

**Workers' Compensation Advisory Committee (WCAC) Meeting**  
Labor and Industries, Tukwila, WA  
Meeting Notes  
January 4, 2018

**Business Representatives:**

Mike Roozen, Washington State Farm Bureau  
Sheri Sundstrom, Washington Self-Insurers Associations

**Labor Representatives:**

Karen Gude, United Food and Commercial Workers 1439  
Joe Kendo, Washington State Labor Council

**Labor and Industries:**

Joel Sacks, Director  
Vickie Kennedy, Assistant Director for Insurance Services

**Absent:**

Lee Newgent, Washington State Labor Council  
Brenda Wiest, Teamsters Local 117  
Bob Battles, Association of Washington Business  
Tammie Hetrick, Washington Retail Association  
Linda Williams, Board of Industrial Insurance Appeals (BIIA)

**Court Reporter:**

Milton Vance

**Recorder:**

Veronica Berets

**Guests:** Mark Phillips, Richard Coine, Viona Latschaw, Jeff Day, Jeff Day, Lloyd Brooks, Lynne Dodson, Kris Tefft, Karen Jost, Terrane Holt, Mary Ann Walker, Leah Hole-Marshall, Randi Warick, Debra Hatzialexiou, Cheri Ward, Karen Peterson, Autumn Music-Schmitz, Micki Kohler, Jeff Killip, Ryan Guppy (via phone bridge)

**Welcome & General Updates: Joel Sacks and Vickie Kennedy**

Meeting started with introductions of the committee members and the audience. Following introductions, Jeff Killip, Division of Occupational Safety and Health, presented the three 60-second video clips for the safety message. There are several 60-second video clips on the Labor and Industries website, [www.Lni.wa.gov](http://www.Lni.wa.gov).

It was asked if the department has a distribution strategy for these videos. For example, do they pop up when you log into the website, are they shared on Facebook or other forms of social media, etc. Mr. Killip responded that these videos are only located on the L&I website at this time, but we are open to ideas on how to get these in front of the public. On suggestion was for a section on the website where a user could search for “safety meeting topics” or something similar and was provided a list of safety topic ideas. It was said that “eye on safety” would be a great Twitter hashtag (#eyeonsafety).

### **Welcome & General Updates: Joel Sacks and Vickie Kennedy**

Director Sacks started by announcing that 2019 premium rates were finalized and that the rate notices went out to employers. The department adopted the 2.5% average decrease as discussed at the September 2017 WCAC meeting.

Director Sacks announced that Mike Ratko, Deputy Assistant Director for Insurance Services, would be providing an update on reinsurance. Mr. Ratko gave a brief summary of what was discussed the last time reinsurance was on the agenda. The department was in the process of getting information to Guy Carpenter, our broker so that they could do their modeling to estimate losses for various catastrophic events. That work has all been completed.

Currently, we are in the process of talking to reinsurers to gather quotes for products in various layers for us to review. Information will be provided at the January 26, 2018 Workers’ Compensation Finance Committee meeting.

Director Sacks continued with general updates. He explained that the department is closing out work for 2017. The State Investment Board (SIB) has formally approved and finalized a new asset allocation model for the workers’ compensation funds. We will be investing more in equities and stocks and beginning to invest in real estate. SIB has hired someone to manage our portfolio and they are hopeful that within the first 6 months of 2018, they will begin the process of purchasing real estate.

The goal is to purchase a safe, very conservative real estate investment to earn an income stream. An example could be something similar to public storage units. Historically, the SIB has done incredibly well with real estate, so we are excited for this opportunity.

Director Sacks also discussed another topic from the WCAC Finance Committee meeting. The department is asking the legislature to make a statutory change to allow different pension discount rates for the State Fund and self-insurers.

We discussed that we could possibly move to the current target pension discount assumption for the State Fund more quickly than for the self-insurers. The legislation would allow for this. One of the WCAC members indicated they didn’t have any objections to this idea.

Director Sacks said if the legislature were to pass the bill, he would remain committed to conversations with the Finance Committee regarding the appropriate discount rate.

### Improving the Customer Experience: Vickie Kennedy

Ms. Kennedy started with a reminder of the June 2017 discussion of different ways we could begin to better connect and partner with our customers. In September, we talked about how we are building partnerships and improving services for our employers. Today, we will have a similar conversation in relation to our workers. In the future we will talk about providers.

This is a conversation we want to continue so that we are gathering your input and using your feedback to make improvements.

As a reminder, feedback gathered at the June 2017 WCAC:

- Workers are uncomfortable contacting their employer, claim manager, or medical provider
- Workers often feel like no one cares about them
- Workers don't understand the system and how to navigate it
- Concerns that they are being tracked by their employer or the government
- There is a lack of communication
- Workers feel powerless - others have power over their fate
- They need and want continued communication with their claim manager
  - Limiting information, leads to more apprehension
- Claim manager approach on financial situation, emotional issues and concerns can ease the process
- Direct contact with the claim manager would help build a connection and trust
- Injured workers need to understand their resources and important contacts

We have many initiatives that have worked to improve the worker's experience.

- **SureConnect** - Option to receive a call back immediately or schedule a specific time. Cutting wait times, dropped calls, and customer frustration
- **IVR Improvements** – Increase the accuracy of call directory – enables workers to get some information on their benefits without having to contact the claim manager
- **Claim Processors** - The claim processor position was created to remove the burden of incidental work from a claim managers' job duties. This will increase the delivery of quality customer service and efficient management of injured workers claims
- **Work Status Form (WVF)** – Improvements to the form were made to assist workers. Often they were confused about what information was required, which caused them to call the department. The new form has instructions on how to complete and reasons why we ask the questions. In 2014, 219,000 WVF were sent out. The baseline phone center calls on the old form were 2,055 per month. The baseline phone center calls on

the new Work Status Form are 225 calls per month. This equals an 80-90% reduction in related phone calls.

- **Activity Coaching** – uses a technique known as the Progressive Goal Attainment Program (PGAP). Coaches for this program are occupational or physical therapists or vocational counselors who have been trained as activity coaches. Coaching has been shown to:
  - Reduce psychosocial barriers to rehabilitation
  - Promote re-integration into life-role activities
  - Facilitate return to work
  - Prevent long-term disability
- **Electronic Benefit Payments to workers** – The department successfully launched a new system for making electronic benefit payments to injured workers.
  - Offer some big advantages; they are convenient, safe, and provide quick access to funds.
  - Expected to reduce administrative costs for the department

Ms. Kennedy continued to talk about how the department has also implemented several programs designed to assist workers in getting back to work and remaining connected to their employer.

#### **Stay at Work (SAW) and Preferred Worker:**

- Both the SAW and Preferred Worker programs offer monetary incentives to employers that encourage keeping injured workers on the job
- A Preferred Worker Certification and a card for injured workers to show employers the benefits of hiring a Preferred Worker
- The Preferred Worker Program now provides benefits when the injured worker returns to the employer of injury

#### **Benefits offered to employers:**

- Provide workers' compensation premium reductions for Preferred Workers
- Protect employers against the cost of subsequent claims if worker is re-injured (good for 3 years in Preferred Worker Program)
- Clothing (up to \$400 per claim), tools and equipment necessary for worker to perform the job (up to \$2,500 per claim) – WSAW and PWP
- Half the base wage paid to worker up to 66 days (up to \$10,000 per claim) – WSAW and PWP
- A one-time durable employment bonus for 12 months continuous employment (one-time equal to the lesser of 10% of the workers' wages or up to a maximum of \$10,000) – PWP Only

#### **Partnership with ESD**

##### **Re-employment Specialist:**

- Re-employment specialists from the Employment Security Department (ESD) work with claim managers and vocational specialists to get injured workers job-ready and to improve return-to-work outcomes. These services are now thoroughly imbedded in L&I's

training and culture. Contracts with ESD for re-employment specialists have been extended to June 30, 2018.

**Work Source:**

- L&I has six Vocational Services Specialists (VSS) located in WorkSource Centers around the state. They provide specialized help to injured workers seeking employment. VSS staff coordinates use of various WorkSource partners and resources, including:
  - Resume' writing and interviewing techniques
  - Internet based job searches
  - Identifying return-to-work options by assessing skills
  - Up-to-date labor market trends
  - Assistance with OJT possibilities
  - Referrals to additional WorkSource partners and programs
  - Access to community resources
  - Option 2 assistance
  - Job search assistance and training

WorkSource VSSs accept referrals from a variety of stakeholders that can include, but are not limited to, vocational and medical providers, various staff at L&I, and walk-in self-serve customers.

**Early Vocational Assistance:**

- When an injured worker is still receiving time-loss for 60-90 days the claim manager is prompted to make a referral to a private sector vocational counselor for services.

Ms. Kennedy shifted to what the department is implementing correctly.

**First Contact Calls:**

- Customer experience surveys demonstrate that the initial call from a claims manager to an injured worker can have a significant impact on the overall experience of L&I customers, and could help reduce claim duration.

**Create an Experience Which Engages the Worker:**

- Make a proactive first contact call
- Answer their questions
- Explain the process
- Discuss the importance of returning to work as soon as medically possible
- Identify potential risk factors and collaborate on next steps
- Demonstrate care and compassion

A video of an injured worker talking about his experience with first calls was shown.

**Disability Prevention and Management:**

- How offering services to address return-to-work and psychosocial barriers helps a worker:
  - Efforts are to reduce long-term disability and help workers return to regular work.

- The sooner we address psychosocial barriers and provide services, the more likely we are to prevent a mental health condition developing later.
- There are great benefits to keeping a worker on the job, including Stay at Work, job modifications, and potential Preferred Worker benefits.

An additional Joint Legislative Audit and Review Committee (JLARC) recommendation will change claim manager training to a more strategic approach.

- Transform claim training and mentoring methodology into a comprehensive and proactive approach that emphasizes strategic theory, strategic thinking, problem solving and outcome-based decisions that reduce the likelihood of long-term disability.
- Ensure that soft skills training, consistent with disability prevention and management, are being provided to all apprentices at various stages in the program.
- Ensure the methodology of our apprenticeship training reflects industry best practices for adult learning styles and integrated blended learning curriculum.
- Evaluate and recommend updates to training strategy to ensure the training and mentoring effectively provides the requisite skills, abilities and competencies for success.
- Ensure we are hiring people with the aptitude to learn and apply the strategic thinking theory and use soft skills to build relationships with our customers.

Ms. Kennedy closed this portion of the agenda by talking about next steps. The department has hired a contractor to assist the department. They will be examining our methodology and our apprenticeship program, ensuring we are appropriately addressing different adult learning styles, and trying to get our training to be much more strategic and much less process oriented. During this process, we will identifying technology gaps.

**Business Transformation Requirements Update: Terrane Holt & Mary Anne Walker (Linea Solutions)**

Ms. Kennedy introduced Terrane Holt and Mary Anne Walker with Linea Solutions.

Ms. Holt introduced herself as a project manager and senior consultant. Linea has been working with the department since July 2017. Linea has been in business since for 19 years. Specializing in working in an environment with various clients and benefits, claims, pensions, and insurance.

Linea has worked with hundreds of clients, currently, they have 19 transformation clients they are engaged with.

Update on the business requirements phase:

- Completed employer accounts (28 processes) currently working on claims (80+ processes)
- Identifying process, tools and business rules

- Gathering the information needed to scope a software solution.
- Held three vendor demos
- Comparing information to the software market
- Providing L&I staff with a vision for what the market can provide

Ms. Walker was introduced to talk about early observations. Labor and Industries has numerous different technology programs, which aren't available to everyone, making this more complicated than other projects. An example is the Activity Prescription Form process.

Activity Prescription Form (APF):

**Primary Goal:**

The goal of the APF process is to provide a straightforward way for medical providers to report functional progress, capacities, and restrictions for injured workers.

**Objectives to be achieved:**

- Identify changes in status that may indicate worker is ready for return to work
- Certify and pay time-loss by providing a snapshot in time of medical and work status
- Communicate with employers, claim managers, care coordinators, workers, and other parties to the claim

**Challenges to APF in current environment:**

- The department receives around 418,000 APF's per year
- Until recently, each APF was manually assessed for important information
- APF's currently have no field level validations other than character length restrictions
- High priority items in APFs can become obscured by the claims managers' work load

**How to improve services to workers by addressing these challenges:**

- Make it easier to do business with L&I. Work has already been done with some clinical organizations to submit APF's through health information exchange.
- Implement system to bring certain data from APF's to the top of the claim managers' priority work
- Validations can be programmed to support the forms to ensure that medical providers submit accurate and complete information

We are approaching this and other processes to identify what's actually required, what the process goal is, and where efficiencies can be gained. Ms. Walker continued to say this is about getting business rules right and building them into any future automation system changes.

**How can Business Transformation in claims management improve service to injured workers:**

- Workflow and case management
- Modeling business rules for verification and validation
- Single point of access to information
- Management decision making tools

Ms. Walker continued that an automated follow-up system is important to both internal staff and to the external stakeholders who rely on it to know when the claim manager will act on a claim; technology can adjust when staff are prompted to act, rather than relying solely on the tickler system.

Director Sacks commented that moving forward with new technology means going to the Governor, legislature, in the 2019 legislative session, to show all of the work the department has done along with a plan of what we need to build.

The next step is to get permission to spend money from the workers' compensation funds to hire a software vendor and implementing vendor (which is not Linea).

Labor and Industries will continue to provide information on Business Transformation and what we need to accomplish.

*--15 minute break--*

#### **Insurance Services Dashboard – Help Injured Workers Heal and Return to Work: Vickie Kennedy**

Ms. Kennedy stated that the department is continuing to make great strides in return-to-work strategies. Ms. Kennedy spent time reviewing the Dashboard Summary. Results of the key measures are overwhelmingly positive.

DASHBOARD SUMMARY		
Measure	Change from 2012 (unless otherwise noted)	Highlights
<b>Long Term Disability</b> – share that received a TL payment in the 12 month post injury	Down 18.9 % 	Lowest since 2002
<b>Persistency</b> – Ratio: claims with a TL payment in the 6 <sup>th</sup> month to those with payment in the 3 <sup>rd</sup> month	Down 5.1 % 	
<b>Resolution rate</b> - time-loss claims at 6 months	Up 6.2% 	
<b>Auto adjudication of claims</b>	Up 72% from 2014 	Highest since 2002'
<b>High risk claims</b> – share return to work at 12 months	Up 9.0% 	Highest since 2002
<b>Median time-loss days paid at 1<sup>st</sup> AWA referral</b>	Down 65.5% 	Lowest since 2002*
<b>% RTW outcomes</b> when 1 <sup>st</sup> AWA referral made by 90th day of TL	Up 59% since 2014 	
<b>% RTW outcomes</b> - all first AWAs	Up 117% since 2014 	Highest since 2004'
<b>WSAW participation</b>	Steady utilization 	
<b>COHE utilization</b>	Up 82.9% 	Highest since 2002

\* Earliest year for which measurement is available

It was asked if we could add information into the dashboard that tracks long-term data.

### Industrial Insurance (State) Fund Financial Overview: Rob Cotton

Rob Cotton, Workers’ Compensation Account Manager for Financial Services, presented a financial update for fiscal year 2017 through first quarter – July 1, 2017 through September 30, 2017.

Mr. Cotton stated that the annual financial statements have been completed and have been posted on our website. You can find them through this link:

<http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports>

He continued that for 12 consecutive years, the department has received a “clean” audit opinion from the State Auditor’s office. A clean opinion means that these auditors determined that our financial statements are fairly stated, after performing sufficient testing.

The contingency reserve balance increased \$427 million, from \$2,972 million on July 1, 2017 to \$3,399 million on September 30, 2017 due to:

- Favorable development on prior year liabilities accounts for more than half of the contingency reserve increase

- Medical Aid: lower than expected claim counts, lower than anticipated medical payments, and a continuing decrease in medically active claims
- Accident: reduction in the number of anticipated active time-loss claims
- Total Permanent Disability: fewer active older time-loss claims
- Partial Permanent Disability: lower estimated average award amount and fewer awards
- Gains on investments
- Premiums above what's needed to pay for expected costs

State Fund Results:

- Net income of \$409 million

Insurance Operations:

- Premiums earned (we took in): \$567 million

Premiums earned:

- Net premium earned increased by \$5 million more than the prior year

Net benefits incurred:

- Benefits incurred decreased by \$326 million compared to last year

Investment income:

- Total investment income was \$214 million

Results of operations:

- We have a net gain income of \$409 million

Contingency reserve:

- \$427 million at the start of the fiscal year
  - \$409 million from our net income
  - \$20 million from unrealized capital gain (loss)
  - (\$2) from non-admitted assets
- New contingency reserve as of September 30, 2017 is \$3,399 million

Key financial ratios:

- The operating ratio is 48.2%

**Board of Industrial Insurance Appeals (BIIA) Update: Linda Williams**

Ms. Kennedy stated that Ms. Williams is not available today, and encouraged members to review the slides on their own.

**Closing Comments & Adjourn:**

Director Sacks closed the meeting.

Meeting Adjourned.