

Starting April 18, 2019, L&I will use a predictive modeling system to estimate workers' compensation claim costs. Called an "early case reserve", this form of predictive modeling is an industry standard among insurance companies. It is designed to provide employers, and L&I, with earlier and more accurate projections for claims costs. With this improvement, employers and their representatives can see estimated reserve values in the Claim and Account Center (<http://www.lni.wa.gov/ORLI/LoGon.asp>) or My L&I Dashboard (<https://secure.lni.wa.gov>) usually within 30 days from when a claim is received. The reserve is updated monthly.

Estimating future claim costs as early and accurately as possible will help employers and Retrospective Rating groups improve their ability to manage claims. The availability of this information supports better-informed decisions by employers about return-to-work options for injured workers. Better return-to-work outcomes mean lower claim costs for employers.

Helpful terms for this document

1. **Early case reserve** – a computer-generated estimate.
2. **Manual case reserve** – an estimate generated by a case reservist, an L&I employee who works in the Case Reserve Unit.
3. **Case Reserve Unit** – an L&I team that manually reserves open claims that meet certain criteria.

1. Why is L&I implementing early case reserves?

Calculating early case reserves is a standard best practice in the insurance industry. Early case reserves provides insight that enables employers to proactively manage claims and improve return-to-work outcomes for workers.

2. How is an early case reserve generated?

The model uses historical data from more than one million claims spanning 10 years. This means early case reserve estimates are likely to be consistent across all types of claims.

3. How will early case reserve estimates be used?

For low-cost, medical-only claims, the early case reserve estimate will be used in the class rating, experience rating and retrospective rating systems in the same way manually-created case reserves are today. On the June 1 valuation date for rating purposes, L&I will use the greater of the paid-to-date or reserved amount on open claims, if there is a reserve in place. Once the claim closes, we will use the paid-to-date or awarded-to-date value. A manual reserve by the Case Reserve Unit will supersede an early case reserve estimate.

4. How often will the early case reserve estimate be updated?

Monthly, for allowed claims in the first 18 months, or until a new reserve is manually estimated by the Case Reserve Unit.

5. When will the first early case reserve estimate appear?

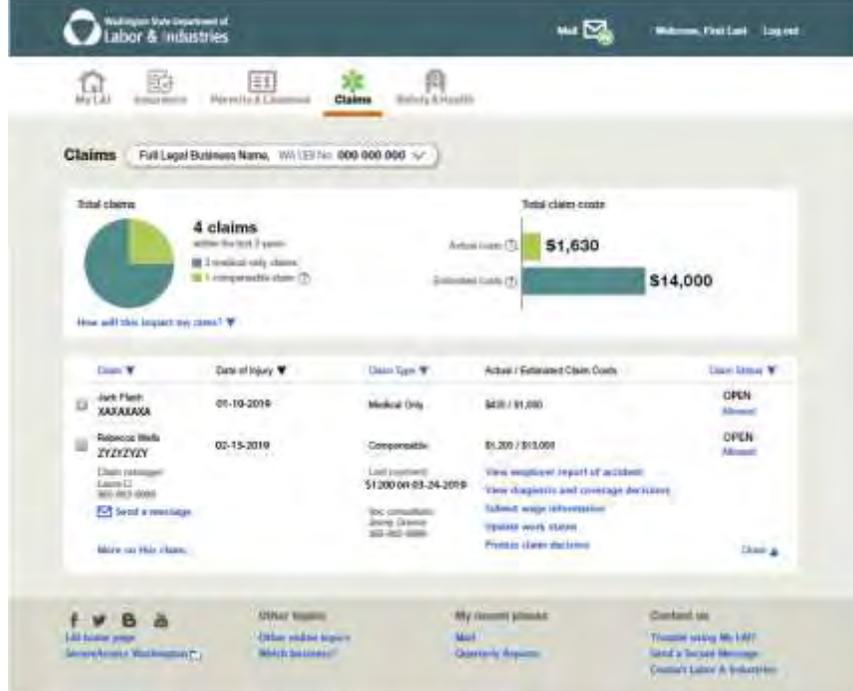
Usually within 30 days of the day that the Report of Accident is received. L&I refreshes data between the 5th and the 10th of each month. If a claim is established just before this window, the early case reserve estimate will be visible right away. If a claim is established after this window, it will not be visible until the following month.

6. How reliable is the new predictive model?

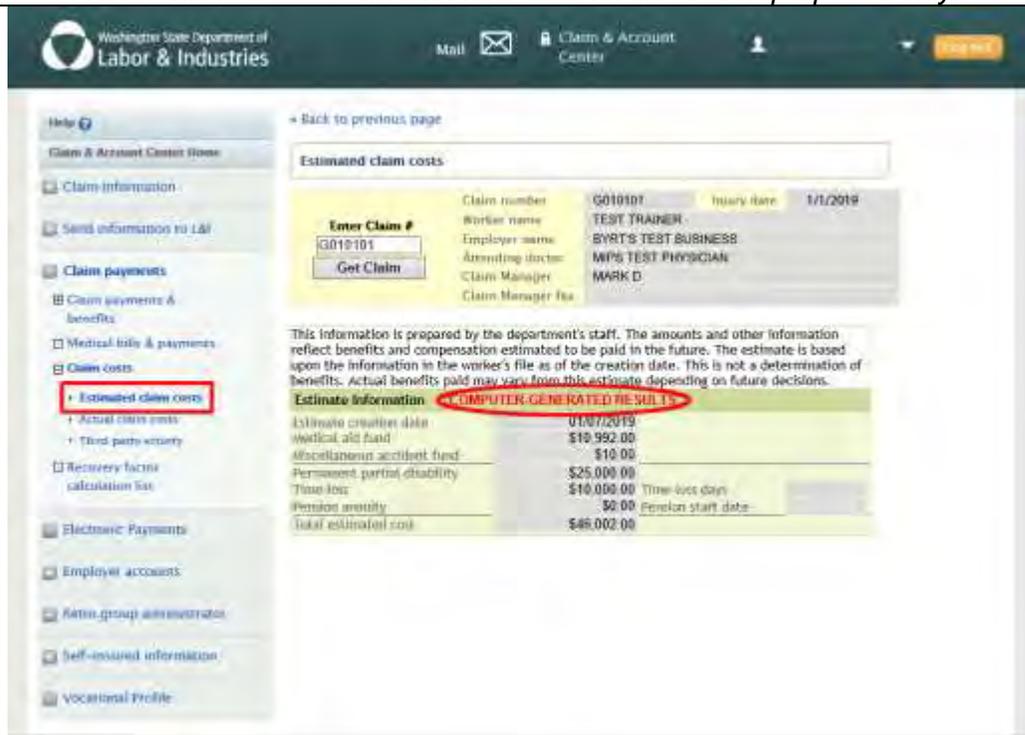
L&I conducted an extensive, 3-year pilot of early case reserve estimates. Monthly and quarterly Retrospective Rating reports using the model were analyzed against reserves set manually. Consistent, unbiased reserves from the new model compared favorably to manual reserves. Additionally, the model will be reviewed and updated on a regular basis.

7. Where can I view early case reserve estimates?

A. On the *My L&I* employer dashboard – as shown by the **Estimated costs feature below. *Note: this is a test claim with fake data for illustration purposes only.***



B. In Claim and Account Center (CAC) – represented by the Total estimated cost line below.
Note: this is a test claim with fake data for illustration purposes only.



The Claim and Account Center has pages for both actual and estimated claim costs (as shown). The estimated claim costs page will display an early case reserve estimate until or unless it is replaced with a manual reserve estimate created by the Case Reserve Unit. The estimated claim costs page will display the estimate (early or manual) even after claim closure.

C. In all reports that list claims and claim costs, including the Employer Claim History report, the Loss Run report, and the Retro monthly, quarterly and adjustment reports if the early case reserve estimates are still in place.

8. Could two claims with a similar injury have different early case reserve estimates?

Yes. The model uses historical data from more than one million claims spanning 10 years. More than 100 data points are used to calculate an early case reserve, including age, gender, industry, diagnosis code, previous claims, and number of medical visits.

9. Does the new model predict a Permanent Partial Disability (PPD) award as part of the estimate?

Permanent Partial Disability costs are estimated by the Case Reserve Unit at nine months as part of their normal business process. An early case reserve estimate may include an anticipated PPD award for injury types that automatically award these funds (for example, the loss of an eye or hearing loss). The manual estimate created by the Case Reserve Unit at nine months supersedes the early case reserve estimate.

10. If my claim has an early case reserve estimate, can I ask the Case Reserve Unit to reserve it instead?

Yes, if it's been at least nine months since the injury and the claim is still open. Case Reserve Unit staff typically do not have enough information to generate a manual reserve before nine months. If Case Reserve Unit staff manually estimate a reserve, their decision is not subject to appeal, even if the case reserve estimate increases.

11. What happens to the claim after 18 months?

After a claim is updated with the early case reserve estimate at 18 months, several things could happen:

1. The claim could be manually reserved by the Case Reserve Unit. A manually calculated estimate replaces the automated early case reserve estimate.
2. The paid-to-date costs could exceed the early case reserve estimate. Actual costs would then replace the automated estimate.
3. The claim could close and would display paid-to-date or awarded-to-date costs.

If none of the above happens, the claim will continue to display the early case reserve estimate calculated at 18 months.

12. How does an early case reserve estimate benefit my business?

Identifying potentially high-cost claims is the first step to effective intervention. Research has shown that early and positive contact between an employer and injured worker can help aid recovery and promote early return to work. Depending on the type and severity of an injury, employers may choose to provide a kept-on-salary benefit, which could preserve an employer's Claim-Free Discount. Additionally, L&I offers reimbursements to employers who bring their employees back to work in medically-approved, light-duty jobs. Visit the [Stay at Work website](#) to learn more. L&I also offers the [Preferred Worker program](#), which pays incentives to employers who hire or bring back injured workers with permanent medical restrictions.

13. Does the early case reserve estimate impact an employer's Claim-Free Discount?

No. Any claim with potential compensable costs (for example time loss, PPD) impacts an employer's Claim-Free Discount. These claims will continue to be sent to the Case Reserve Unit for a manual reserve estimate to ensure the discount is preserved, if possible.

14. Why do I see actual costs on some claims and an early case reserve estimate on others?

Open claims display the early case reserve estimate:

- until they close, OR
 - are manually reserved by the Case Reserve Unit, UNLESS
 - paid-to-date costs exceed either type of reserve estimate.
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Additional information for employers enrolled in Retrospective Rating

15. Could the case reserve estimate impact my Retro refund?

Yes. Although this is a small-scale change, in the first year it's possible that Retro refunds will change. L&I will use the claims information culled from historical data to help estimate your new refund. The new estimate is more specific than the previous average used. We are happy to talk to you about the specific impacts to your industry and group. Email us any time at Retro@lni.wa.gov.

16. What types of claims could potentially impact my Retro refund?

It's a very small percentage. To understand how many, it's important to first understand which claims will **not** impact your refund based on an early case reserve estimate. Those include closed claims, claims manually reserved by the Case Reserve Unit, and claims with an early case reserve estimate which is lower than actual paid-to-date costs. Claims not captured within the categories listed could potentially impact a Retro refund.

17. What benefit does an early case reserve give Retro groups?

Retro groups should find the early case reserve estimate a useful tool when working with members to identify return-to-work opportunities for injured workers. The early case reserve estimate also more accurately assesses future claim costs for each group and individual Retro employer, which will improve the fairness of Retro adjustments.

Questions not answered here?

- **Employers not enrolled in Retro:** Contact your Account Manager or call (360) 902-4817.
- **Retro employers and groups:** Email Retro@lni.wa.gov.