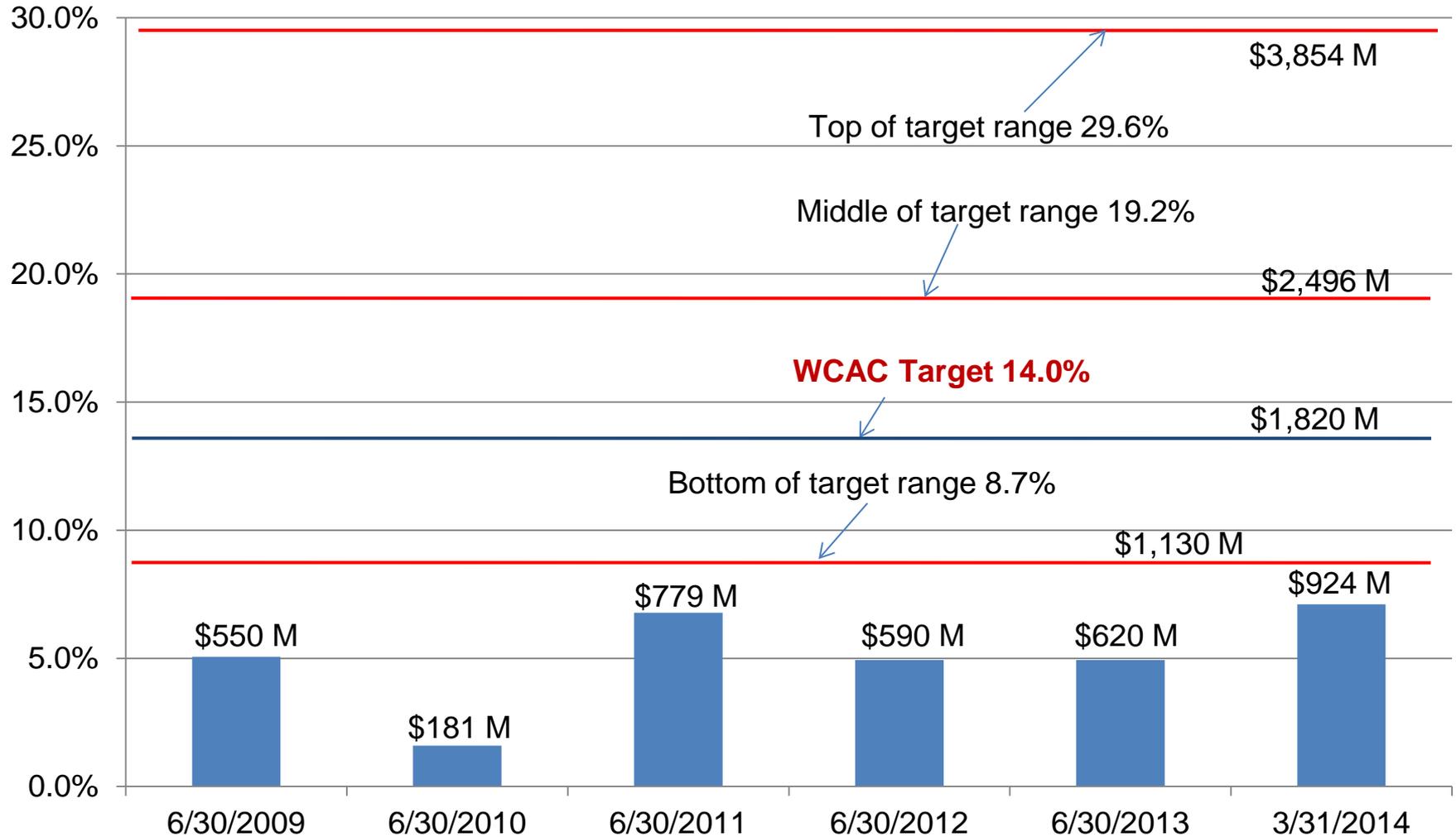
July 2013 through March 2014

Change \$304 million

Beginning Contingency Reserve as of June 30, 2013	+	Net Income (Loss)	+	Unrealized Capital Gain/Loss	+	Other (Change in nonadmitted assets)	=	New Contingency Reserve as of March 31, 2014
\$620 million	+	\$170 million	+	\$135 million	+	(\$1 million)	=	\$924 million

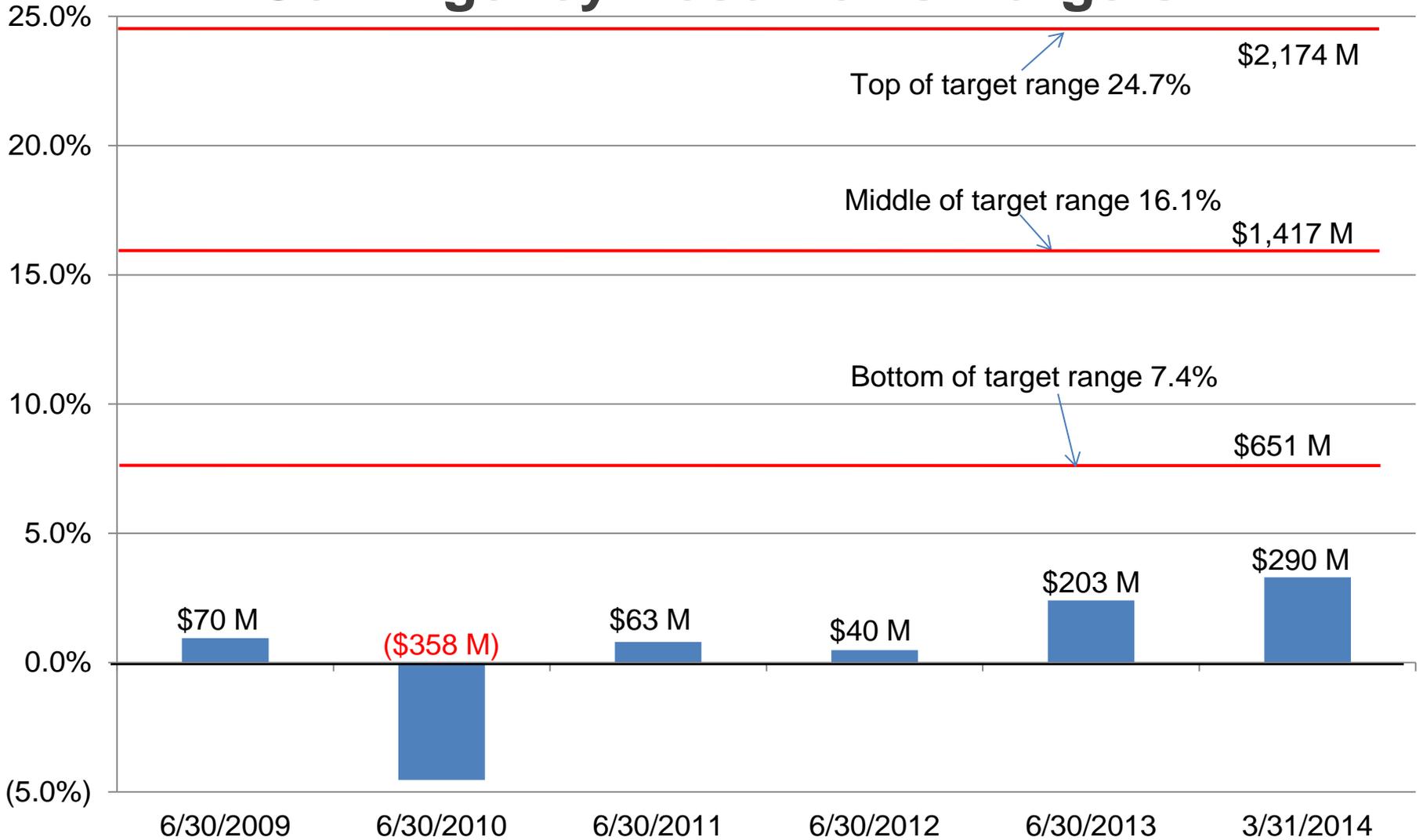
*Note: Unrealized capital gain/loss are not a part of net income because we have not “**cash**ed in” our profits or losses.*

Combined Contingency Reserve vs. Targets

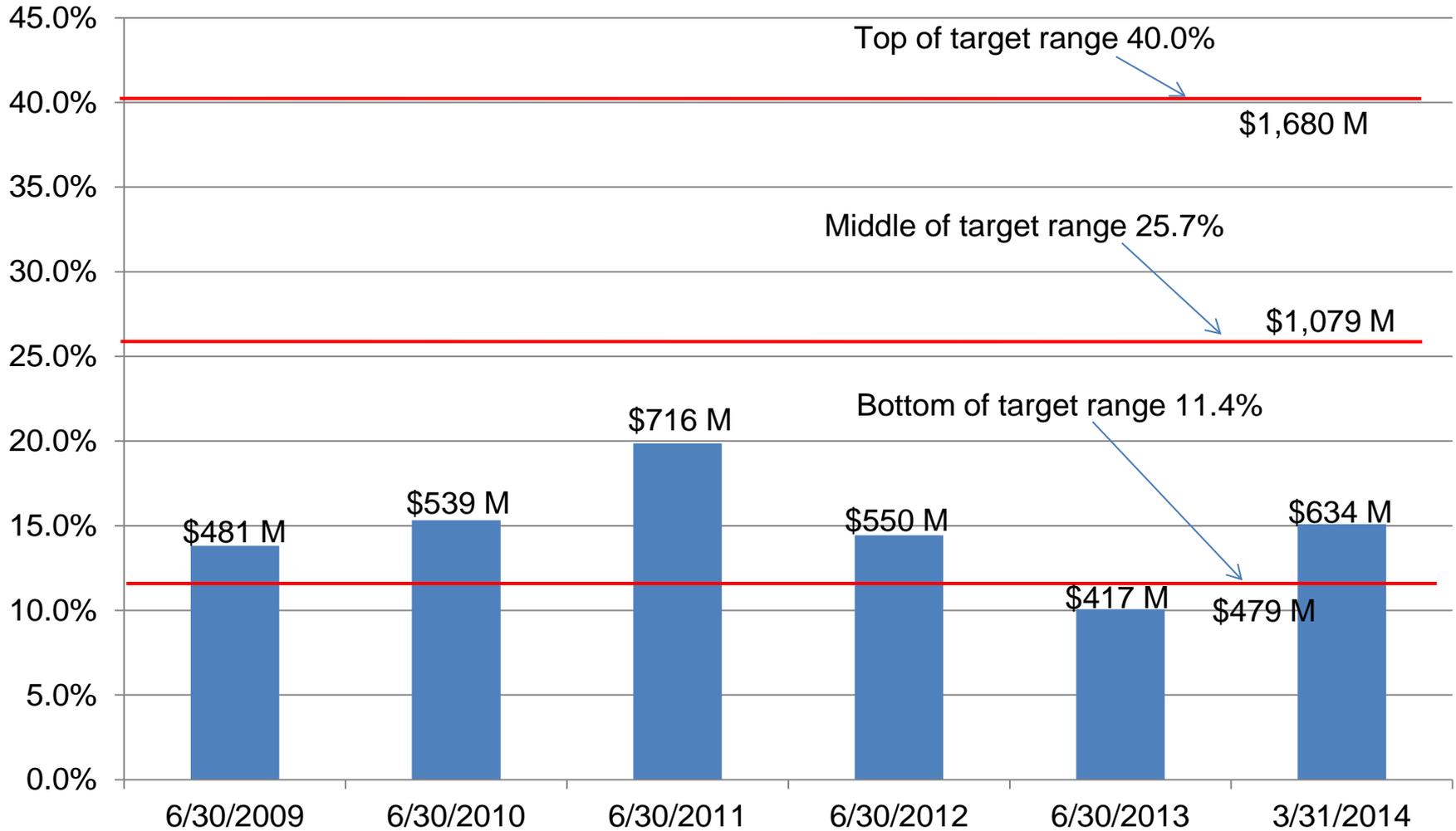




Accident & Pension Contingency Reserve vs. Targets



Medical Aid Contingency Reserve vs. Targets



Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended Mar 31, 2014		Quarter Ended	Fiscal Year Ended
	State Fund	Industry Forecast	March 31, 2013	June 30, 2013
A Benefit (Loss Ratio)	124.3%	61.0%	136.3%	136.5%*
B Claim Administration Expense (CAE) Ratio	10.0%	14.0%	9.3%	9.5%
Sub-Total: Benefit and Claim Administration Expense Ratios	134.3%	75.0%	145.6%	146.0%
C Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.7%	25.5%	4.8%	4.8%
D Combined Ratio (A+B+C)	139.0%	103.0%	150.4%	150.8%
E Investment Income Ratio	29.6%	18.7%	30.4%	29.4%
F Operating Ratio (D-E)	109.4%	84.3%	120.0%	121.4%

* Includes changes to the structured settlements savings. The loss ratio is 121.5% excluding the change.

** Investment Income Ratio and Operating Ratio do not include realized gains.

Note: The combined ratio of 100% would indicate that costs = premiums for the period



Questions & Comments

Contact **Sharon Elias**, Chief Accounting Officer

- Phone: 360-902-5743
- Email: elia235@lni.wa.gov.

Thank You!

Historical Investment Performance

	Nine Months Ended		Fiscal Year Ended			
	March 31, 2014	March 31, 2013	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Investment Income	357,924,000	349,984,000	465,868,000	481,892,000	491,654,000	486,996,000
Realized Gain (Loss)	239,588,000	77,245,000	87,405,000	547,771,000	68,768,000	17,725,000
Unrealized Gain (Loss)	135,064,000	255,554,000	266,041,000	(546,428,000)	416,944,000	179,067,000
Total Invested Assets	13,341,166,000	12,584,736,000	12,550,887,000	11,908,149,000	11,671,588,000	11,075,920,000

Unrealized gain (loss) changes are impacted mostly by stock market results.

Note: Unrealized gains and losses are commonly known as “paper” profit or losses which imply that they have not been “cashd in.”

Key Factors in the \$304 Million Contingency Reserve Increase

from July 1, 2013 to March 31, 2014

Impact	Drivers	Amount
	Actual changes in discounting Benefit and claims administrative expense (CAE) liabilities, \$250 million plus \$6 million, respectively	\$256 million
	Reserve increase for planned reduction in pension discount rate Benefit and CAE liabilities, \$166 million plus \$12 million, respectively	\$178 million
	13 year old total permanent disability discount rate change Benefit and CAE liabilities, \$72 million plus \$12 million, respectively	\$84 million
	Unexpected investment gains	\$296 million
	Benefit and CAE liabilities developed better than expected Benefit and CAE liabilities, \$149 million plus \$18 million, respectively	\$167 million
	Premium revenue is higher than expected costs Due to increase in hours reported, business mix shift, and rate change	\$103 million

Quarterly Change in Benefit Liabilities

(in millions)

	Quarter Ended			
	Sep 30, 2012	Dec 31, 2012	Mar 31, 2013	Jun 30, 2013
Beginning Estimated Benefit Liabilities	\$ 11,203	\$ 11,210	\$ 11,216	\$ 11,618
Change Benefit Liabilities for injuries occurring 6/30/12 and prior				
Impact of Discounting				
Discount accretion	92	89	87	85
Change in non-pension discount rate	-	77	-	(11)
Total Impact of Discounting	92	166	87	73
Other developments:				
Structured Settlement development	14	(34)	262	2
TPD Pension development	(92)	(95)	(16)	(70)
Medical development	(16)	(20)	52	116
Time-loss Benefit Reserve Development	(6)	12	17	2
All other development on prior liabilities	19	9	22	53
Total other development	(81)	(128)	337	102
Total Change in Benefit Liabilities for injuries occurring 6/30/12 and prior	11	38	424	175
New benefit liabilities for injuries occurring 7/1/12 and after	367	372	341	410
Claim Payments in 3 months	(375)	(409)	(370)	(406)
New Self insurance 2nd injury pension awards	4	5	7	8
Ending Benefit Liabilities	\$ 11,210	\$ 11,216	\$ 11,618	\$ 11,806
Change in benefit liability	\$ 7	\$ 6	\$ 402	\$ 188

\$230 million unexpected changes.

Quarterly Change in Benefit Liabilities

(in millions)

	Quarter Ended			
	Sep 30, 2013	Dec 31, 2013	Mar 31, 2014	
Beginning Estimated Benefit Liabilities	\$ 11,806	\$ 11,858	\$ 11,888	
Change Benefit Liabilities for injuries occurring 6/30/13 and prior				
Impact of discounting				} \$488 million FYTD Impact of discounting
Actual changes in discounting	78	114	58	
Reserve increase for planned reduction in discount rate	166			
13 year old TPD discount rate change		72		
Total impact of discounting	244	186	58	
Other development:				} (\$149 million) FYTD favorable unexpected changes
Fewer active time-loss and pension claims	(92)	1	61	
Reduction of the persistency rates for claims less than 6 years old	(136)			
Total TPD Pension development	(228)	1	61	
Permanent Partial Disability development	10	5	5	
Time-loss benefit reserve development	(25)	(30)	7	
Medical Aid loss reserve development	(26)	(116)	40	
Stay at Work development	15	2	(1)	
Structured settlements assumption was changed			40	
Planned accounting adjustment - savings are now reflected in operations. This avoids double counting.			71	
All other development on prior liabilities	13	8	(1)	
Total other development	(241)	(130)	222	
Total Change in Benefit Liabilities for injuries occurring 6/30/13 and prior	3	56	280	
New benefit liabilities for injuries occurring 7/1/13 and after	411	367	359	
Claim Payments	(372)	(398)	(379)	
New Self-insurance 2nd injury pension awards	10	5	10	
Ending Benefit Liabilities	\$ 11,858	\$ 11,888	\$ 12,158	

9-Year Reserve Benchmarks

Update: \$924 million contingency reserve or just above 7% of total liabilities.

9-Year Interim Targets

Year	Contingency Reserve Target (range)	Pension Discount Rate (PDR) Target (range)	Contingency Reserve (CR) Yearly Goal (displays steady growth) <small>dollars in millions</small>
Quarter Ending June 2013	4.9%	6.5%	
2014	5 - 7%	6.5 - 6.3%	\$ 652 to \$902
2015	6 - 8%	6.3 - 6.2%	\$ 797 to \$1,032
2016	7 - 9%	6.2 - 6.0%	\$ 957 to \$ 1,167
2017-2018	8 - 11%	5.9 - 5.5%	\$ 1,122 to \$ 1,452
2019-2020	10 - 13%	5.4 - 4.7%	\$ 1,472 to \$1,742
2021-2022	13 - 15%	4.7 - 4.5%	\$ 1,757 to \$2,047
9-Year Contingency Reserve Goal			\$2,047

Each tenth of a percent the PDR drops, the CR could reduce between \$30 to 60 million.

Anticipated Changes to the Contingency Reserve in 2014

Drivers	Amount (range) dollars in millions		
Reduce Pension Discount Rate	(\$33)	to	(\$88)
2.7% Premium Rate Increase	\$75	to	\$95
Estimated Cost Savings from Initiatives	\$35	to	\$70
Investment Results	(\$XX)	to	\$YY

- Estimated cost savings were based on June 30, 2013 financial information when the 2014 rates were determined.
- The actual savings reflected in the financial information vary from quarter to quarter.

WCAC SUB-COMMITTEE: PENSION DISCOUNT RATE & MORTALITY TABLES

*Randi Warick,
Deputy Director of Financial Management*





WCAC Subgroup Recommendations

June 6th and June 20th met with WCAC Subgroup

- Neil Hartman, Washington Building Trades
- Joe Kendo, Washington State Labor Council
- Glenn Hanson, Multi-Care
- Tammie Hetrick, Washington Retail Association

Discussion and recommendations

- Mortality table update
- Different strategies to reduce the discount rate
- Change in gender assumptions



2014 L&I Actuary Pension Study - New Mortality Tables Needed

L&I conducted a study of injured workers

- Mortality experience of injured workers in our system from 2001 to 2012 (pension fund)

2000 US Census data used

- Mortality tables considered for spouses and widows
 - Re-evaluation of widow and spouse mortality and assumptions on divorce and remarriage rates

External actuarial review validated the study

- Reviewed by Deloitte; found reasonable and appropriate



Mortality Table Update: To Address Life Expectancy and Gender Changes

- Life expectancy for males and females has increased since last update

Example 55 year olds

- Males by 0.1 months
 - Females by 39.8 months
- Most recent beneficiary data
 - Pensioners: 69% male and 31% female
(Change from 1980s: 90% male and 10% female)
 - Widows/Widowers: 85% female and 15% male

Recommendations from the WCAC Subgroup

Contingency Reserve Impact

- Mortality Table Update (\$85 - \$91M)

Recommendation: Take all at once

- Discount Rate Reduction

Recommendation: 6.40%

Impact to Pension Benefits for Surviving Spouse Options

- Gender Consideration

Recommendation: Blended – blend of male and female

Mortality Table Update Will Decrease Contingency Reserve

State Fund Contingency Reserve (estimate)	Self-Insured 2 nd Injury Fund (estimate)	Self-Insured Cash Funded Pensions (estimate)
\$85 - \$91M	\$17 - \$18M	\$2M

Data as of 6/30/13; based on current 6.50% discount rate

Recommendation from the WCAC Subgroup

- Capture financial impact in fourth quarter, June 2015

Reducing the Discount Rate Will Decrease Contingency Reserve

Discount rate for all pensions	State Fund Contingency Reserve (\$M)	Self-Insured 2 nd Injury Fund (\$M)	Self-Insured Cash Funded Pensions(\$M)
6.50%	\$0	\$0	\$0
6.40%	\$26	\$5	\$1
6.30%	\$53	\$10	\$2
6.25%	\$67	\$12	\$2
6.00%	\$136	\$25	\$5

Recommendation from the WCAC Subgroup

- Begin bringing down the discount rate, starting with a reduction to 6.40%
- Effective in the fourth fiscal year quarter of 2015 (June 2015)

Gender Assumption When Calculating Pension Reserves

Recommendation from the WCAC Subgroup

- Blended – blend of male and female
- Effective in the fourth fiscal year quarter of 2015 (June 2015)

BREAK



INSURANCE SERVICES PERFORMANCE METRICS DASHBOARD

*Vickie Kennedy,
Assistant Director for Insurance Services*



Helping Workers Heal and Return to Work Dashboard

Status	Focus Area	Key Indicator	Baseline 2012	1 st Qtr 2014	Target by June 2015
	Overall indicator	Decrease number of long-term disability (LTD) claims	436 claims (out of every 10,000 accepted claims)	415 claims (out of every 10,000 accepted claims)	377 claims (out of every 10,000 accepted claims)
	Culture of return to work	Increase return to work in 6 months	832 (out of every 1,000 new TL claims)	833 (out of every 1,000 new TL claims)	850 (out of every 1,000 new TL claims)
	Reduce preventable disability	Decrease time-loss persistence from three to six months	70.9%	70.1%	62%
	Collaborate to Reduce system delays	Decrease average days of time-loss paid at three months from the first time-loss payment.	56.1 days	57.4 days	54 days

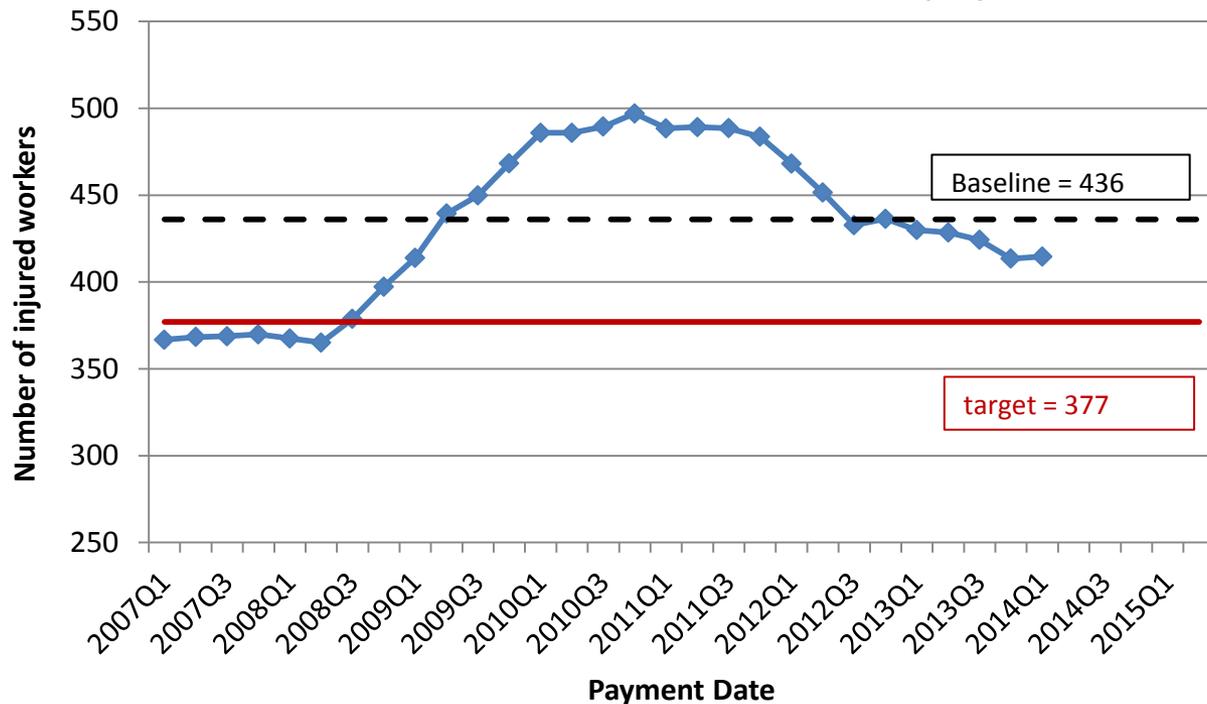
-  green making progress towards target
-  yellow not making consistent progress towards target
-  Red moving consistently in wrong direction

Definitions

1. **Long-term disability claims** – For every 10,000 accepted claims, the number that are on time-loss 12 months from their injury month, smoothed.
2. **Return to work in 6 months** –For every 1,000 new time-loss claims, the number that are off time-loss for at least a 30 consecutive day period during their first six months.
3. **Time-loss persistence** – the number of claims that have time-loss payments at sixth months from their injury month divided by the number of claims that had a time-loss payment three months from their injury month, smoothed.
4. **Time-loss days paid at 3 months** – of claims receiving time-loss, the average number of time-loss paid per claim at 90 days from the 1st time-loss payment, smoothed.
5. **Injured Worker overall experience** – For a sample of injured workers who have at least 30 days of time-loss, what is their overall rating of their worker's comp experience.
6. **Employer overall experience** – for a sample of employers who have at least one claim that has had 30 days or more of time-loss in the last two years, what is their overall rating of their workers comp experience

Overall Measures – Help injured workers heal and return to work

Number on time-loss 12 months from injury.



Target: 377

Current Status is GREEN.

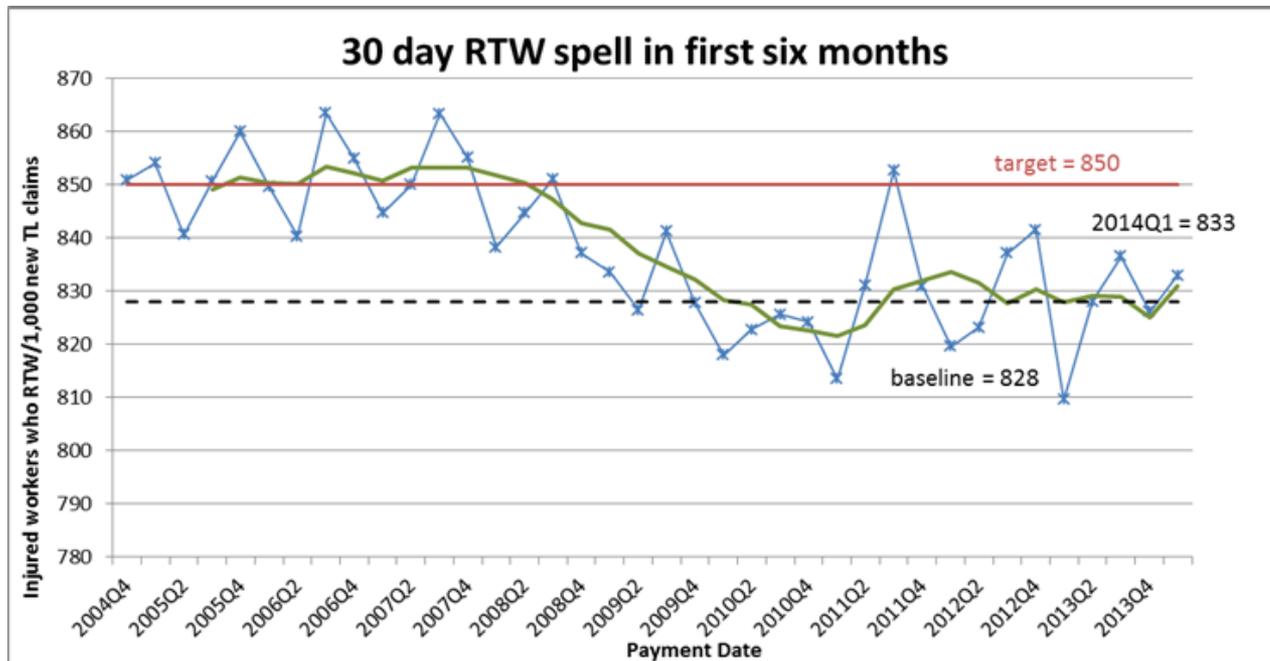
Our goal is to be BELOW the target line.

We are on track to reduce the number of injured workers still on time-loss 12 months after their injury.

Definition of Long-term disability claims – For every 10,000 accepted claims, the number that are on time-loss 12 months from their injury month, smoothed.

Analysis & Detail: We have instituted a number of strategies to reduce disability at 12 months. The decline after 2011 is likely due, in large part, to the Washington Stay at Work Program. New initiatives, incorporating input from staff, customers, and applying Lean to improve processes, are being tested and implemented to continue positive change.¹¹

Focus Area – Create a culture of return to work



Target: 850



*Current Status is **YELLOW.***

*Our goal is to be **ABOVE** the target line.*

We continue to monitor this newly developed measure to gauge its relevance to our system.

Definition of Return to work in 6 months –For every 1,000 new time-loss claims, the number that are off time-loss for at least a 30 consecutive day period during their first six months.

Analysis & Detail: Only by creating a pervasive culture of return to work will staff systematically identify and eliminate barriers that impact our success. We are making real progress in our operational strategies, but we need to understand better why we are not seeing the anticipated increase in this measure.



Culture of RTW

- Decrease long-term disability for injured workers at risk for not returning to work.

	Baseline: 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	TARGET By 6/2015
% of claims off work on day 40, who are still off work 6-12 months from claim receipt	49.7%	47.9%	45.9%	52.4%	46.0%	46.5%	TBD

Note: The report quarter ends 12 months after claim receipt.

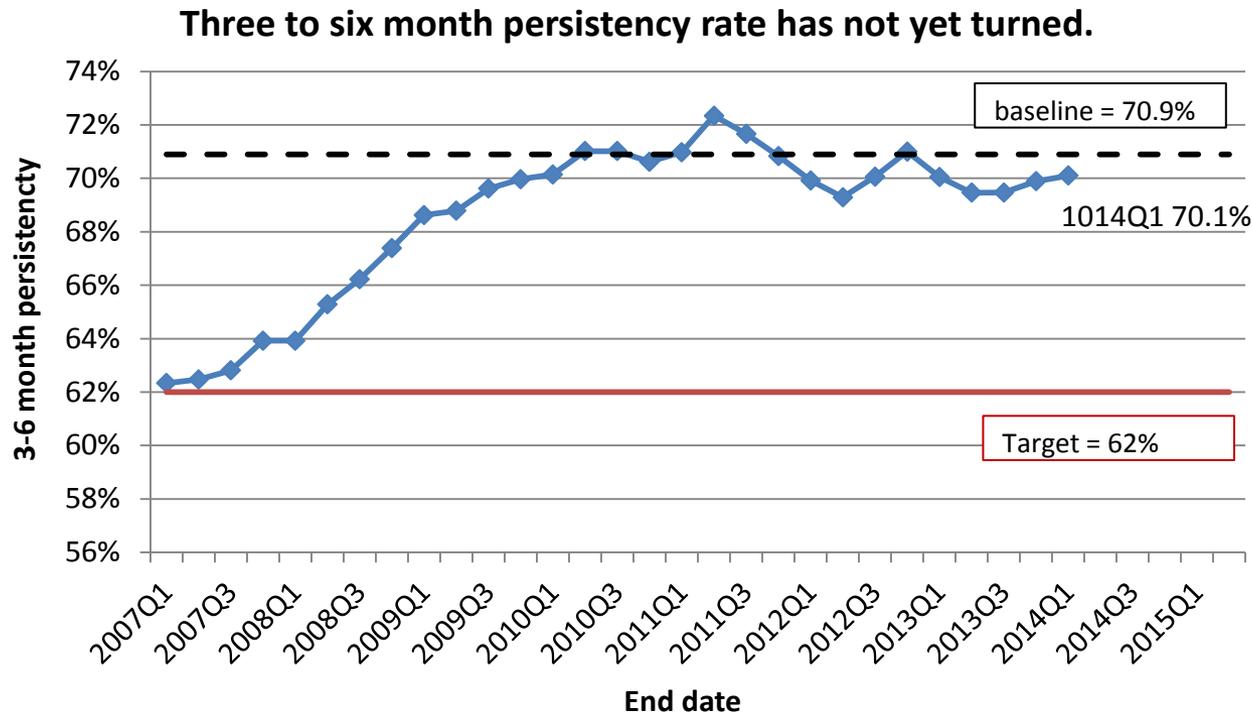


Culture of RTW

- Identify Critical Intervention points, opportunities, red flags, and countermeasures for all time-loss claims where workers are at risk of not returning to work.

	Baseline 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	TARGET By 6/2015
Percent of Ability to Work Assessment (AWA) referrals made in 90 days of claim receipt	6.3%	5.8%	5.1%	4.5%	6.3%	6.7%	10%

Focus Area – Reduce preventable disability



Target: 62%

*Current Status is **YELLOW.***

*Our goal is to be **BELOW** the target line.*

While the persistency rate stopped increasing in 2010, it has not yet started to decline.

Time-loss persistence – the number of claims that have time-loss payments at sixth months from their injury month divided by the number of claims that had a time-loss payment three months from their injury month, 12 month rolling average. Report value last smoothed month in quarter.

Analysis & Detail: We are implementing broad-based, proven strategies to prevent disability in injured workers. While these strategies have been shown to improve outcomes for injured workers, their main impact may not be on time-loss claims between three and six months. We continue to explore the connection between our strategies and this measure.



Reduce the Development of Preventable Disability

- Increase provider adoption of COHE best practices and participation in Top Tier.

	Baseline: 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	TARGET By 6/2015
Percent of initiated claims seeing a COHE provider	31%	29%	30%	35%	38%	40%	50%
Percent of COHE providers who are medium or high adopters of best practices	N/A	N/A	N/A	65%	64%	N/A	80%



Reduce the Development of Preventable Disability

- Decrease the proportion of injured workers on chronic opioids.

	Baseline: 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	TARGET By 6/2015
Percent of claims received with opioids 6-12 wks from injury	4.93%	4.63%	3.30%	1.43%	1.20%	1.17%	N/A

Reduce the Development of Preventable Disability

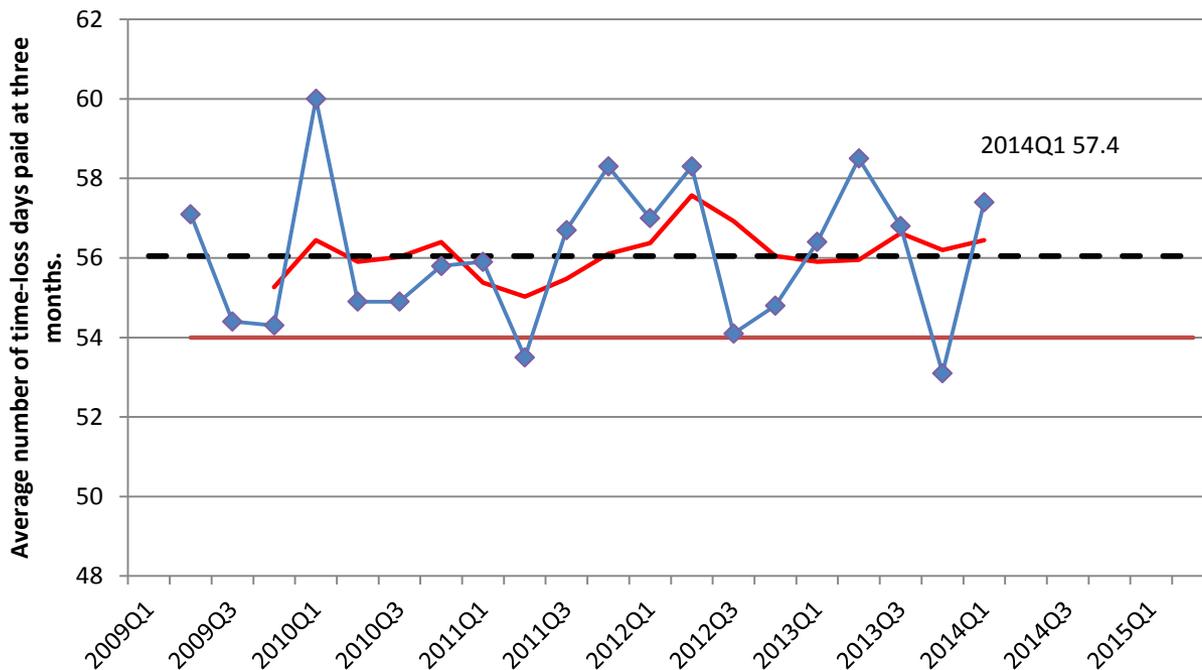
- Decrease the percentage of claims on time-loss at 6 months from the date of injury.

	Baseline 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	TARGET By 6/2015
% of total claims receiving time-loss during the 6 th mnth from date of injury	6.3%	6.2%	6.0%	6.0%	6.0%	5.9%	TBD

12 month rolling average of the % of ultimate claims with a time-loss payment sixth months from date of injury by payment month. Reported by last month in quarter.

Focus Area – Collaborate to reduce system delays

Average days paid by 90 days varies




 Current Status is **YELLOW**.
 Our goal is to be **BELOW** the target line.
 The average number of time-loss days paid at three months bumps along near its baseline.

Time-loss days paid at 3 months – of claims receiving time-loss, the average number of time-loss paid per claim at 90 days from the 1st time-loss payment, smoothed.

Analysis & Detail: Reducing disability days paid in the first 90 days of a claim is often a measure of success in helping injured workers return to their employer of injury. We are now targeting Lean tools on internal and external delays that may interfere with successful return to work. This indicator should help us measure our future progress in this area.



Collaborate to Reduce System Delays

- Evaluate internal and external processes and eliminate steps that do not create value for our customers. Improve efficiency and ease of use for all processes.

	Baseline: 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	TARGET By 6/2015
Median time-loss days to first AWA referral (average monthly)	219	242	248	266	254	221	N/A

Current Progress

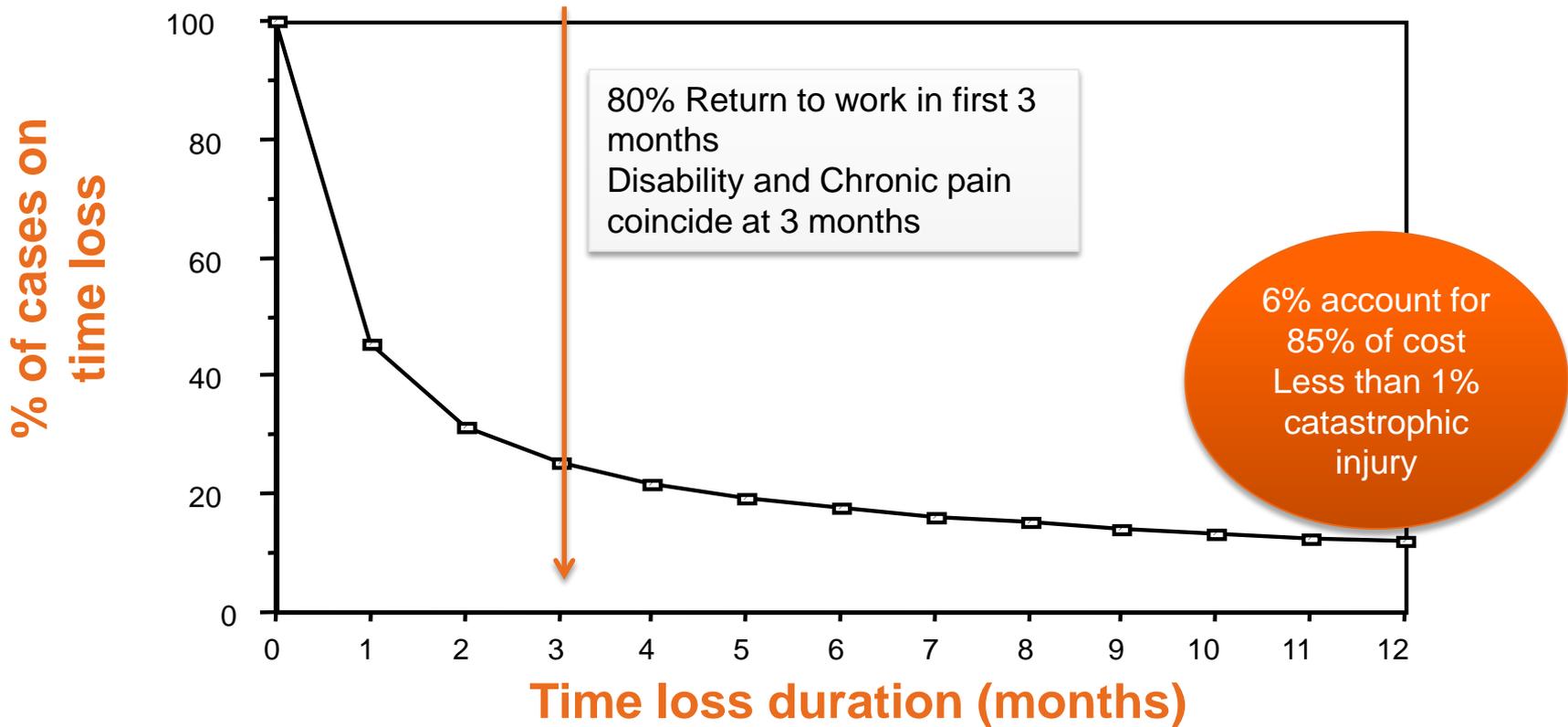
- Our overall indicator to decrease number of long-term disability (LTD) claims is moving in the right direction.
- One level down, key indicators currently show mixed results.
- Our operational indicators are generally moving in the right direction. Positive results are likely related to some of the many new operational strategies being tested or implemented.
- We continue to refine and adopt measures.
- Conclusion – Keep Calm and Carry On

HEALTH CARE QUALITY UPDATE

Leah Hole-Marshall
Medical Administrator

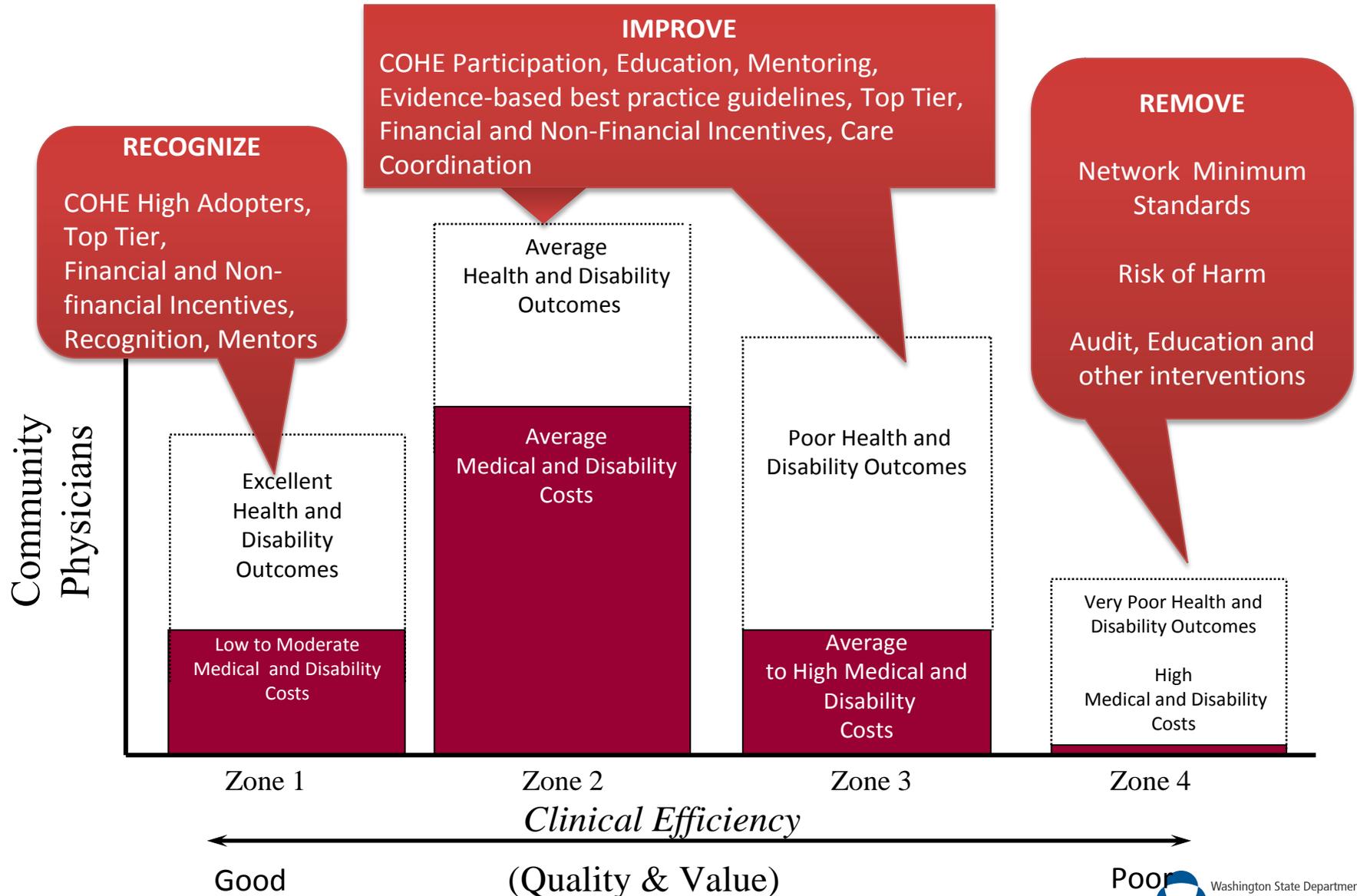


Disability Prevention is the Key Health Policy Issue



Adapted from Cheadle et al. Am J Public Health 1994; 84:190–196.

Distribution of Quality of Care



2011 Legislation: Substitute Senate Bill 5801

- Goals:
 - Promote occupational-health best practices
 - Reduce disability caused by poorly qualified providers and inappropriate care
- Law requires:
 - Statewide **provider network** to treat injured workers
 - Designate “**Top Tier**” and provide incentives for network providers who demonstrate best practices
 - Expand access to Centers of Occupational Health and Education (**COHEs**)
 - Create tracking system for occupational-health best practices in COHEs and Top Tier (OHMS)
 - Develop best practices spanning full recovery period (not just the first 12 weeks)

Advisory Committee on Healthcare Innovation and Evaluation (ACHIEV) Membership

- Dianna Chamblin, MD
- Andrew Friedman, MD
- Robert Waring, MD
- Kirk Harmon, MD
- Alternate: Stephen Thielke, MD
- Clay Bartness, DC
- Ron Wilcox, DC
- Alternate: Mike Dowling, DC
- Rebecca Forrester, Group Health Cooperative
- John Meier, Employer Resources Northwest
- Lisa Vivian, Eberle Vivian, Inc
- Sofia Aragon, JD RN, WA State Nurses Association
- Dave Myers, Washington Building and Trades Council
- Teri Rideout, Attorney
- Alternate: Joe Kendo, WA State Labor Council

L&I Health Quality Expansion Vision

- **Set Minimum Standards**
 - Medical Provider Network and Risk of Harm
- **Incentivize Collaborative Model and Occupational Best Practices**
 - COHE Expansion
 - Top Tier
 - Evidence based treatment guidelines
- **Promote/Identify Evidence Based Policies and Practices**
 - Evidence Based Treatment Guidelines
 - Functional Recovery Questionnaire/Intervention
 - Activity Coaching
 - Surgical Best Practice
- **Identify areas of ongoing need for system innovation**
 - Behavioral health
 - Long term disability/Chronic pain



L&I Agency Alignment - 2014

L&I Agency Goal #2 - Help injured workers heal and return to work

Key Focus Area: Reduce the development of preventable permanent disability. Strategies:

- Adoption of COHE best practices
 - Progressive Goal Attainment Program (PGAP)
 - Functional Recovery Questionnaire
 - Chronic Opioid Use
-
- For Discussion Today
 - Opioid Update
 - MPN Update
 - COHE Update

Medical Provider Network

Beginning **January 1, 2013**, the following Washington State providers can treat for the initial visit *only* unless they are in the network or submitted a complete application by December 31, 2012:

- Physicians (medical and osteopathic)
- Chiropractors
- Naturopathic Physicians
- Podiatric Physicians
- Advanced Registered Nurse Practitioners
- Physician Assistants
- Dentists
- Optometrists

Network Criteria Summary WAC 296-20-01030/01050

Minimum Qualifications

Complete application, signed contract, no material misstatements or omission

Professional liability coverage

Current professional license without restrictions

No exclusion from public program Medicare or Medicaid for quality care

No felony

No denial of hospital privileges for quality of care

Current Drug Enforcement Administration (DEA) registration without restrictions

Further Review/Potential Denial

Pending licensure disciplinary action, informal license actions, noncompliance with restriction, history of licensure actions

Malpractice claims history

Termination or surrender privileges from a health plan, public program, clinic, or facility

Material noncompliance with department rules, guidelines, and policies, risk of harm

Billing fraud or significant billing irregularities

Criminal history, sexual misconduct, alcohol or chemical dependency, fraud

Invasive procedures without admitting privileges or use of unlicensed staff

Pattern of material complaints or allegations

Negligence, inadequate treatment, misconduct

Medical Provider Network – Summary Status

Status	Comment
<p>Network Size - Approved Providers ~20,500 providers in network Equivalent to baseline of 5 primary docs w/i 15 miles</p>	<p>Increased number of providers able to provide care and meeting minimum quality standards</p>
<p>Change Rate ~150 providers apply weekly; equivalent delegated provider changes</p>	<p>Volume higher and processing time is longer than planned</p>
<p>Patient Care Disruption – Transition and Access</p>	<p>Low volume needing transition coordination - # claims - 97% of claims have network provider</p>
<p>Provider Disruption - Billing and scheduling</p>	<p>Limited disruption except dentists, anesthesiologist, radiologists; and out of state/new providers to system</p>
<p>Ongoing Access to Quality Care</p>	<p>Same as pre-network: generally good, but psychiatric services and complex, long term claims continue to have issues</p>

Network Enrollment and Application

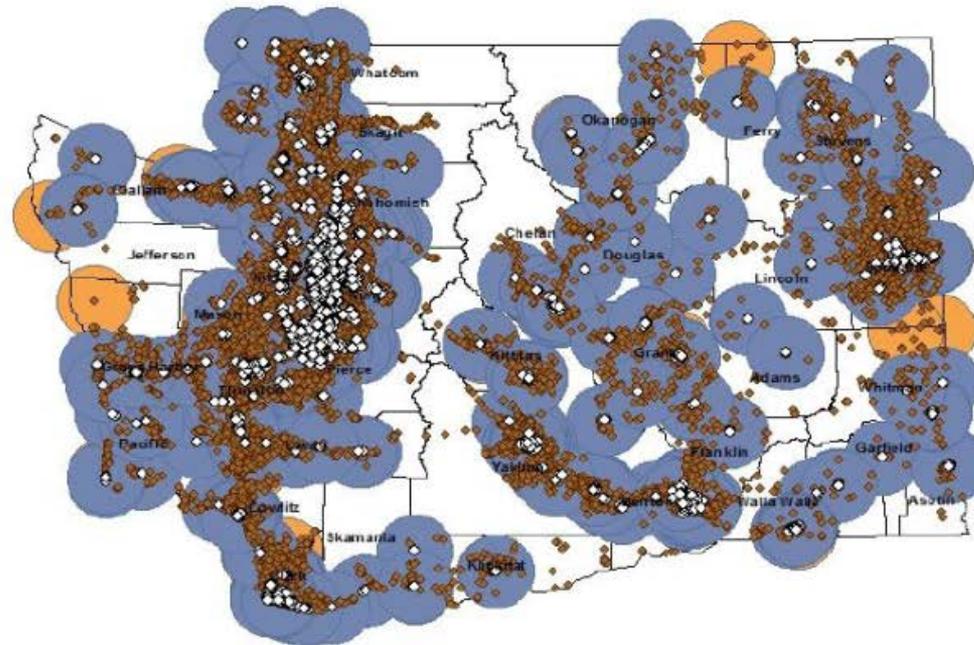
Network Enrollment (Comparing April 2013 to June 2014)

<u>Status</u>	<u>Providers 4-13</u>	<u>Providers 6-14</u>
Approved	13,143	20,311
Provisional/Other	1,813	240
Pending (Applicant)	3,932	1,287
TOTAL	18,888	21,838
Withdrawn	N/A	1520
Denied	59	115

Appeals

Total appeals:	23
Complete (not in network):	18
Complete (in network):	2
In Process:	3

Medical Provider Network (MPN) Approved and Provisional Primary Care Providers as of May 19, 2014 and Injured Workers Population as of May 01, 2014



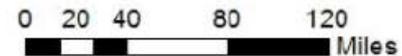
Legend

◇ Approved and Provisional Primary Care Providers May 19 2014

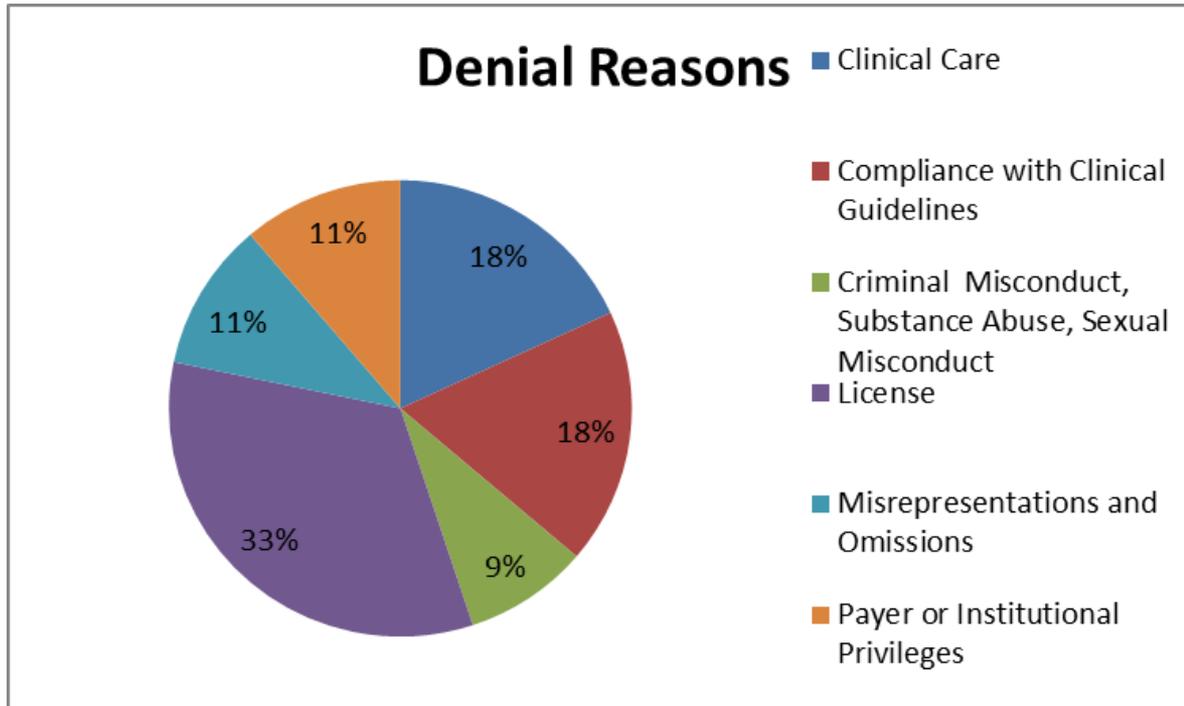
• Injured Workers May 01 2014

■ 15 mile radius from approved and provisional MPN primary care providers 05 19 2014 selection

■ Baseline January 2012



Reasons for Network Denials



Note: Based on WACs Cited

Average Provider Denial Cites 4 reasons

Medical Provider Network Next Steps

- Identify and Implement approach to Network Management and Oversight
 - Complaint Management Process
 - New Information and Changes
 - Recredentialing

- Manage requests for reconsideration and appeals from denied providers

- Support transfer of care for injured workers as needed

- Design and implement data analysis to identify providers who present a “risk of harm”

Medical Provider Network Cost Impact

- Claim costs are not a factor in the review of provider applications. However, data indicates low quality providers have worse outcomes and higher-than-average claims costs for injured workers.
- Project impact of removing low quality providers using matching on injury type and body part
 - \$16.5 million first year, and \$33 million annually
- Actual impact
 - \$34.7 Million annual

Medical Provider Network Impact

- Historical comparison of Time-loss associated with attending providers vs non-network providers
 - 30 highest cost groups matched by Injury Nature and Body Part
 - Time-loss claims only. Includes severe/complex claims: e.g. traumatic injuries to bones, nerves, spinal cord for back; Intracranial injuries for skull; musculoskeletal system and connective tissue disease and disorders for shoulder.
 - Values not developed to ultimate
 - Average of Non-MPN Group is 36% higher

	Fiscal-Accident Year Days of Time loss Paid					
Year	2003	2004	2005	2006	2007	2008
Non-MPN	420	322	295	327	382	367
All Providers	267	261	259	259	269	280

Incentivize Collaborative Care and Best Practices

- Expand COHE Enrollment

Current # of Enrolled Providers	Proposed # of Enrolled Providers	COHE Name
1,170	1,451	COHE Community of Eastern Washington
222	230	COHE at The Everett Clinic
117	70	COHE at Group Health Cooperative
192	233	COHE at Harborview Medical Center
320	300	COHE at UW Medicine/Valley Medical Center of the Puget Sound
453	1,208	COHE Alliance of Western Washington
2,474	3,492	TOTAL

Incentivize Collaborative Care and Best Practices

Top Tier Legislation: provide Financial and Non-financial incentives to providers for demonstrated use of best practices

- **Top Tier Goals**

- Increase the use of best practices
- Achieve positive outcomes for injured workers
- Be simple for providers to understand and L&I to administer
- Align with other incentive programs (such as COHE)

- **Advisory Group (ACHIEVE) Items for Discussion**

- Top Tier Timing
- Top Tier Eligibility
- Top Tier Incentives
- Top Tier Administration

Incentivize Collaborative Model and Best Practice Use

Occupational Health Management System (OHMS)

- Technology to support COHE expansion and other provider-based programs
 - Care coordination & alerts (high risk claims or actions due)
 - Track occupational health best practices
 - Integrate with L&I systems and (in later phases) providers' Electronic Medical Record systems
- Project has multiple phases through 2015
- Phase 3 is on track to go “live” in June
 - Focus of this phase is on tools for COHE Health Services Coordinators



Promote Evidence Based Policies

Evidence Based Treatment Guidelines

IIMAC

- Opioid Guideline
- Shoulder Surgery Guideline

IICAC

- Evidence Based Practice Resources for Conservative Care - *Functional Improvement; Shoulder Care; Back Care, more*

Bree Collaborative

- Accountable Payment Models - Warranty for total knee and total hip replacement surgery.
- Spine Care -participation in Spine SCOAP as best practice for surgeons
- Low Back Pain – Best practices recommendations to prevent Transition to Chronic pain.

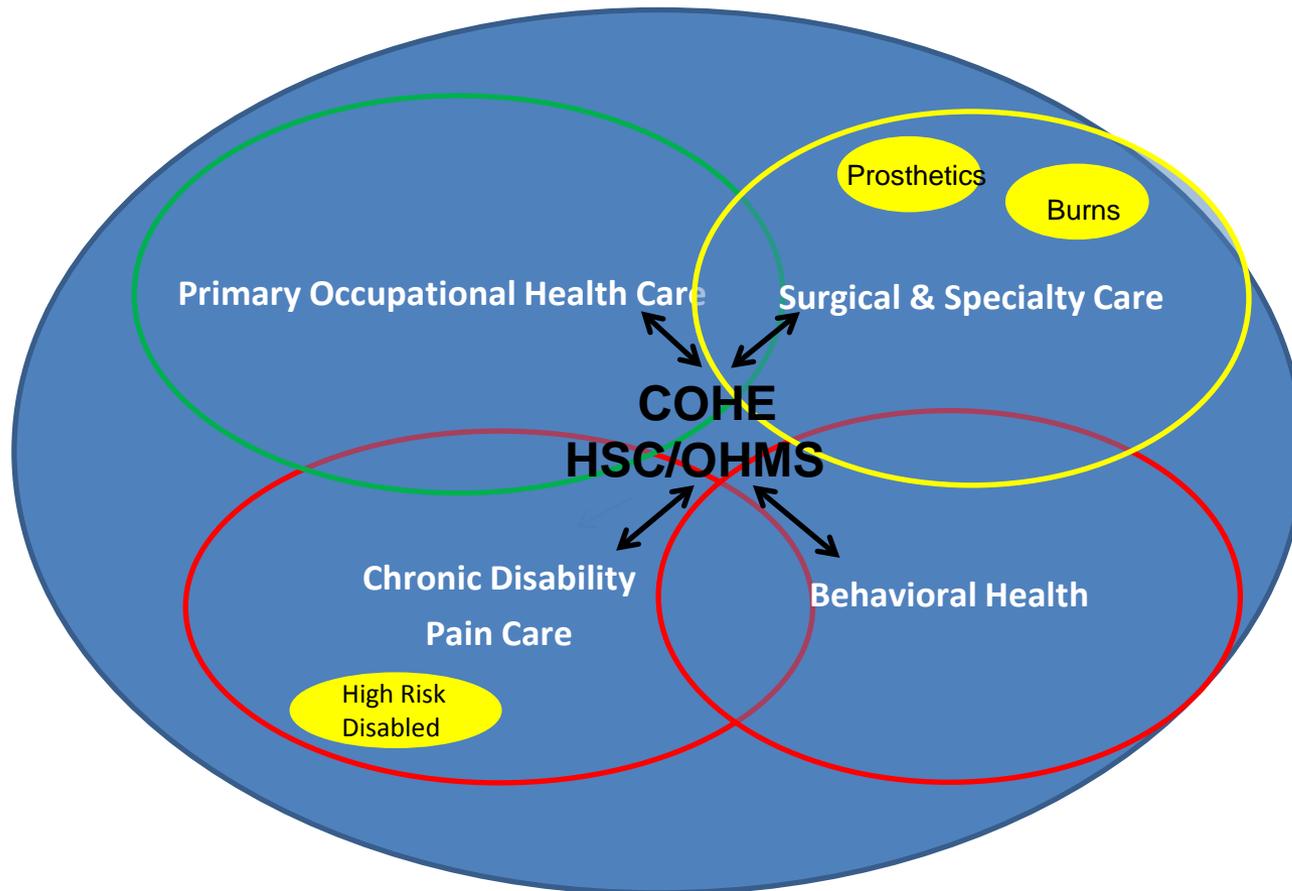
New Best Practices – Identify and Pilot

Identification: UW led process based on literature review and selection by a focus group of providers

Pilots Underway

- Functional Recovery Questionnaire/Intervention Pilot
 - Early identification of potentially “at risk” workers
 - Providers incorporate interventions to enhance recovery
- Activity Coaching Pilot
 - Tested program: Progressive Goal Attainment Program (PGAP) where coaches encourage and track structured activities
- Surgical Best Practice Pilot
 - Four best practices covering (1) transition of care, (2) return to work planning, (3) care coordinator to coordinate care and track transition, and (4) assist with complex cases

Collaborative Care Vision



CLOSING COMMENTS

- *Future agenda topics*

*Joel Sacks,
Director*

*Vickie Kennedy,
Assistant Director for Insurance Services*



ADJOURN

