

Every dollar counts

L&I expands effort to fight fraud

New technology ramps up targeting capabilities

New state-of-the-art software incorporates IRS data and advanced analytics to identify employers who are not paying workers' compensation premiums or who appear to be reporting significantly fewer worker hours compared to similar businesses. The new system builds upon our existing data exchanges with other programs and agencies to make the cross matches more effective and easier to use.

Portions of the new system will be implemented next month. The full system will be operational next spring.

Public tips critical to fighting fraud

The public contributed 800 tips on possible unpaid employer premiums between July 1, 2009, and June 30, 2010, up more than 200 from the previous fiscal year. For the same period, L&I received 1,300 tips from the public for potential worker fraud/abuse, up from 500 the previous fiscal year.

These tips are an important tool in uncovering the three types of fraud that occur in the workers' compensation program.

- **Injured workers who may be inappropriately receiving benefits.**

Example: A pensioner who returned to work using his son's social security number came to L&I's attention through an anonymous tip. He was sentenced to four months with work release and ordered to pay \$60,000.

- **Employers who may be underpaying or not paying workers' compensation premiums.**

Example: A painting company owner who egregiously under reported was charged with two counts of third-degree theft. He pleaded guilty, served 30 days on electronic home monitoring and agreed to pay \$212,000 for premiums and penalties.

- **Health-care and vocational providers who may have overbilled or inappropriately billed for services they provide.**

Example: An investigation of an interpreting business uncovered \$1.1 million in billings for services not provided and fraudulent use of claims numbers. The owners were charged with first-degree theft and making false statements.

To report possible fraud, visit www.Fraud.Lni.wa.gov or call 1-888-811-5974.

What's new

New Master Business Application to help prevent 'independent contractor' abuses

Starting this fall, new businesses will be asked whether they intend to use "independent contractors" in addition to or instead of hiring employees. L&I will reach out directly to these firms and educate them on laws and rules regarding independent contractors. This prevention strategy will mean more businesses sign up for workers' compensation coverage when they open. The intent is to hold down rates without requiring compliance audits years later. (September 2010)

New review uncovers provider fraud, billing errors

Using dedicated staff and targeting software, L&I will look broadly at thousands of medical providers that bill L&I for treating injured workers. The new review will identify potential fraud cases for in-depth evaluation so investigation resources can be used efficiently. The review also gives us an opportunity to work with providers who make billing errors (as opposed to fraud) so they don't occur again. (October 2010)

Federal payments, refunds could come to Washington

L&I was an early and strong advocate of Washington State's participation in the Federal Treasury Offset Program. Based on results from other states, the program may bring in \$3 million to \$6 million of workers' compensation debts alone. The offset program allows matching of debtors who owe Washington State with potential payments or refunds coming from the federal government and vice versa. OFM is coordinating legislative work to allow Washington State to join. (2011)

Move toward electronic payments under development

L&I is working with the State Treasurer's Office to put into place the ability for delinquent debtors to pay L&I through electronic withdrawal from checking accounts when they are on a payment plan, or through debit or credit card payments. (TBD)

Results to date

Return on investment has averaged \$8 for every \$1 spent.

L&I's revamped Fraud Prevention and Compliance Program started in 2005	Baseline (FY 2004)	FY 2010	% Increase
# of Claim Investigations Completed	3,149	5,789	84%
Completed Audits	2,823	5,846	107%
\$ Identified by Audit	\$8.5 m	\$26.3 m	209%
Total \$ Collected	\$93.8 m	\$137.3 m	46%

Law changes critical to L&I's ability to act on fraud

Legislative changes provided key tools in L&I's ability to fight fraud in the workers' compensation program. (See last page for details.)

Harder to hide: L&I and other government agencies coordinate to find worker, employer and provider fraud

- Cross-match with records such as the New Hire reporting to DSHS, Unemployment Insurance reporting to the Employment Security Department and revenue reported to Department of Revenue.
- Within L&I: Compare wage complaints, prevailing-wage information and safety inspections. Other L&I programs are trained to give referrals when they see potential issues.

Worker investigations conducted more efficiently

Completing investigations faster stops inappropriate or fraudulent payments sooner. Standardized and modernized surveillance equipment, and electronically routing case reports with all attachments contributed to an 84% increase in completed investigations since the baseline year of 2004.

'Boots on the ground' kicks the underground economy

A recent addition to our fraud-fighting arsenal: A small team of investigators sweeping construction sites, including nights and weekends. The team identifies firms that are unregistered, hiding payroll and working under the table. Team results: Audits for \$2.7 million last year, and an additional \$1.1 million in collections from firms that already owed premiums.

New audit system improves efficiency

The redesigned system pulls information from other sources (including other agencies) and automates some analyses. We are able to use staff time more efficiently, doubling audit production compared to the baseline year (FY 2004, before the revamp fraud program started).

Automated system helps collect unpaid bills by phone

Collection tools now include an automated telephone message system that greatly increases efficiency. A unit of nine people staffing this system resolved over 40,000 cases and brought in \$48.5 million last year.

Nowhere to hide: L&I and AGO team up to prosecute criminal cases

Since FY 2006, more than 110 cases of alleged criminal fraud by workers, employers and providers have been referred for prosecution. L&I has a 100% conviction rate on completed cases. In 2006, L&I partnered with the Attorney General's Office (AGO) to obtain dedicated special prosecutors who work with L&I and county prosecutors on these criminal cases.

Ongoing outreach

Compliance after fraud occurs is more costly than prevention. Ongoing outreach serves three goals:

- **Education:** Injured workers, employers and medical providers understand their responsibilities and how to meet their requirements.

- **Awareness:** L&I demonstrate to the public, business and labor, and key opinion leaders that we do not tolerate fraud and abuse. We maintain an active program to stop it.
- **Fraud reporting:** Persuade the public, businesses and others who become aware of possible fraud to report it. We maintain a website, toll-free telephone line and blog to encourage tips.

Summary of key legislative changes

2010: SHB 2789

- Authorizes issuance of administrative subpoenas for purposes of agency investigations of underground economic activity.

2009: SHB 1555

Key provisions:

- Establishes industrial insurance premiums as a priority on public works retainage.
- Requires L&I to conduct employer education on workers' compensation reporting requirements, in particular, independent contractor issues.

2009: SSB 5613

Authorizes L&I to issue stop work orders to contractors that do not have any industrial insurance coverage.

2008: HB 2955

Ensures L&I's can access criminal history information.

2008: 2SSB 6732

- Created civil and criminal penalties for falsifying information on a contractor registration application.
- Prevents businesses that commit fraud from bidding on public works contracts.
- Shrinks the underground economy through ongoing consumer education media campaigns.

Funding provided for:

- Expanded "boots on the ground" construction fraud team and new audit resources.
- Dedicated resources to pursue criminal fraud cases at the Attorney General's Office.

2004: ESHB 3188

- Claim fraud is now defined in statute, so L&I can more readily pursue civil and criminal cases.
- L&I can now pursue debts to a new firm that takes over a business.
- L&I can hold corporate officers liable for unpaid workers' compensation premiums in some cases.