

Statistics at a glance

- Number of cases referred to prosecution8
(total of employer, worker, and medical provider cases)
- Number of administrative (civil) fraud orders issued42
- All dollars collected.....\$35,020,123

Major milestones

This quarter marks the end of two years of operation of L&I's realigned and strengthened fraud prevention program. Three newly added units — Detection and Tracking Unit, Significant Case Management, and the automated Predictive Dialer Unit in collections — proved their worth.

- The Detection and Tracking Unit improved targeting of employers who are improperly reporting their employment. The percentage of audits resulting in additional assessments increased from 50 to 58 percent during the fiscal year.
- Significant Case Management established a more consistent referral process for criminal prosecution, producing two referrals of employer cases this quarter.
- The Predictive Dialer Unit helped respond more quickly to newly delinquent accounts, resulting in an overall increase in collections by 29 percent over last year.

Prevention highlights

Two key components of an anti-fraud program are:

- Building public awareness of compliance actions taken.
- Helping those who use the workers' compensation system to follow the law.

In the fourth quarter of FY 2006, fraud prevention staff presented two training sessions to a total of 80 participants in Seattle. Topics covered were a general overview of L&I's anti-fraud efforts, prime contractor liability, and determining if a subcontractor is an independent contractor or a worker.

Compliance highlights

Employer

The 2004 legislature changed the law to refine the collection tool commonly referred to as Prime Contractor Liability (RCW 51.12.070). This law allows L&I to collect from the general contractor when the department cannot collect unpaid premiums from a subcontractor. The legislature directed L&I to make it easy to verify online whether a firm has paid its premiums and also to provide training to promote understanding of premium liability under workers' compensation.

A recent success in applying prime contractor liability arose as a result of a desk audit of a drywall subcontractor. We were not successful in collecting the subcontractor's delinquent premiums from the subcontractor, so we presented a demand for payment to the general (prime) contractor and collected the entire \$48,000 debt.

Worker

A church organist who collected \$400,000 in workers' comp benefits intended for her mother was charged in Thurston County Superior Court with 150 counts of second degree theft and 48 counts of first degree theft. For 18 years following the mother's death, the daughter continued to certify that she was still alive.

Provider

Improper billings for hearing aids led to the owner of a Spokane hearing aid company being charged with first degree theft and criminal liability for making false statements. The firm owes the department \$132,000 for billing the department for hearing aids that were not provided, billing injured workers for the same hearing aids and dispensing used or less expensive hearing aids than were charged to the department.

Program administration

L&I spent \$3,566,669 on salaries, benefits and other expenses for fraud prevention and compliance. L&I recovered \$35,020,123 in delinquent premiums from employers and improper payments to providers and workers. Also, estimated avoided costs totaled \$12,513,926 (improper future benefits stopped by investigation).

Results: 13.3 to 1 return on investment – a cost of 7.5 cents for each dollar collected.

More fraud prevention numbers

These figures represent dollars collected from:

- Fraudulent activity due to misrepresentation
- Overpayments to workers and providers
- Employers owing delinquent premiums

Worker:

Assessments	\$1,812,944
Claim overpayment collections.....	\$712,105
Cost avoidance	\$12,111,905

Employer:

Assessments	\$6,975,133
Collections	\$34,155,654

Provider:

Assessments	\$247,577
Collections	\$152,364
Cost avoidance	\$402,021

