

Workers' Compensation Advisory Committee (WCAC) Meeting

Labor and Industries, Tukwila, WA

Meeting Notes

December 09, 2015

Business Representatives:

Sheri Sundstrom, Washington Self-Insurers Associations

Mike Roozen, Washington State Farm Bureau

Bob Battles, Association of Washington Business

Nancy Dicus, Vigilant

Labor Representatives:

Joe Kendo, Washington State Labor Council

Karen Gude, United Food and Commercial Workers 1439

Labor and Industries:

Joel Sack, Director;

Vickie Kennedy, Assistant Director for Insurance Services

Randi Warick, Deputy Director for Financial Management

Absent:

Karen Bowman, Washington State Nurses Association

Dave Threedy, Board of Industrial Insurance Appeals

Lee Newgent, Washington State Labor Council

Court Reporter:

Milton Vance

Recorder:

Veronica Berets

Guests: Lloyd Brooks, Richard Clyne, Alan Paja, Megan Johnson, Dan Weathess, Justin Helenius, Patrick Koenig, Kris Tefft, Christine Brewer, Trish Leimbach, Kathy Petruzzelli, Brian Bishop, and Matt Bryant

Labor and Industries Staff: Cheri Ward, Vickie Porter, Angelique Lockhart, Brenda Heilman, Amy Ray

Welcome & General Updates: Joel Sacks and Vickie Kennedy

The meeting began with introductions of the committee members and audience.

Ms. Kennedy announced that this was Nancy Dicus' last WCAC meeting as a board member and took a moment to acknowledge her extensive work with the board and Labor and Industries in general.

Director Sacks discussed updates which included a budget package to the Governor’s office. He explained the process of the budget packages and that what is passed by the legislature will be a supplemental budget. It was discussed that there were two proposed packages that directly impact the workers’ compensation system; both are based on the results of the Joint Legislative Audit and Review Committee (JLARC) audit.

Director Sacks went over the agenda and goals for the meeting to include a walk-through of financials and a presentation from Matt Bryant, the consultant hired by JLARC to perform the claims management practices audit.

Ms. Kennedy included that the implementation plan for the JLARC recommendations will be due to JLARC in April 2016.

The safety message focused on workers whose first language is not English.

Adopted Rate Increase of 2% is Steady and Predictable: Joel Sacks

Director Sacks started by stating that the agency has adopted the rates as proposed for this year. The table below was discussed.

	2015	2016	2016	2016	2016
	Average	Adopted	Adopted	Break-even	Break-even
	Hourly Rate	% Change	Hourly Rate	Indication	Hourly Rate
Accident	\$0.353	2.6%	\$0.362	-4.3%	\$0.338
Medical Aid	\$0.215	0.0%	\$0.215	8.1%	\$0.233
Supplemental Pension	\$0.0894	6.25%	\$0.0950	9.8%	\$0.0982
Stay-at-Work	\$0.0071	-25.0%	\$0.0053	-49.1%	\$0.0036
Overall*	\$0.665	2.0%	\$0.677	1.1%	\$0.672
Net per \$100 of payroll	\$2.20	-1.0%	\$2.17	-1.8%	\$2.16

Industrial Insurance (State) Fund Financial Overview: Rob Cotton

Rob Cotton, Workers’ Compensation Account Manager for Financial Services, presented a financial update for fiscal year 2016 through first quarter – July 1, 2015 through September 30, 2015.

Mr. Cotton started by talking about the annual financial report. He noted that we recently completed our comprehensive annual financial report (CAFR) as well as the statutory financial report. Both were independently audited and we received clean opinions on both reports. Deloitte

reviewed the actuary balances and estimates of benefit liabilities, premium receivables, retrospective rating adjustments and determined all were fairly stable.

Mr. Cotton explained that a clean opinion means that the auditors performed sufficient testing to determine that our financial statements are free from material errors and are reliable when evaluating operations.

Mr. Cotton provided a financial highlights overview for July 2015 through September 2015:

- The contingency reserve balance decreased \$269 million, from \$1,225 million on July 1, 2015 to \$956 million on September 2015 due to:
 - Premiums are greater than current accident year incurred benefits
 - Realized gains on equities from rebalancing in July 2015
- Other significant changes decreased due to:
 - Unrealized losses from equities due to the downturn in the stock market
 - Projected liabilities for prior years' claim benefits were increased this quarter
 - Unrealized losses from fixed income due to a rating change for a few bonds

Mr. Cotton explained that it's important to remember this is a three month period. Totals will be added on a cumulative basis. The first quarter is a total of three months; the second quarter will be six months, then nine months, and then finally a total year.

State Fund Results:

- Insurance operations:
 - Premiums earned (we took in): \$518 million
 - Total expenses incurred (we spent): \$615 million
- Premiums earned:
 - Net premium earned increased by \$36 million mainly due to increase in hours reported by employers
 - Increase of 46.6 million hours over the prior year for a 5.3 percent
 - Premium rate increase in the Medical Aid account effective February 1, 2015
 - Increase in hours reported by businesses in higher rated classes
- Net benefits incurred:
 - Benefits incurred increased from \$117 million compared to last year
- Investment income:
 - Total investment income was \$184 million
- Other revenues and expenses:
 - The net for other revenues and expenses was \$20 million
- Results of operations:
 - We have a net of \$10 million
- Contingency reserve:
 - \$1,225 million at the start of the fiscal year
 - \$10 million from our net income
 - The contingency reserve for the Accident and Pension Funds was \$60 million
 - The contingency reserve for the Medical Aid Fund was \$896 million
 - New contingency reserve as of September 30, 2015 is \$956 million
- Key financial ratios:

- The operating ratio is 92.8 percent.

WCAC Finance Committee: Randi Warick

Ms. Warick started by stating there are two goals for this committee. First is reaching the long-term goal for the contingency reserve (14 percent of liabilities) and second is reducing our pension discount rate to 4.5 percent.

Conning has been working with the department regarding potential options. The next step is to make a decision.

Ms. Warick went on to say that 6.3 for the discount rate is within our range that was discussed previously.

Director Sacks discussed why this number is important for the system, and what the risk is of having a number too high as our liabilities may not be accurately reflected. He went on to say that Mr. Cotton shared earlier in his presentation that the discount rate is currently at 6.4 percent, as opposed to a lower number. Because the rate is higher than what we gain through investments, this last year cost the self-insurance community money, an unplanned cost to the self-insurers. We need to think about mitigating that over the long term.

He went on to state that we need to look across the board at things that can be done to still collect what is needed, but do it in a way that is both transparent and as predictable as possible.

Workers' Compensation JLARC Audit: Matt Bryant, WorkComp Strategies

Ms. Kennedy introduced Mr. Bryant. Mr. Bryant is from WorkComp Strategies, the consulting firm that was the contractor for the Joint Legislative Audit and Review Committee (JLARC).

Director Sacks added that the legislature as part of their 2011 reforms asked JLARC, which is their auditing arm, to do a performance audit of our claims management system, appropriating money from 608 and 609 to pay for this. We wanted to give you the opportunity to hear from the leading national experts in workers' compensation.

Mr. Bryant introduced himself and added that he would like to share his findings and recommendations. Mr. Bryant stated that he is not representing JLARC in this presentation, but sharing what was found. The contract with JLARC is completed.

A database of claims information was built to review the specific questions JLARC had. The database was built instead of using Labor and Industries research team to ensure the consultants' data was as objective as possible. He went on to state that this project started in November of 2013. The data that was used was for four years, 2010 through the end of 2013.

Claims were limited to ones that were not auto-adjudicated with medical costs greater than \$5,000.

Mr. Bryant went on to explain that they categorized information into three buckets. First, prolonged durations in Washington; second, measuring performance; and last, general administrative issues. We will discuss the performance-related issues.

It was asked if they saw the interventions by Retro groups in helping the claim managers.

Mr. Bryant responded by agreeing that they saw evidence of Retro managers being involved in claims. They didn't see that they were steering outcomes inappropriately in the claims reviewed. There was definitely evidence of their involvement.

Mr. Bryant then briefly discussed the four claim manager performance opportunities.

1. Prioritize early 2-point phone contact
 - Promotes better case investigation; insight into case risks, issues; relationship building; improved communications; sets expectations regarding RTW
 - Foundation for claim management plan
 - 32% of reviewed files (2010-2013) showed actual voice contact by CM with worker within 30 days
2. Prioritize claim management planning
 - Plan should be in place promptly, should shortly follow completion of contacts, claim investigation
 - Would include documentation of contacts, actions taken and needed, risks, options, planned interventions, and consults
3. Connect RTW training for those involved in claims with performance management
 - Incorporate outcome-oriented practices in training; e.g., role-play training on making calls; "team triage" on selected claims
 - Should be ongoing, connected with performance measurement, data systems and analytics, remediation training and coaching
4. Standardize claim file documentation
 - Standardize claim file documentation, esp. claim management plan; would include documentation of contacts, actions taken and needed, risks, options, planned interventions and consults
 - Need clear expectation on items to be documented, tied to performance measurement and coaching

Then Mr. Bryant went over the four administrative opportunities.

1. Integrate predictive analytics into claims management processes
 - Expect this would apply to two areas
 - "At-risk" claim identification, i.e., claims that are statistically at risk of prolonged duration (currently underway)
 - Statistical identification of "interventions that matter"
 - Revision of best-practice approach based on scoring
2. Clarify file confidentiality practices
 - Lack of clarity about confidential aspect of file documentation
 - Need to adopt clear policies, training on how to utilize confidential areas of file while maintaining stakeholder access
3. Implement RTW standard practices

- Ability-to-work assessments (AWA) historically used as an “adjudicative” tool, rather than as a RTW tool; new terms and definitions needed (changes currently underway)
 - Selection criteria for re-training plans should be more focused
4. Improved information system
 - Need outcome-based triggers, dashboards, alerts
 - Integrated with analytical and claims management tools

Additional areas for service and efficiency gains included:

1. Advancement of practice standards for occupational medicine, vocational services
 - Better customer service; improved RTW outcomes; reduction of unnecessary CM activities
 - Several changes currently underway
2. Expanded ombuds role
 - Better customer service; simpler procedures
3. Increased use of FileFast (on-line or telephonic claim filing)
 - Efficiency gains
4. More protest review by claim consultants or other senior-level staff
 - Improves efficiency; can make protest results more consistent
5. Online provider communications
 - Improves efficiency
6. Adjust and communicate standard dispute response times
 - Improves customer service

Mr. Bryant concluded by stating that some of the standards around early contact and case management planning should be tied with staffing changes to achieve better outcomes.

Insurance Services Performance Metrics Dashboard: Vickie Kennedy

Ms. Kennedy briefly reviewed the quarterly Insurance Services performance metrics dashboard for the overall indicator and focus areas.

Ms. Kennedy started by stating that most of our measures have a baseline of at the end of fiscal year 2012.

Currently there is a goal for the claim managers to attempt connect with the worker within the first few days of the claim at least 80 percent of the time. That measure has been met consecutively now for two quarters. Measuring the actual contact is more difficult as our methodology doesn't measure whether the claim manager actually reached that worker.

Ms. Kennedy went on to talk about the Return to Work score implementation. Claims with a time-loss payment at 40 days and meeting certain criteria indicating a likelihood of long-term disability (still on time-loss benefits at one year) are sent to our early return to work staff in the field to work with the injured worker, employer, and medical provider. The goal is to identify early and resolve the possible barriers and motivation issues to support return to work on the claim.

Closing Comments & Adjourn:

Meeting Adjourned.