

# Workers' Compensation Advisory Committee (WCAC)

*September 28, 2022*



This meeting is being streamed on TVW

# Safety Message

*Celia Nightingale, Small Business Liaison*



# Small Business Outreach Contracts

*Providing employers critical L&I information  
through trusted messengers*



Washington State Department of  
Labor & Industries

Small Business Office

# Contract Program Launched July 2019

- **Contractors design their own programs, customized for their audiences**
- **48 contracts with 38 different employer-trusted organizations**
  - 27% with ethnic and cultural affinity groups
  - 25% with chambers and economic development organizations
  - 23% with industry associations
  - 15% with small business development organizations
  - 10% with communication and outreach organizations

# Strong Emphasis on Safety & Health

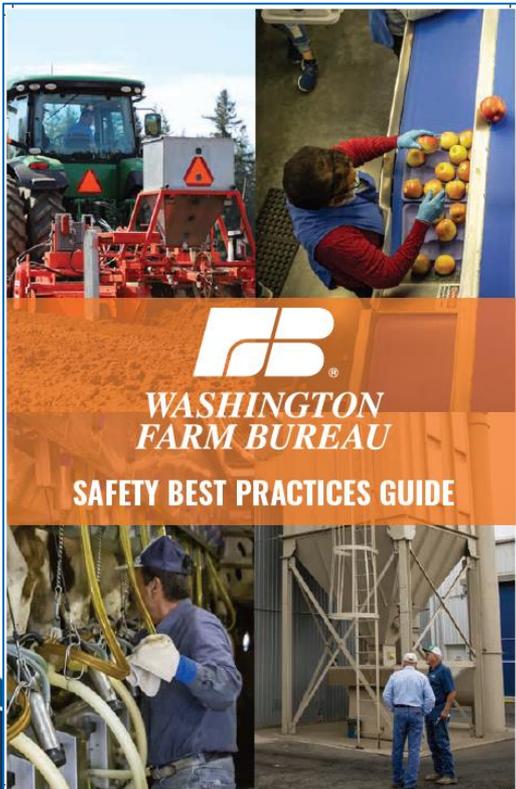
**Contractor activities to educate employers (and workers) on workplace safety & health have included:**

- In-person and webinar presentations by DOSH and other experts
- Social media, blog posts and newsletter articles
- Videos and podcasts
- Training curricula development and delivery
- Apps and E-learning
- One-on-one technical assistance and referral

# Example 1

## Washington Farm Bureau

# Washington Farm Bureau



Spiral bound, 6" x 9"

Topic	Content
Workplace Safety Program/Plan (APP)	
Safety Meetings	
Preparing for Accidents	
Chemical Hazard Communication Program	
Tractors	
Ladders	
Outdoor Heat Exposure	
Machinery Hazards and Protections	<ul style="list-style-type: none"> <li>o Guarding/PTO</li> <li>o LO/TO</li> </ul>
Electric Safety	
Personal Protective Equipment	
Noise	
Ergonomics tips	
Claims Management	
Safety and Health Consultation	

## A Plan to Keep Your Employees Safe

Every agricultural employer in Washington is required to develop and put into practice an Accident Prevention Program (APP), which is also known as the safety plan. The APP is meant to demonstrate that an employer has identified how employees can get hurt, what the employer will do to help prevent accidents, and how the employer will implement a safety culture in the workplace.

APPs must be documented, tailored to the workplace, and "in practice". Every APP has basic plan requirements.

Here are the main elements of the safety plan:

- New Employee Orientation – Teach new employees how to protect themselves.
- Specific Plan for the Business – The plan must be tailored to the actual operations of the business.
- Accident Reporting – A formal way for employees to report injuries to management.
- Hazard Reporting – A formal way for employees to report hazardous conditions to management.
- Emergency Planning – Plan for the unexpected and teach employees how to stay safe during emergencies.
- Chemical Safety – How to identify and safely use chemicals.
- Specific Job Training – Employers can't just rely on "common sense" or assume employees already know how to work safely. Ensure employees are continually trained.
- Monthly Walk-Around Inspections – A formal, schedule for management and employees to find hazards and protect employees from them.

Additional tailoring of the APP beyond the basic elements is so that all recognizable workplace hazards and conditions are addressed (i.e., safe ladder use, respirator use, and tractor safety).

Reference: WAC 296-307-030

## Power Take Off (PTO) Safety

PTO entanglements most often occur when people try to make repairs or adjustments while the PTO is in motion. Remember that a PTO can rotate 1,000 times per minute. That's 16 times per second. Toss a six-foot rope over a spinning PTO shaft and it will wrap up around the shaft in less than a second. Operator awareness and constant vigilance is crucial if PTO entanglement is to be avoided.

**Farm field equipment.** Tractors or implements, including self-propelled implements, used in agricultural operations **MUST** be guarded.

- (1) All power transmission components must be guarded.
- (2) The manufacturer's instruction manual, if published by the manufacturer and currently available, must be the source of information for the safe operation and maintenance of field equipment.
- (3) The employer must ensure that all power takeoff shafts, including rear, mid-mounted or side-mounted shafts, are guarded by a master shield.



Signs placed at prominent locations on the tractor

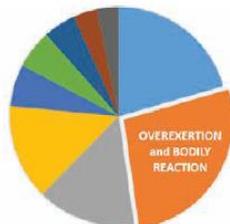
Rear PTO has a master shield strong enough to withstand 250 pounds of pressure.

PTO driven equipment is guarded to prevent contact with rotating parts.

# Washington Farm Bureau

## Preventing Work-Related Musculoskeletal Injuries (WMSDs) Better Known as Ergonomics

WMSDs are the costliest injuries for all industries in Washington. The injuries are difficult to prevent because there is no single solution to fit all tasks. However, simple solutions can better fit the tasks to the person performing them and reduce the risk of WMSDs



- Causes of WMSDs**
1. Posture – Static or Awkward (bending, twisting, reaching)
  2. Overexertion – Lifting, Pushing, Pulling
  3. Repetition
  4. Duration
  5. Vibration – Hand, Whole Body
  6. Compression - Pinching

Source: SHARP Agriculture Claims Costs 2017-2021

Preventing WMSDs before they become an injury can be simple and inexpensive. Prevention can also improve efficiency, quality of work, and morale. Employee involvement is essential to solve ergonomic issues early.



- Small Changes with Big Impact**
- Store it off the floor
  - Work at waist height
  - Push, don't pull
  - Reduce your reach
  - Grip, don't pinch
  - Change it up

Source: FB Safety staff

## Hearing Loss Prevention (Noise)

How many experienced farmers do you know with some form of hearing damage? Hazardous noise sources are common in agriculture, but noise-induced hearing loss is completely preventable. Noise levels over 85 dBA on an eight-hour time-weighted average is considered hazardous and can cause permanent damage to the small components of the human ear

### Steps to prevent hearing loss:

1. Identify hazardous noise sources.
2. Reduce hazardous noise levels at the
  - a. Source by performing maintenance, reducing RPMs, CFMs, etc.
  - b. Path by enclosing noise sources, increasing distance, reducing reflective surfaces, adding acoustical or absorbing material.
  - c. Receiver by providing hearing protectors and training workers.



Source: niodc.nih.gov



Because hazardous noise is measured as an average, noisy tasks can be limited according to Fig.1 if there is no noise exposure above 80 dBA for the remainder of the worker's shift.

Time in hours	Noise level in dBA
8	85
4	90
2	95
1	100

## Claims Management

Your claims management plan, knowledge of the claims process, and worker training is invaluable. Immediate injury reporting will help improve recovery time, lower the claim cost, and return the worker to maximum medical improvement and back to the workforce as quickly as possible.

### Be prepared for unexpected accidents.

- Create an injured worker packet to provide to an attending physician. Injured worker packets should include a letter from the company stating the company's intent to return the employee back to work, a job description of the job of injury, and a list of possible restricted more modified duty job descriptions.
- Inform employees of their rights to file a workers compensation claim, and the filing process.

### When an accident occurs:

1. Provide immediate medical care to the injured worker and assign a supervisor or someone to take the injured worker to the medical care facility.
2. Convey care and concern to your employee:
  - a. Contact the injured worker as soon as possible after the injury and stay in contact throughout the recovery period.
  - b. Answer any questions from the injured worker regarding their benefits and return to work options.
3. Investigate the accident within 24 hours or sooner. Identify all deficiencies that may have contributed to the accident and revise safety procedures if necessary.

### When a claim is filed:

- The doctor will provide a report of accident with a claim number. Keep track of this number. It is important and will be used from beginning to closing of the claim.
- Labor and Industries (L&I) will provide documents for the employer to fill out and return. These are important to return as quickly as possible and retain:
  - o Report of Accident (ROA) to clarify any errors from the provider or L&I.



In partnership with the Department of Labor & Industries for employer outreach and education.

# Example 2

## Thurston County Chamber of Commerce

# Thurston County Chamber of Commerce

[www.thurstonchamber.com/training-and-development](http://www.thurstonchamber.com/training-and-development)



## Training and Development



### L&I WA Employer Compliance: What WA Small Businesses Need to Know

English Version

Spanish Version

The Thurston Chamber strives to increase employer knowledge of compliance and L&I services, such as Employer Safety Requirements, Employment Standards, Claims Handling, and DOSH's free Consultation Services.

Business is our constituency, and we understand you are busy with daily operations. Based on our experience working with over 2,000 small businesses in our region, businesses prefer on-demand, self-paced training



0% COMPLETE

WA DEPARTMENT OF LABOR & INDUSTRIES

What is the Purpose of L&I?

EMPLOYER SAFETY REQUIREMENTS FOR THE WORKPLACE

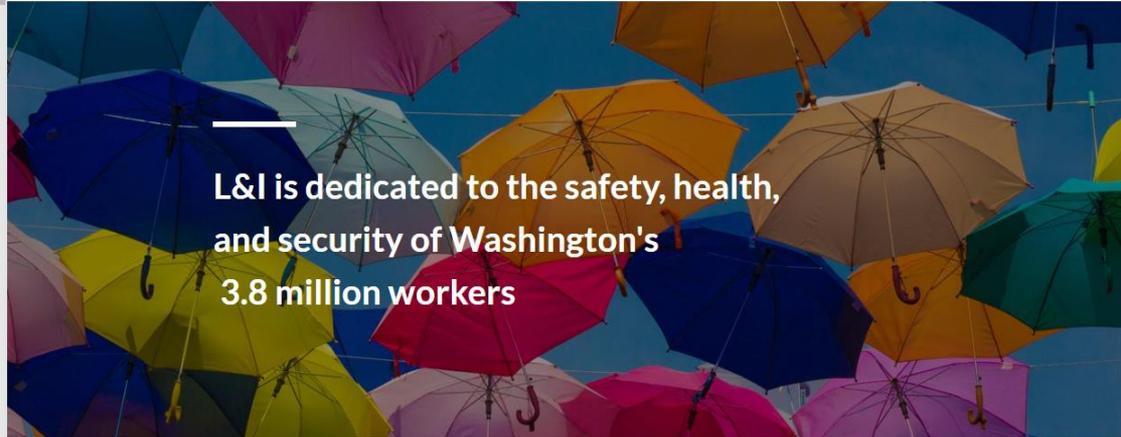
Safety Requirements for Washington Employers

Safety Program Compliance

Top 10 Safety & Health Rule

Topic 1 of 17

## What is the Purpose of L&I?



L&I is dedicated to the safety, health, and security of Washington's 3.8 million workers

# Thurston County Chamber of Commerce

## Employer Safety Responsibilities



Tema 2 of 17

## Requisitos de seguridad para empleadores de Washington



## Responsabilidades de seguridad del empleador

Every employer in Washington has the basic responsibility of providing a safe and healthy workplace. Most workplace deaths, injuries, and occupational illnesses are preventable. However, often, the health and safety rules established in the Occupational Safety and Health Act and a worker may suffer a painful or disabling injury. Prevention is the key to reducing the risk of injury.

"An ounce of prevention is worth a pound of cure." – Benjamin Franklin

1

## Employer Responsibilities for an Accident Prevention Program

- 1 You must develop a formal Accident Prevention Program that is outlined in writing. The program must be tailored to the needs of your particular workplace or operation and to the types of hazards involved. See below to download a Workplace Hazards & Solutions Worksheet.
- 2 You must create a safety and health committee.
- 3 You must make sure your Accident Prevention Program contains at least the following elements:
  - A safety orientation
  - A description of your total safety and health program
  - On-the-job orientation showing employees what they need to know to perform their initial job assignments safely
  - How and when to report on-the-job injuries, including instruction about the

# Thurston County Chamber of Commerce

Ayuda a identificar peligros

## Help Identifying Hazards



One of the most important aspects of creating an Accident Prevention Program that is customized to your workplace is identifying the specific hazards your employees may encounter on the job that may be specific to your industry. Having employees assist in identifying hazards can increase awareness and is a great way to get your Safety Committee started. Below is a sample Workplace Hazards & Solutions Worksheet that can serve as a useful tool to use in building your safety program.

Washington State Department of Labor & Industries  
Division of Occupational Safety and Health

### Workplace Hazards & Solutions Worksheet

For use with the Workplace Hazard Basics Course  
[www.lni.wa.gov/WorkplaceHazardBasics](http://www.lni.wa.gov/WorkplaceHazardBasics)

Hazard Source (Object, Activity, or Location): \_\_\_\_\_ Date: \_\_\_\_\_  
 Company: \_\_\_\_\_  
 Work Area: \_\_\_\_\_  
 Evaluator: \_\_\_\_\_

Hazards (How can someone get hurt?)

<input type="checkbox"/> Caught in or between (machinery, etc.)	<input type="checkbox"/> Fire or explosion	<input type="checkbox"/> Slip or Trip
<input type="checkbox"/> Chemical or substance (blood, dust, etc.)	<input type="checkbox"/> Hit by or against (vehicle, debris, etc.)	<input type="checkbox"/> Sprain or Strain (lifting, etc.)
<input type="checkbox"/> Electrical	<input type="checkbox"/> Hot environment or surface	<input type="checkbox"/> Other: _____
<input type="checkbox"/> Falls (from elevation or at same level)	<input type="checkbox"/> Noise	<input type="checkbox"/> Other: _____

Describe each hazard noted:

## Hazard Communication



The Hazard Communication rule educates employees about hazardous chemicals and the information they need to be prepared:

1. Know the requirements
2. Identify employees who may be exposed
3. Inform all employees
4. Train employees who may be exposed

The Hazard Communication rule requires employers to provide information about hazardous chemicals, including pesticides, to employees:

- Product identifier

### Where to Get Help to Meet the Hazard Communication Rule

For assistance, contact the nearest L&I office and ask to speak to an Industrial Hygiene Consultant, or visit <https://lni.wa.gov/safety-health/preventing-injuries-illnesses/request-consultation/>

Your Business Location	Call This Number
Northwest Washington	425-290-1431
King County	206-515-2837 or 206-835-1146
Pierce County/Olympic Peninsula	253-596-3917
Southwest Washington	360-902-5472
Central Washington	509-886-6570
Eastern Washington	509-324-2543

# Thurston County Chamber of Commerce

## Cómo manejar reclamos por lesiones

### How to Handle Injury Claims

"At the end of the day, the goals are simple: safety and security."

- Jodi Rell

What should you do in the event of an injury or accident involving an employee? It is important for you and your staff to be aware of the steps to take BEFORE an accident or injury occurs. Otherwise, the urgency of the moment may cause steps to be forgotten that can impact a claim. In this section, we will cover what Workers' Compensation covers and what steps you need to take.

Workers' compensation pays for medical care for work-related injuries or illnesses. If your worker is unable to work after their injury, they may also be eligible for a portion of their lost wages. Most importantly, L&I can help you coordinate a safe and timely return to work for your worker.

Workers injured in Washington have the right to file a claim with L&I, and L&I will

Obtenga más información en este video sobre cómo manejar un reclamo y hacer que su empleado vuelva a trabajar de L&I

Zugey Garcia

Learn More in This Video About Handling a Claim and Getting Your Employee Back To Work from L&I



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# Outreach Contract Program Results

## **Through our small business outreach contracts, L&I has:**

- Increased employer knowledge of workplace safety & health requirements, toward keeping workers safe
- Linked employers with helpful L&I resources
- Provided opportunities for DOSH experts to be in direct contact with employers, reducing fear and building trust

# General Updates



COVID-19

Agency  
Request  
Legislation

Decision  
Packages

Rulemaking  
Update

# COVID Claims as of 09/20/2022

	State Fund	Self-Insured	Total
<b>Accepted total</b>	<b>10,886</b>	<b>7,573</b>	<b>18,459</b>
<i>Open</i>	310	674	984
<i>Closed</i>	10,576	6,899	17,475
<b>Rejected</b>	<b>2,044</b>	<b>622</b>	<b>2,666</b>
<b>Pending</b>	<b>295</b>	<b>36</b>	<b>331</b>
<b>Total</b>	<b>13,225</b>	<b>8,231</b>	<b>21,456</b>

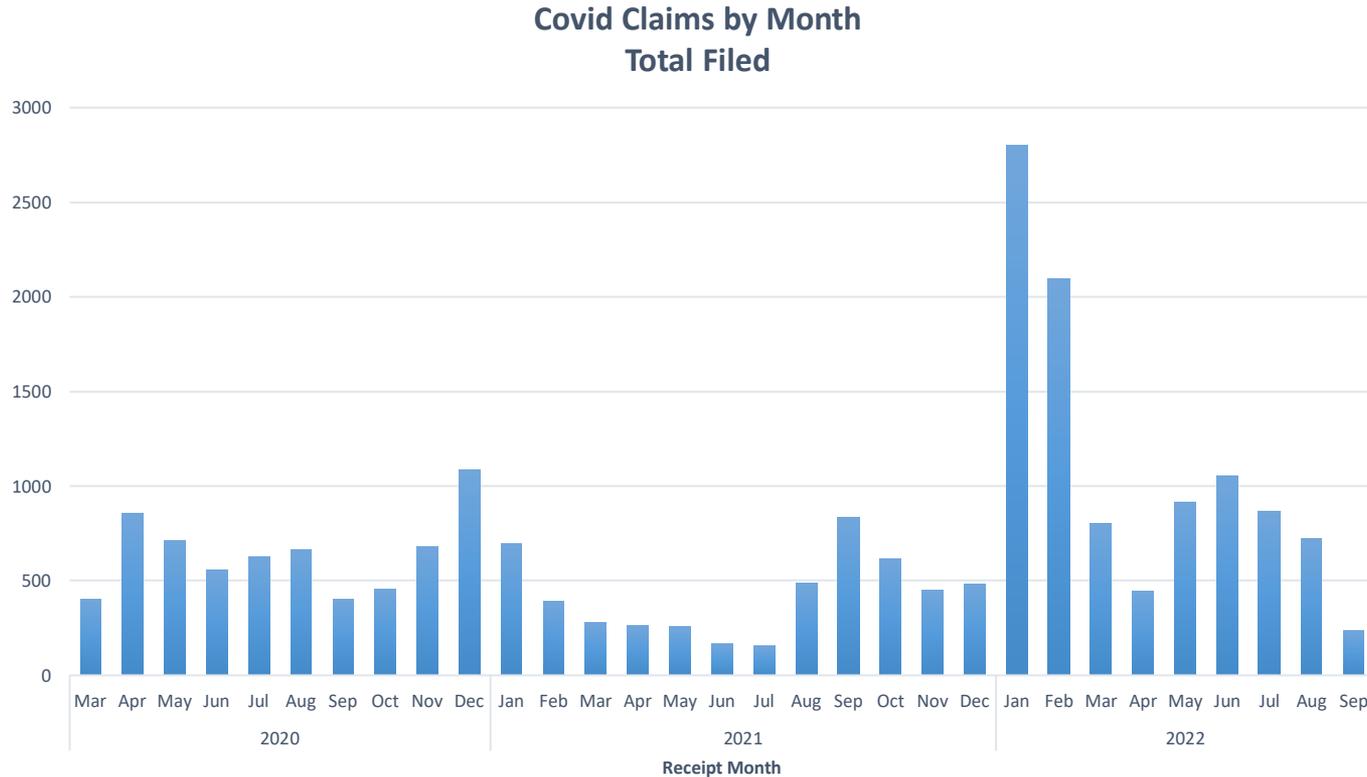
## Fatal Claims

State Fund	38
Self-Insured	18
<b>Total</b>	<b>56</b>

Accepted Claims	State Fund	Self-Insured	Total
Time-loss	9,234	7,276	16,510
Medical	790	165	955
KOS	862	132	994
<b>Total</b>	<b>10,886</b>	<b>7,573</b>	<b>18,459</b>

	State Fund	Self-Insured	Total
Healthcare related	6,195	3,773	9,968
First responders	1,986	1,307	3,293
Miscellaneous Services	1,640	43	1,683
Government	398	716	1,114
Misc. Professional and Clerical	194	822	1,016
Schools	84	765	849
Stores	125	13	138
Transportation and Warehousing	60	60	120
Agriculture	90	3	93
Food Processing and Manufacturing	51	16	67
Miscellaneous Manufacturing	12	22	34
Temporary Help	10	10	20
Trades	16	4	20
Other	25	19	44
<b>Total</b>	<b>10,886</b>	<b>7,573</b>	<b>18,459</b>

# Covid Claims by Month



# Impact of COVID-19 on the contingency reserve

- COVID-19 claims not priced into rates, so are drawing down the contingency reserve.
- Estimated impact to-date: \$80-100M.

# L&I submitted 5 proposals for 2023

- **Z- 0011-** Allowing psychologists to be attending providers for workers' comp mental health-only claims (SB 5784 in 2022)
- **Z-0013** – Creating a self-insurance reserve fund
- **Z-0010** - Updating references to plumbing contractor chapter in workers' comp, public works and prevailing wage laws (SB 5604 in 2022)
- **Z-0009** – Removing the in-state work requirement for L&I electrical inspectors
- **Z-0012** - Adding board members and other changes in Factory Assembled Structures program

## **Z- 0011 - Allowing psychologists to be attending providers for workers' comp mental health-only claims (SB 5784 in 2022)**

- Intended to address shortage of attending providers for PTSD claims after 2018 law made them presumptive for first responders
- Would allow doctoral-level psychologists to act as the Attending Provider (AP) for mental health-only workers' comp claims
- Creates a list of providers in law who may be Attending Providers
- Doesn't change the duties for an AP

## Z-0013 – Creating a self-insurance reserve fund

- Creates a new self-insurance reserve fund to hold self-insured pension assets and liabilities
- Effective July 1, 2023 would capture interest earned in second injury fund
  - Timing requires an emergency clause
  - Interest was about \$450k in 2022
  - Costs to implement estimated to be about \$1.4m through 2027
- Effective July 1, 2025 would create a new account to separate out self-insured pensions and second injury fund assessments from the state fund
- Expected to result in:
  - Making assessments less volatile
  - Making financial statements more transparent

# 2023-2025 Decision Packages

- Enhanced workers' compensation training
  - 10.9 FTEs
  - \$2.8 million
- Enhanced Provider Support
  - 7.5 FTEs
  - \$1.9 million
- Workers' Comp System Modernization
  - 14.3 FTEs
  - \$9.4 million
- Equity for Underserved Workers
  - 6.4 FTEs
  - \$3.0 million
- Center for Work Equity Research
  - 6.0 FTEs
  - \$2.2 million

# Rulemaking – Presumptive Coverage During a Public Health Emergency

- 2021 legislation ESSB 5115 (aka HELSA) and SSB 5190
  - Provided presumptive benefits to Frontline workers and Health Care employees during a public health emergency
  - “The ... employee must provide verification, *as required by the department by rule*, to the department and the self-insured employer that the employee has contracted the infectious or contagious disease that is the subject of the public health emergency.”

# Workers' Compensation System Modernization

*Liz Smith, Deputy Director, WCSM Executive Sponsor*  
*Christy Campbell, WCSM Co-Project Director*





# What is WCSM?

- The project aims to replace L&I's nearly 40-year-old workers' comp computer systems with a modern technical solution(s). This will help streamline and automate business processes, which will lead to more efficiencies and even better return-to-work outcomes for workers.
  
- We plan to:
  - Simplify the workers' compensation technology architecture.
  - Replace manual and paperwork processes with electronic features.
  - Expand and improve self-service features for customers who expect on-demand services.
  - Free up staff to directly serve the needs of workers and employers.
  - Improve return-to-work outcomes and reduce costly long-term disability.

## Current system is a powerful work horse

- L&I workers' compensation insurance covers about 2.6 million workers and about 187,000 employers in Washington.
- Processes \$2.3 billion in workers' comp premiums per year.
- Processes about 112,000 new worker claims per year.
- Stores account information for every employer and records from all claims from past 30-40 years.
- Pays about \$2.2 billion in provider, time-loss and pension payments annually.

# Why a new system is needed?

**Session1.rdr3x**

```

DIRECT TRANSFER      LINIIS
UCLD UCLDMUP2
-----
BZ20001 FRANK A SHARK
-----
UNIT CODE: F        CLMT
ASSND WRKPOS: CT06
PRIORITY FLAG: N    R
DATE OF INJURY: 05 08 2017 ABI
HOUR OF INJURY: 11    DATE
LIAB CODE: L
SPECL CAT CODE: _
ASBESTOS ASSUM RESPBLTY DATE:
ASBESTOS FLAG:
INJRY PART DESC: ARM ELBOW
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                  ACCIDENTALLY
** PAGE SELECT: _ **
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MENU  ==>  PF1=HELP  PF4
    
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**Session2.rdr3x**

```

LINIIS (c) Copyright L&I, WA 1990 (A3 Reg) 10/25/18
CCHI CLMLIST      LIST OF CLAIMS FOR CLAIMANT
-----
STRCT SETL:      VOC OPTION:
CLM ID  INJRY DATE  BUS NAME  CLSD DTE  STAT  RI
UNIT  INJRY DESC  ACCT ID  REPN DTE  DTRM  CO
-----
12/06/10  ABR R FC  086,820-03  03/07/12  A2
U
04/11/18  CTSN CHS  086,820-03  05/14/18  A1
F
05/29/18  SPR R ANK  086,820-03  10/24/18  A1
R
OPTION: _ ('T' = TOP OF CLM LIST; 'L' = RETURN TO
-----
MENU  ==>  PF1=HELP
    
```

**Session1.rdr3x**

```

RECORD UPDATED      LINIIS (c) Copyright L&I, WA 1990 (Demo212) 07/27/19
UCAR  ECDRPLS1      SELECT CLAIM DEPENDENTS 13:39:18.8
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W555501 WALLY J CALLER 555-55-5550 EVE CT06
DOI: 01/14/15 CLMT ID: 1141668
MARITAL STAT: S SINGLE RESN: S DOM PRTSHP: _ SPOUSE:
-----
SEQ DEPENDENT      BIRTH ELIG CLAIM ASSIGN ALT RECIPIENT
X NO NAME          DATE CD END START END NO START END
-----
1 SCHUYLAR WARD 032306 1 032324 011415 032324 R01 011415
2 MICKEY WARD 050100 2 050123 011415 050123 R02 050118
*** END OF DATA ***
-----
SEQ NO: _ ACTION: _ (C=CREATE R=REVIEW U=UPDATE D=DELETE)
-----
MENU  ==>  PF1=HELP PF5=UCAR PF10=RESTART PF12=EXIT
    
```

# Why a new system is needed

- **Workers**
  - Treatment delays can lead to avoidable long-term disability.
- **Employers**
  - Too many manual processes and limited access to timely data.
- **Providers**
  - Difficult to submit authorization requests; lengthy process for approval delays treatment.
- **L&I claim and account managers**
  - Too much time navigating complex systems, not enough time actively working with customers to meet their needs.

# WCSM background

## WCSM officially kicks-off

- Organized six project teams.
- Hired systems integrator and QA vendors.
- Added change management expertise.
- Developed procurement strategy for a commercial off-the-shelf product and implementer.

2019

## Making our case

- Years of planning and research result in developing and submitting the robust 150-page WCSM Business Case to the state Legislature.

2018

## Project work in full-gear

- Systems-integration work starting to ramp up.
- Pandemic hits, project pauses; L&I hires outside firm to conduct independent review.

2020

## Results and reaction

- WCSM project team uses results of independent review to restructure governance, and re-scope and re-strategize.

2022

2021

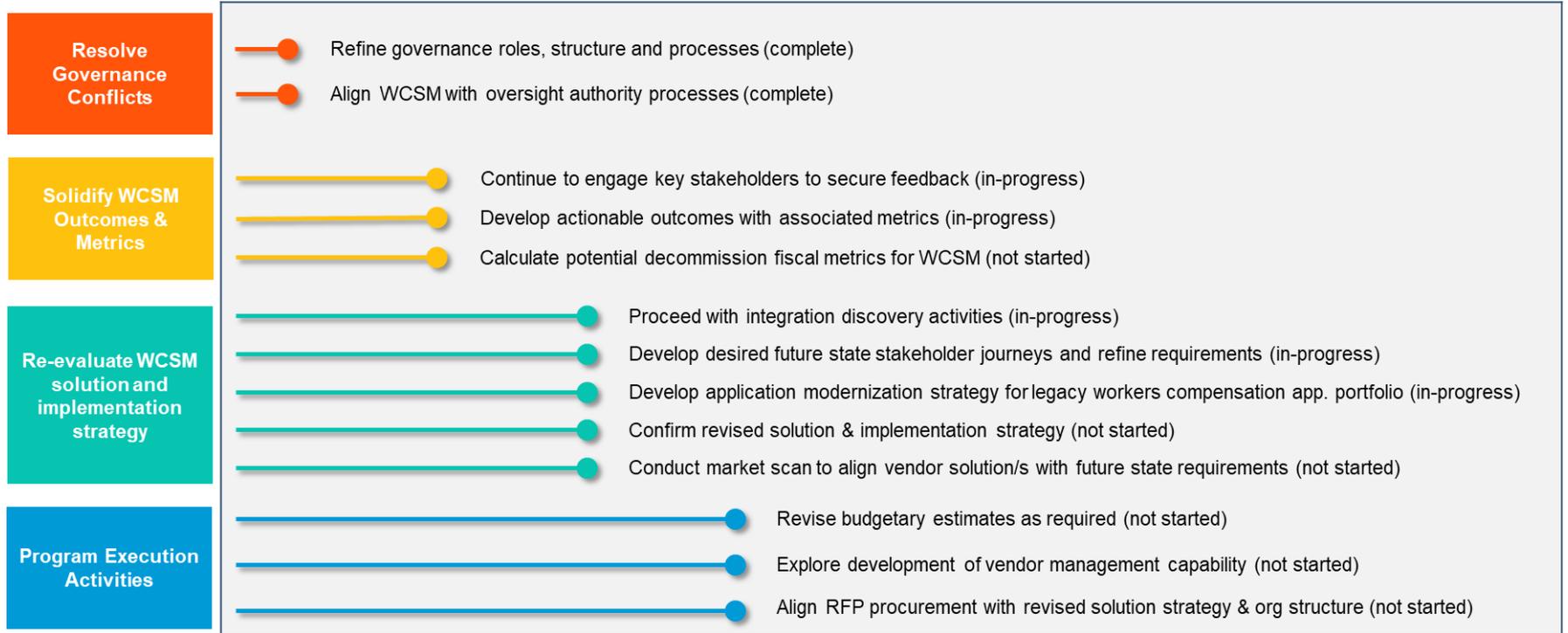
## Independent look at WCSM

- L&I completes the independent review and results produce 13 recommendations.

# Independent Review Focus

- Environmental Landscape
- Procurement Approach Assessment
- Implementation/Integration Assessment
- Decommission Approach
- Budget Assessment

# Independent Review Recommendations

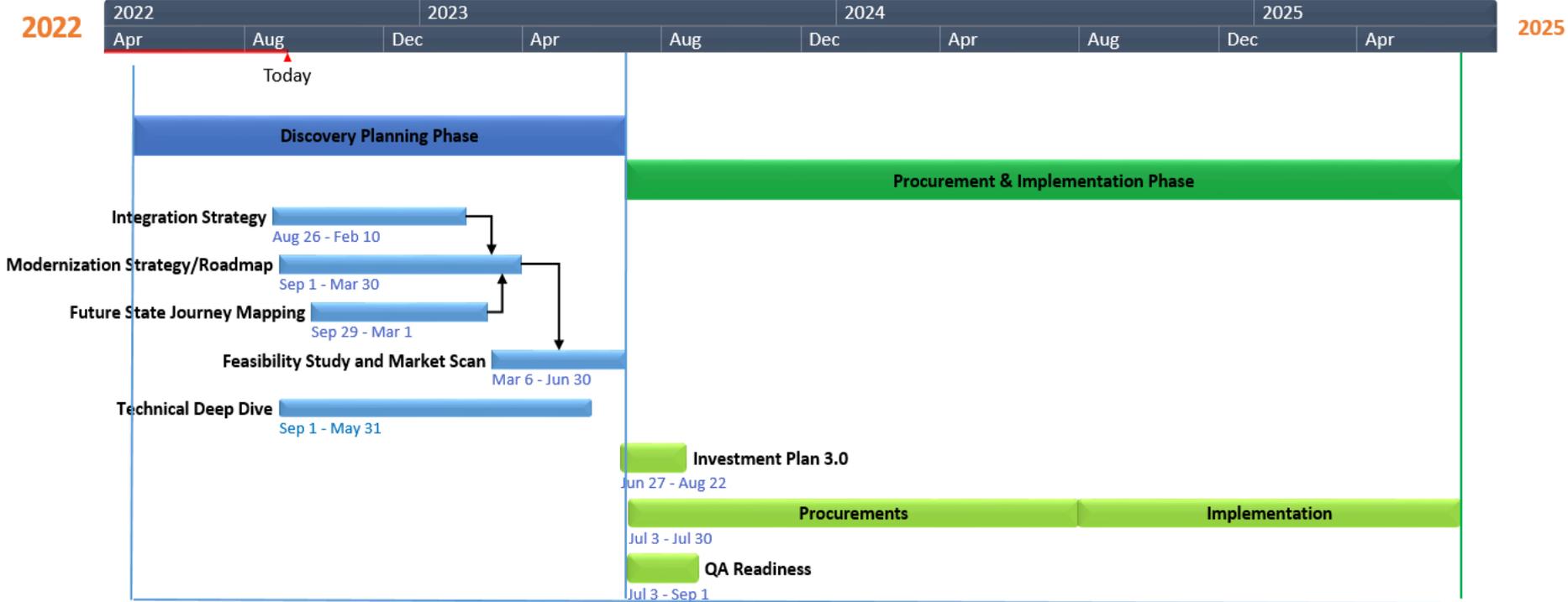


## Since we last met about WCSM...

- Goal and Objective have stayed the same.
- Measure twice cut once - shoring up business/technology solution alignment.
- Revisiting approach – instead of focusing on a comprehensive (single) solution approach consider multiple options using an iterative approach.
- New governance structure.
  - Refresh of project leadership
  - Collaborative model with WaTech
  - Adding non-voting advisory member roles
- Re-evaluating budget.

# Timeline

## Workers' Compensation Systems Modernization Project



# Questions



# 2023 Workers' Compensation Rates: 4.8% overall rate change

*Joel Sacks, Agency Director*



# L&I's rate-making philosophy

- Steady and predictable rates.
- Benchmark against wage inflation.
- Maintain adequate reserves.
- Focusing on better outcomes for injured workers lowers costs.

# Additional inputs to the rate decision

- Rate indication
- Size of contingency reserve
- State of the economy

# 2023: Proposed Overall Rate Change of 4.8%

Funds	2022 Average Hourly Rate	2023 Proposed Hourly Rate	2023 Proposed % Change	2023 Break-even Hourly Rate	2023 Break-even Indication
Accident	\$ 0.322	\$ 0.341	5.9%	\$ 0.383	19.0%
Medical Aid	\$ 0.173	\$ 0.175	1.0%	\$ 0.208	19.8%
Supplemental Pension	\$ 0.157	\$ 0.168	7.0%	\$ 0.178	13.9%
Stay-at-Work	\$ 0.005	\$ 0.005	0.7%	\$ 0.005	0.7%
<b>Overall*</b>	<b>\$ 0.657</b>	<b>\$ 0.689</b>	<b>4.8%</b>	<b>\$ 0.774</b>	<b>17.8%</b>
<b>Per \$100 of payroll**</b>	<b>\$ 1.486</b>	<b>\$ 1.493</b>	<b>0.5%</b>	<b>\$ 1.678</b>	<b>13.0%</b>

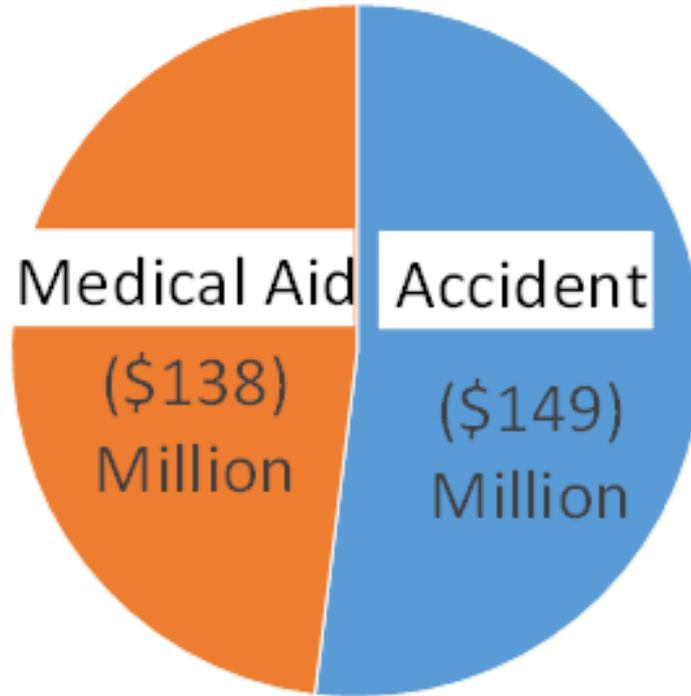
\*Before retrospective premium refunds and based on year-ending June 30, 2022 mix of business.

\*\*Before retrospective premium refunds and based on year ending June 30, 2022 mix of business and current wage inflation assumptions as of June 30, 2022. After retrospective premium refunds, the net rate per \$100 of payroll is projected to be \$1.39.

# Overall per FTE increase

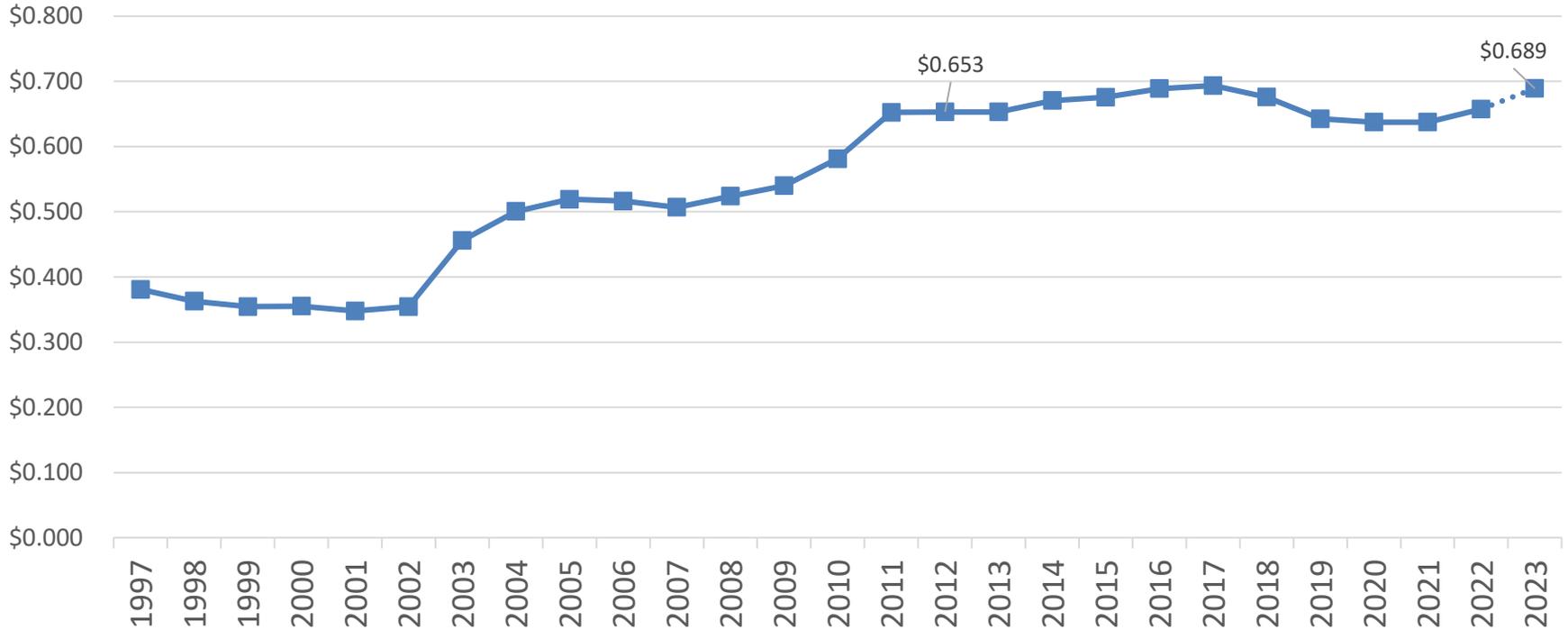
- Average \$61 overall increase per FTE:
  - \$12 paid by workers.
  - \$49 paid by employers.
  - \$1.17 overall increase per FTE, per week.
- \$21 of overall increase due to Supplemental Pension fund.
- Combined average hourly premium rate of \$0.689 is approximately the same as it was in 2016.

# Expected \$288 Million Contingency Reserve Decrease during 2023 from Rate Inadequacy



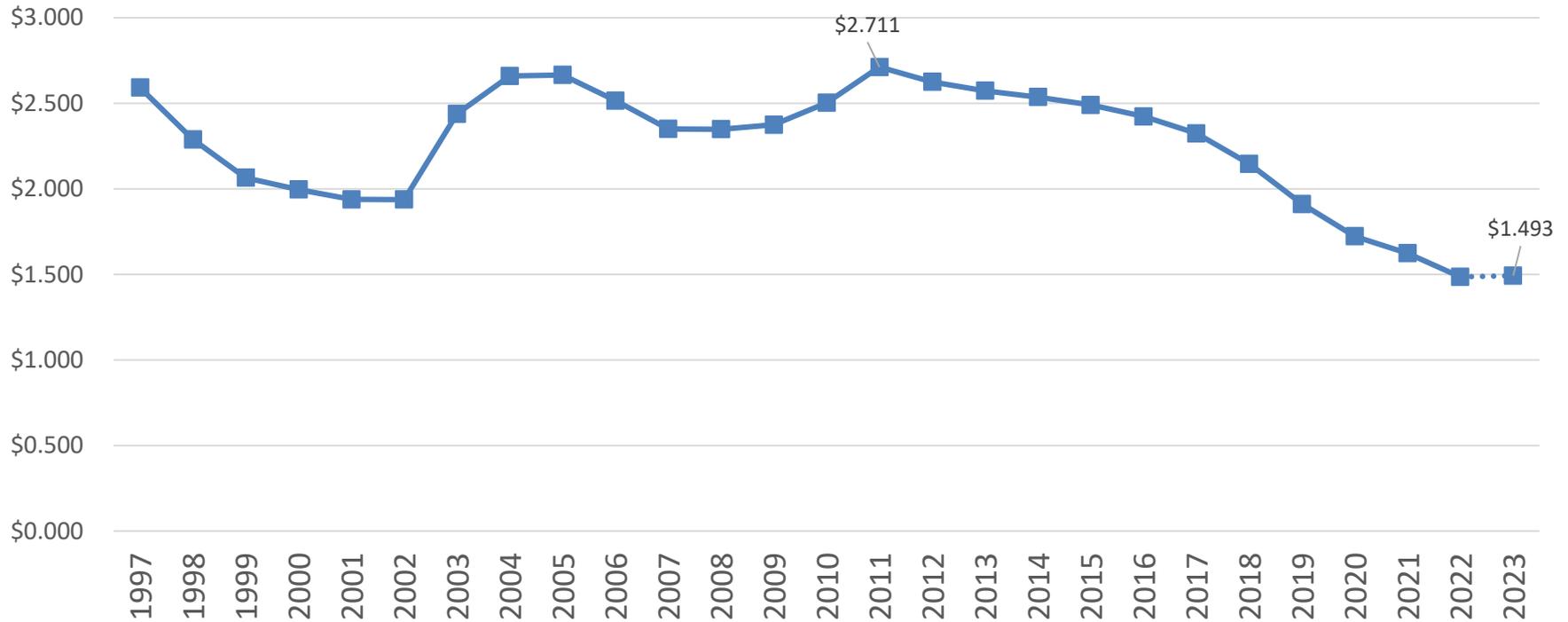
# Hourly Premium Rate

*Combined Accident, Medical Aid, Supplemental Pension, and Stay-at-Work rates, before retrospective premium refunds*

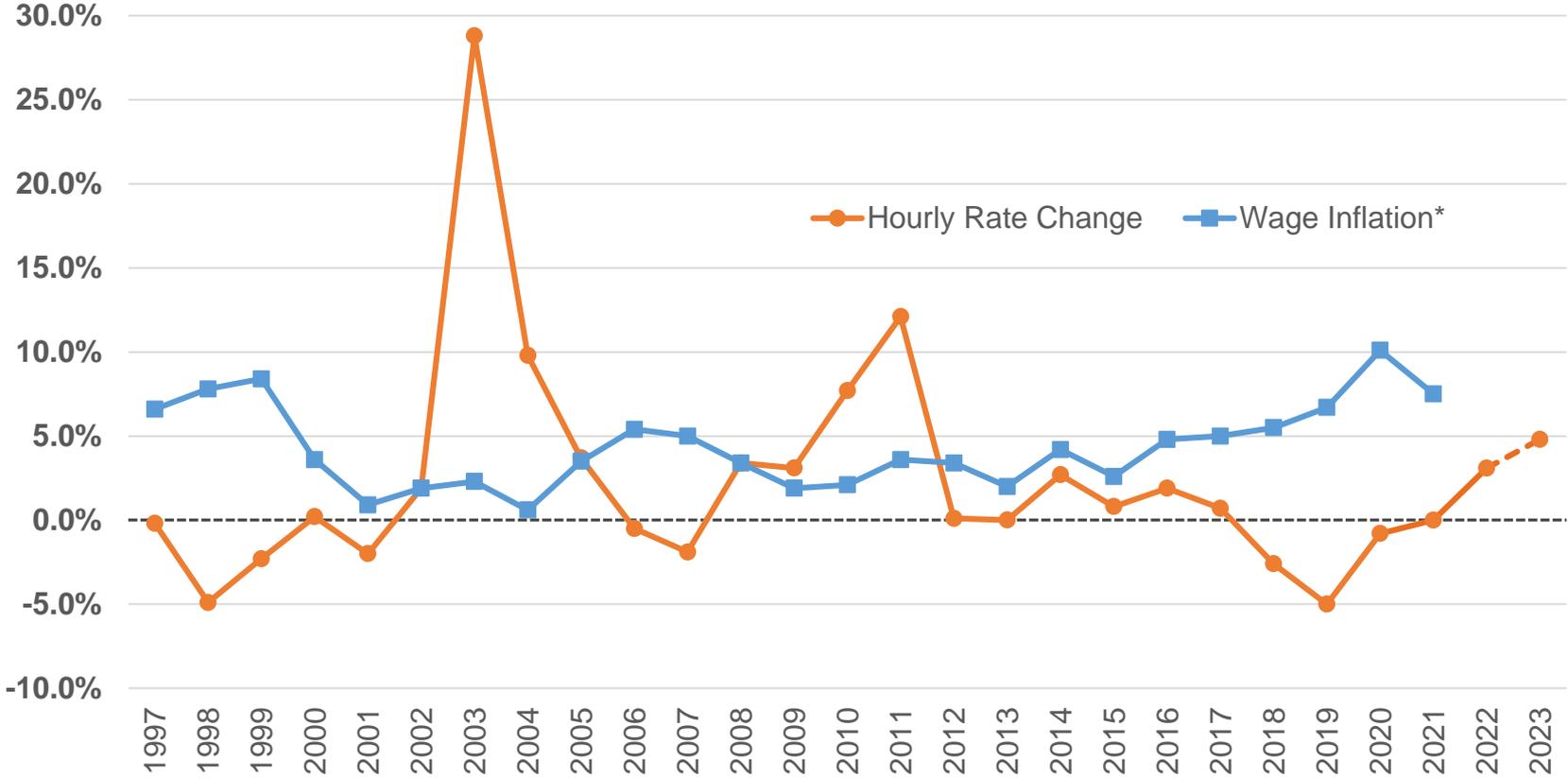


# Rate per \$100 of Payroll

*Combined Accident, Medical Aid, Supplemental Pension, and Stay-at-Work rates, before retrospective premium refunds*



# Hourly Rate Change vs. Wage Inflation



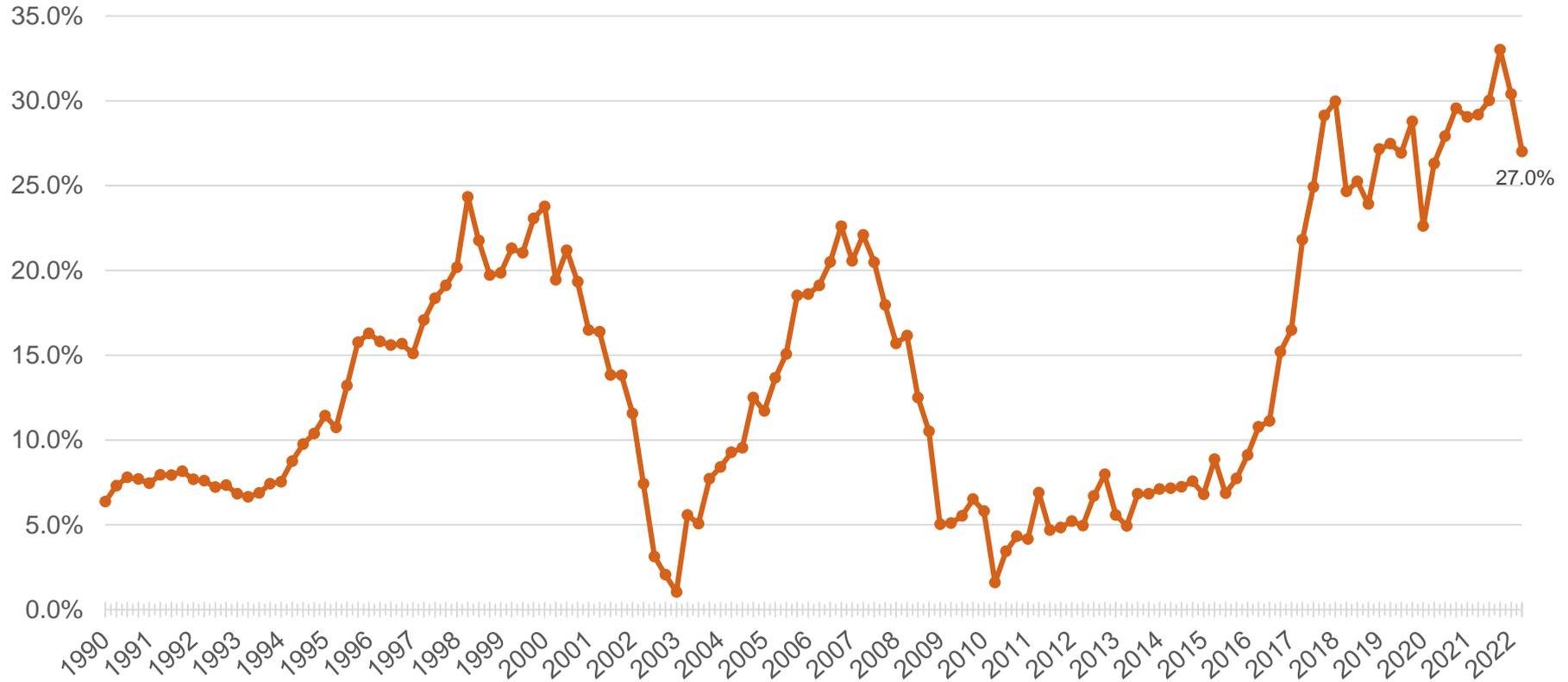
\* Indicates wage inflation rate known when rates were set

# Benefits of a healthy contingency reserve

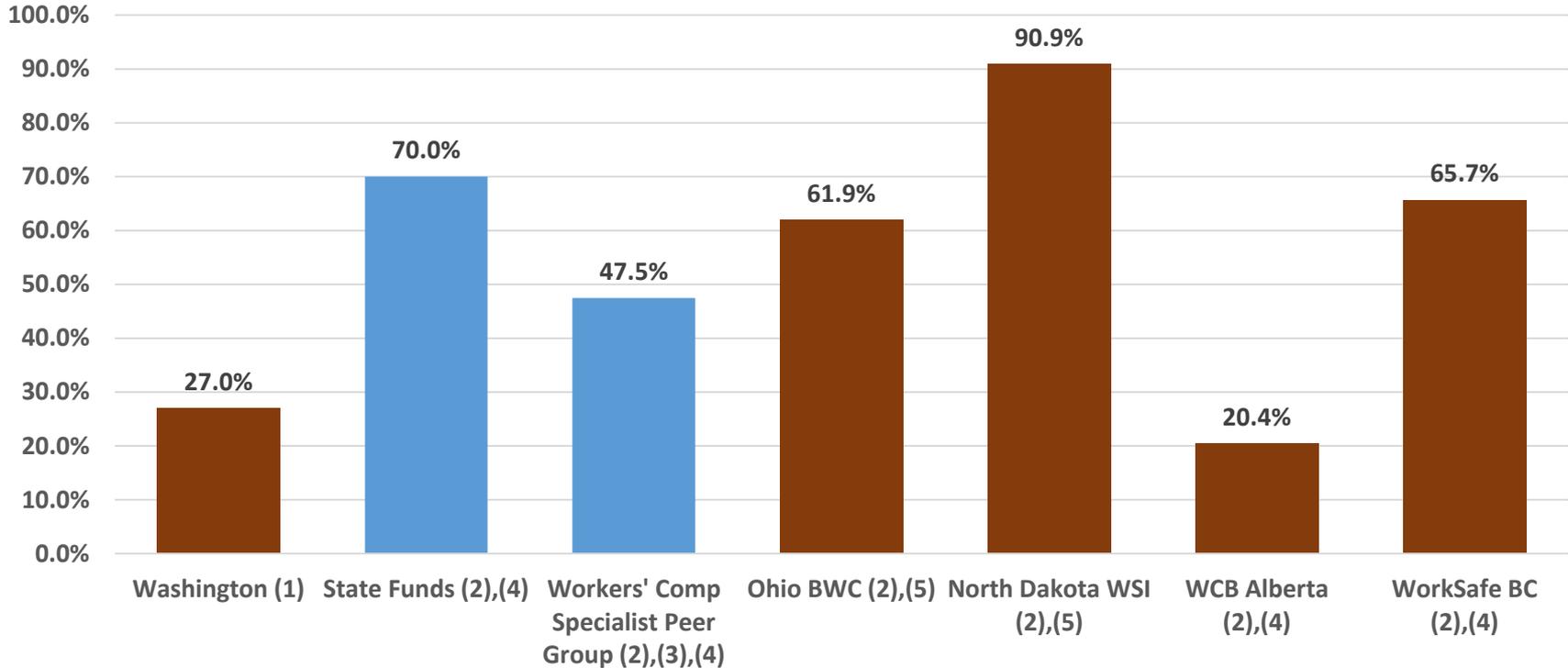
- Stable premium rates:
  - Able to absorb short-term volatility in insurance operations and investment results that would otherwise lead to rate adjustments.
- Acceptable risk of a deficit:
  - Easier to absorb unexpected events such as economic downturns, court decisions, and law changes.
- Increased investment income:
  - Offset premiums.
  - Larger investment portfolio.
  - Increases capacity for investment risk.

# Contingency Reserve as a Percent of Liabilities is at 27.0%

*As of 6/30/2022*



# Washington's CR is Below Most Other Funds as a Percent of Liabilities



(1) Preliminary as of 6/30/2022

(2) Source: Conning Peer Analysis, August 17, 2022

(3) Worker's Comp Specialist Peer Group—workers' compensation specialist insurers including some state funds

(4) As of 12/31/2021

(5) As of 6/30/2021

# Lower costs while focusing on better outcomes for workers

- Work disability prevention has contributed to high return to work rates through the pandemic. The principles of work disability prevention are those non-medical issues such as:
  - Reduce delays
  - Reduce complexities in the process
  - Reduce duration
  - Establish clear return to work goals

# Next steps in adopting rates

1. Public hearing via Zoom (10/26/2022)
2. Adopt final 2023 rates (11/30/2022)
3. Begin mailing rates to employers (12/7/2022)
4. New rates are effective (1/1/2023)

**Questions?**

# 2023 Rates: Supplemental Slides

# Proposed 2023 SPF rate

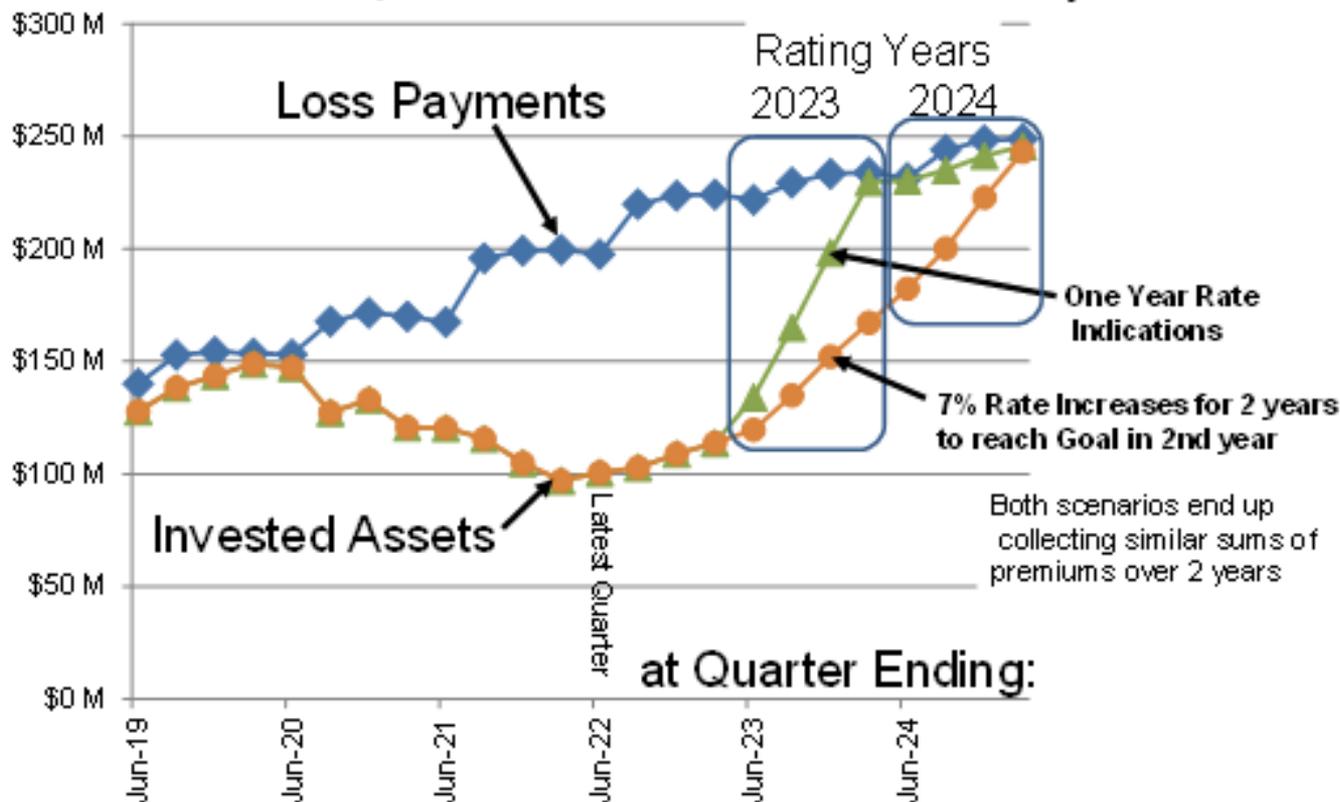
- 7% rate increase (13.9% indication).
- Per-FTE increase of \$21 for the year:
  - Split evenly between workers and employers.
  - Applies to both Self-Insurance and State Fund.

# SPF strategy

- Last year adopted strategy of two 14% increases for 2022 & 2023 to build assets back to target level.
- Current proposal splits the second 14% increase between 2023 and 2024.
- SPF rate-making goals:
  - Collect enough for benefit payments made during the year
  - Maintain fund balance of 3 months of benefit payments

# Quarterly SPF Invested Assets vs Loss Payments Chart

# Quarterly Goal: Invested Assets = Loss Payments



# L&I's five step rate-making process for 2023

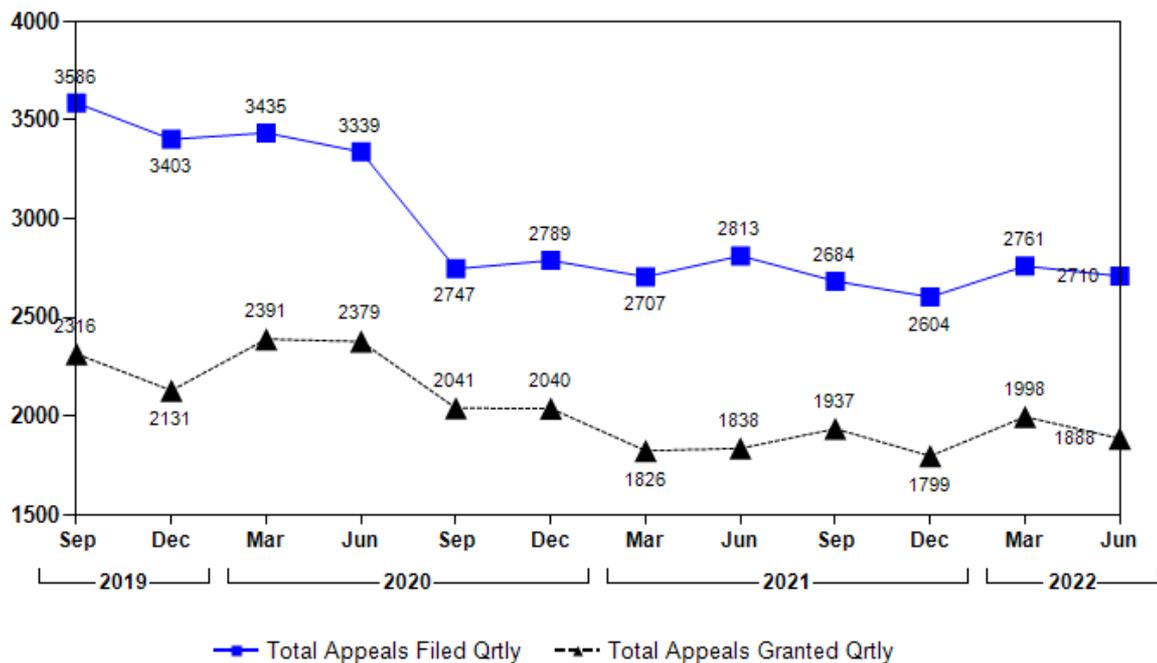
1. Actuaries estimate State Fund benefit costs by accident year at end of FY 2022.
2. Indicated 2023 rate changes in order to break-even by fund.
3. Director determines overall rate level changes by fund, in line with rate setting philosophy.
4. Actuarially adjust 2023 rates by risk classification.
5. Calculate experience modified 2023 rates per risk classification for individual employers and their workers.

# Board of Industrial Insurance Appeals (BIIA) Update

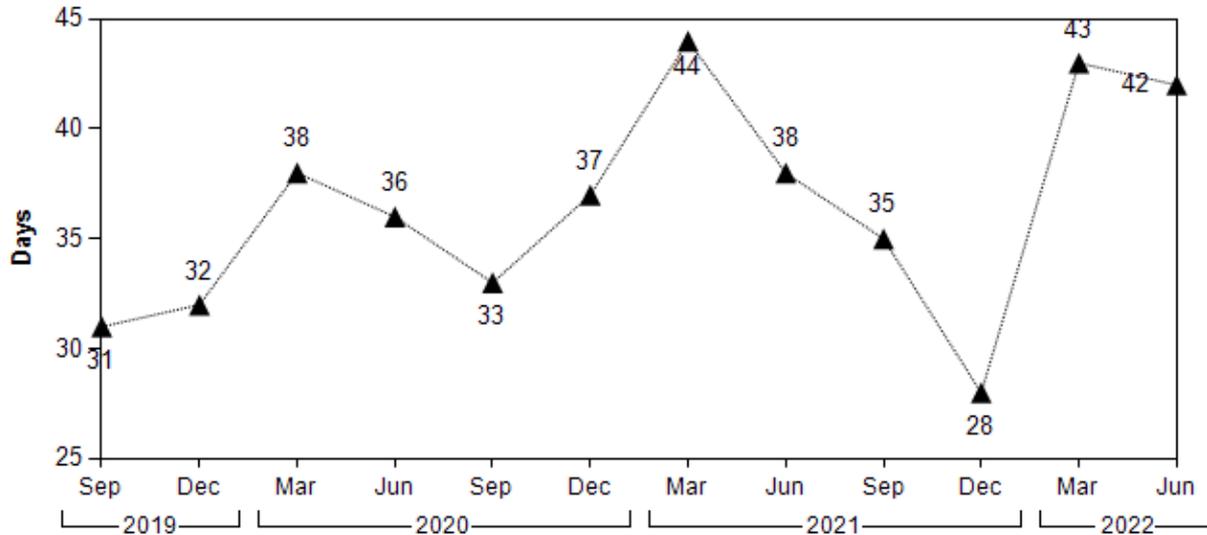
*Holly Kessler, Chair*



# Total Appeals Filed and Granted

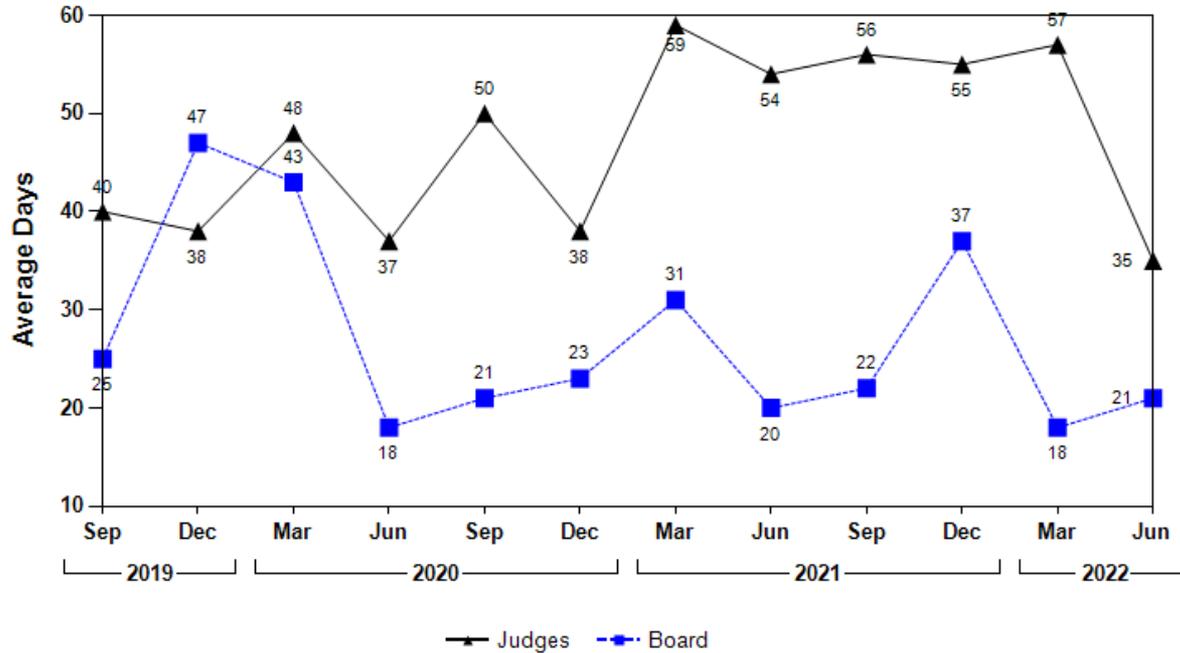


# Average PD&O\* Time-lag by Quarter for Hearing Judges



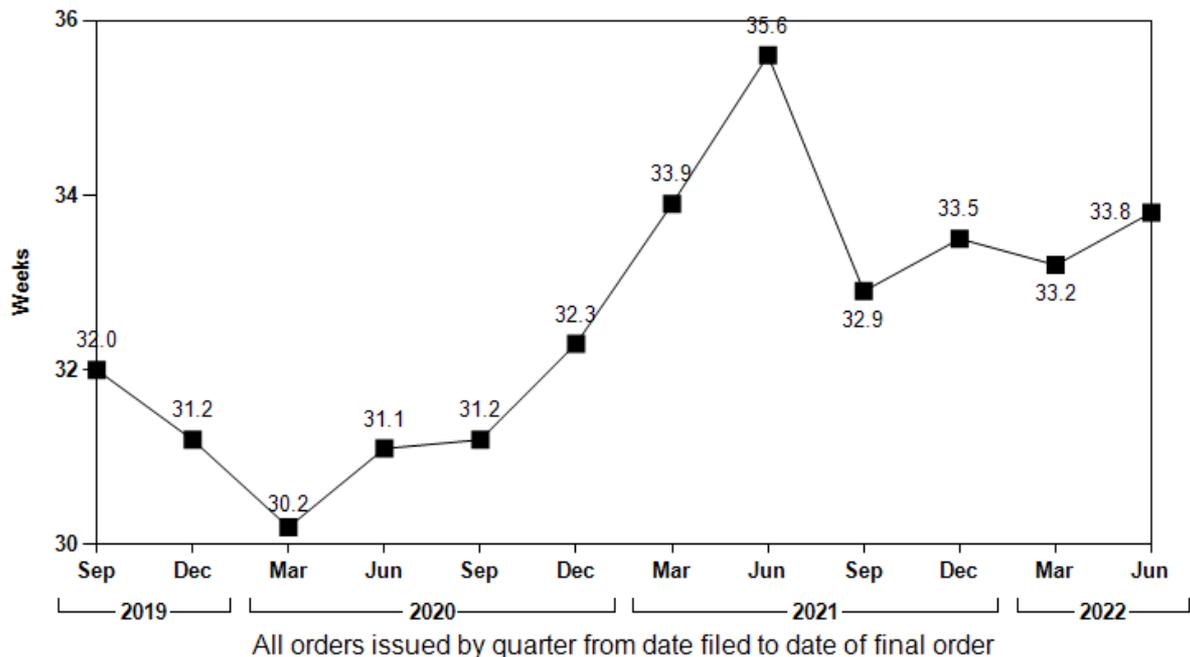
\*Proposed Decision and Order

# D & O\* Time-Lag by Quarter

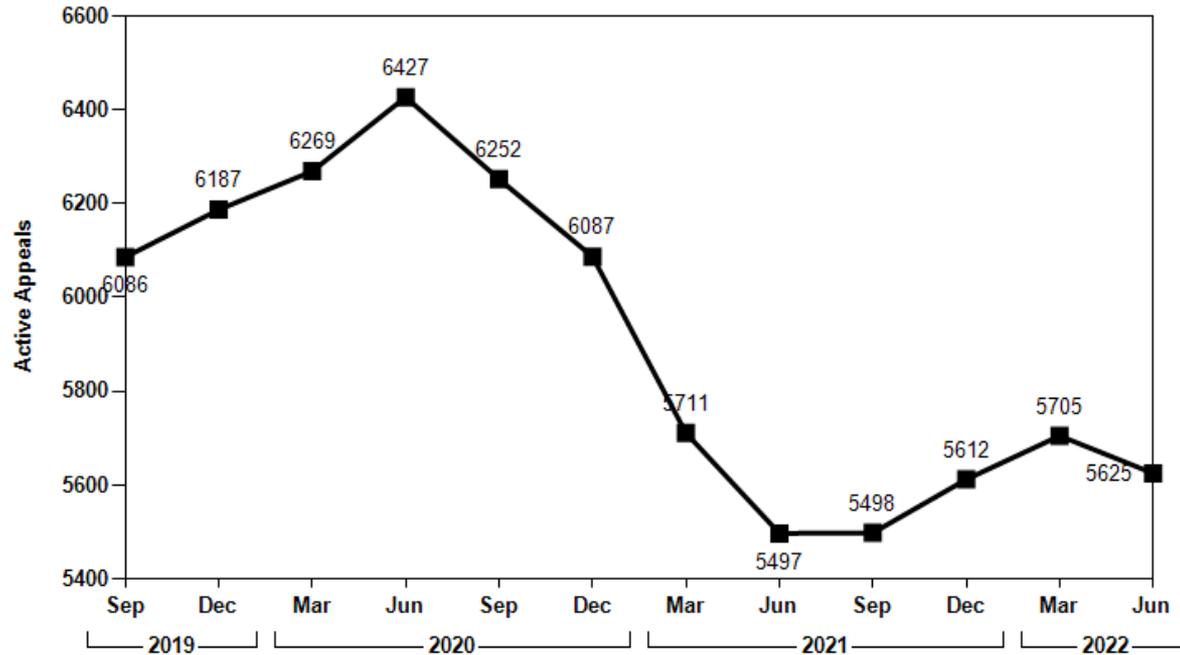


\*Decision and Order

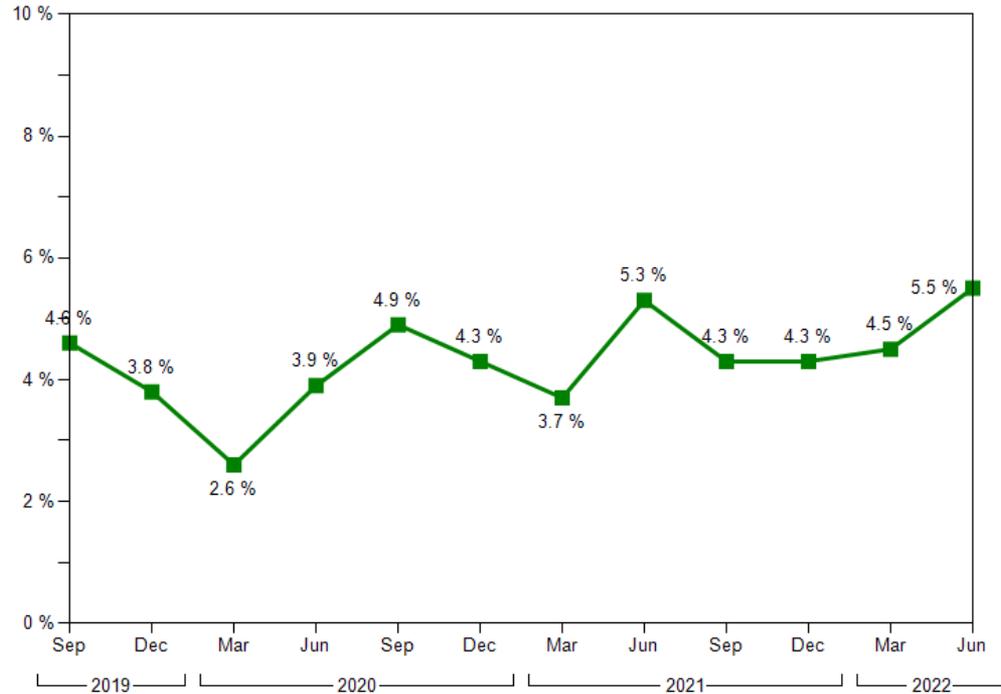
# Quarterly Average Weeks to Completion



# Caseload at End of Quarter



# Percentage of Final Orders Appealed to Superior Court - Quarterly



# Operational Health Dashboard

*Mike Ratko*

*Assistant Director for Insurance Services*

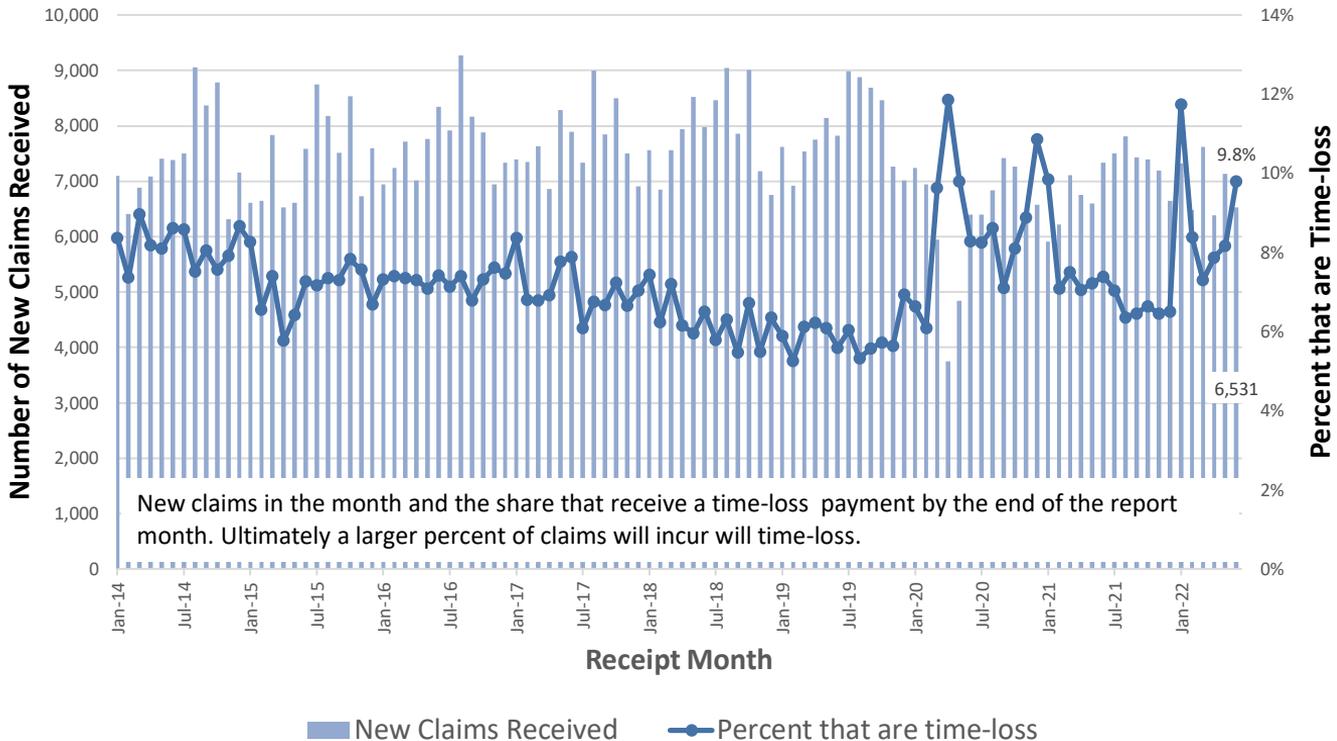


# Operational Health Dashboard

Measure	Trend	Status	Definition
Percent of new claims that are time-loss	up	▲	Claims new (received) in the month and percent with a time-loss payment by the end of the month – increase in percent that are time-loss indicates a more severe claim mix.
Long-term disability rate	down	●	Percent of all compensable claims with a time-loss payment 12 months post injury – decrease indicates less long-term disability
Pensions funded	down	●	Number of pensions funded in the quarter – decrease indicates less permanent total disability
Medical cost growth rate	down	●	The annualized (year over year) change in the central moving average of service quarter costs, adjusted for claim volume by age - decline indicates less growth in costs.
Covered hours and claim rate	steady	●	Claims received per 100 FTE indicates the rate of claims considering volume of work - increase indicates higher claim frequency.
Operational efficiency	steady	●	Percent of operational measures meeting target greater than 80 percent– increase indicates more measures exceeding target.

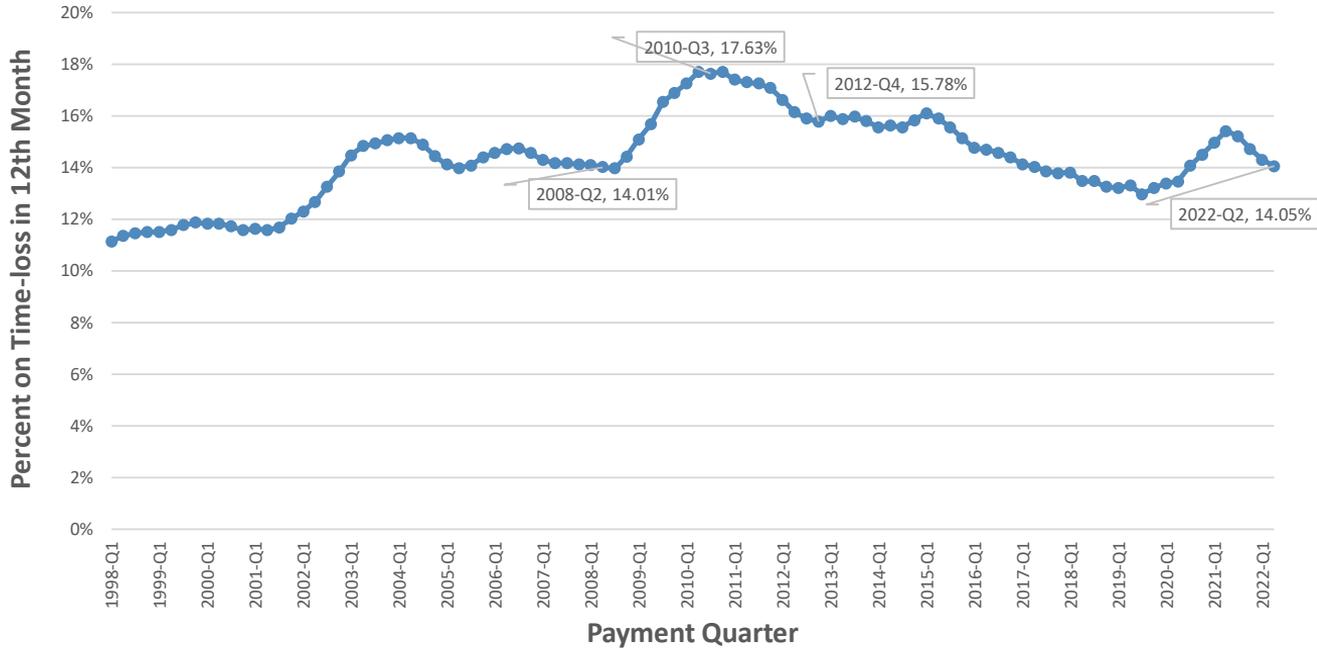
● Right direction — Neutral ▲ Wrong direction

# Number of New State Fund Claims and the Percent that are Time-loss

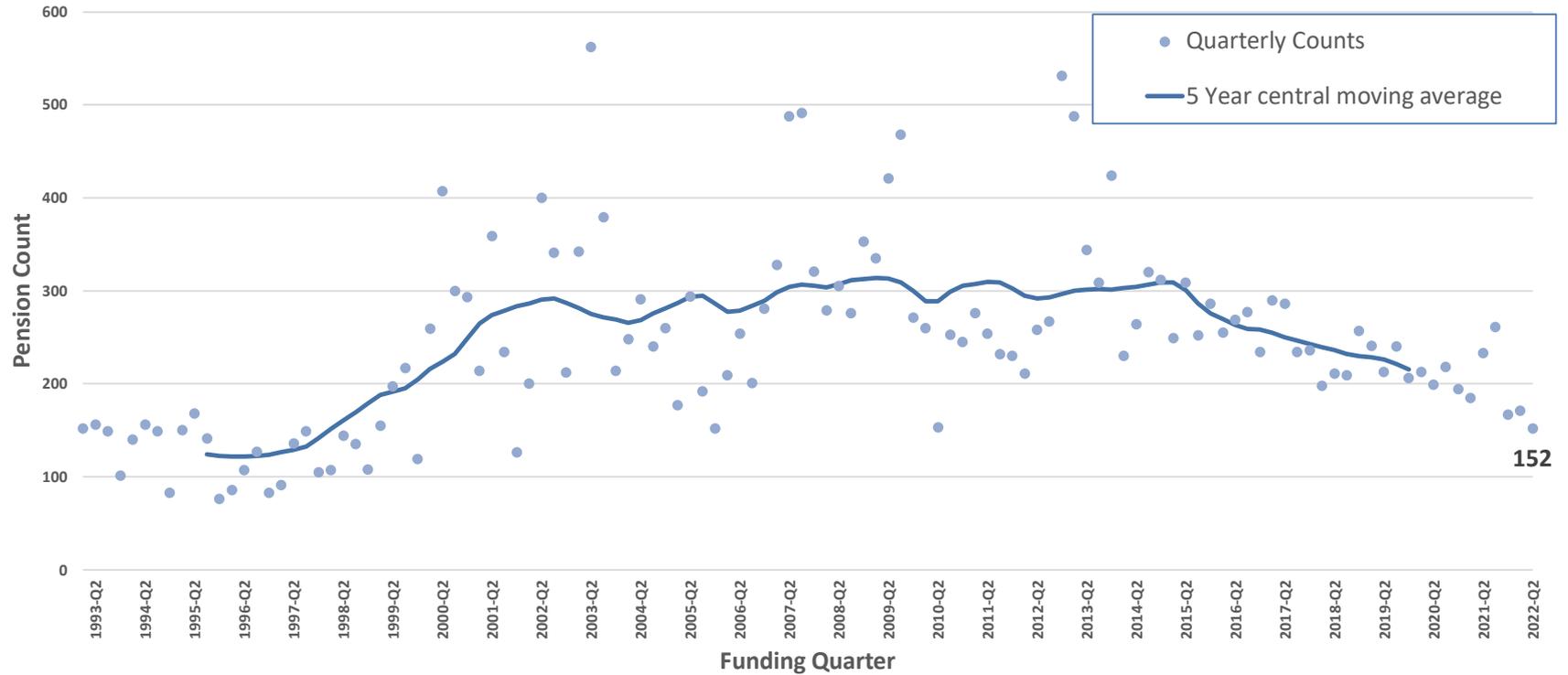


# Long Term Disability Claims

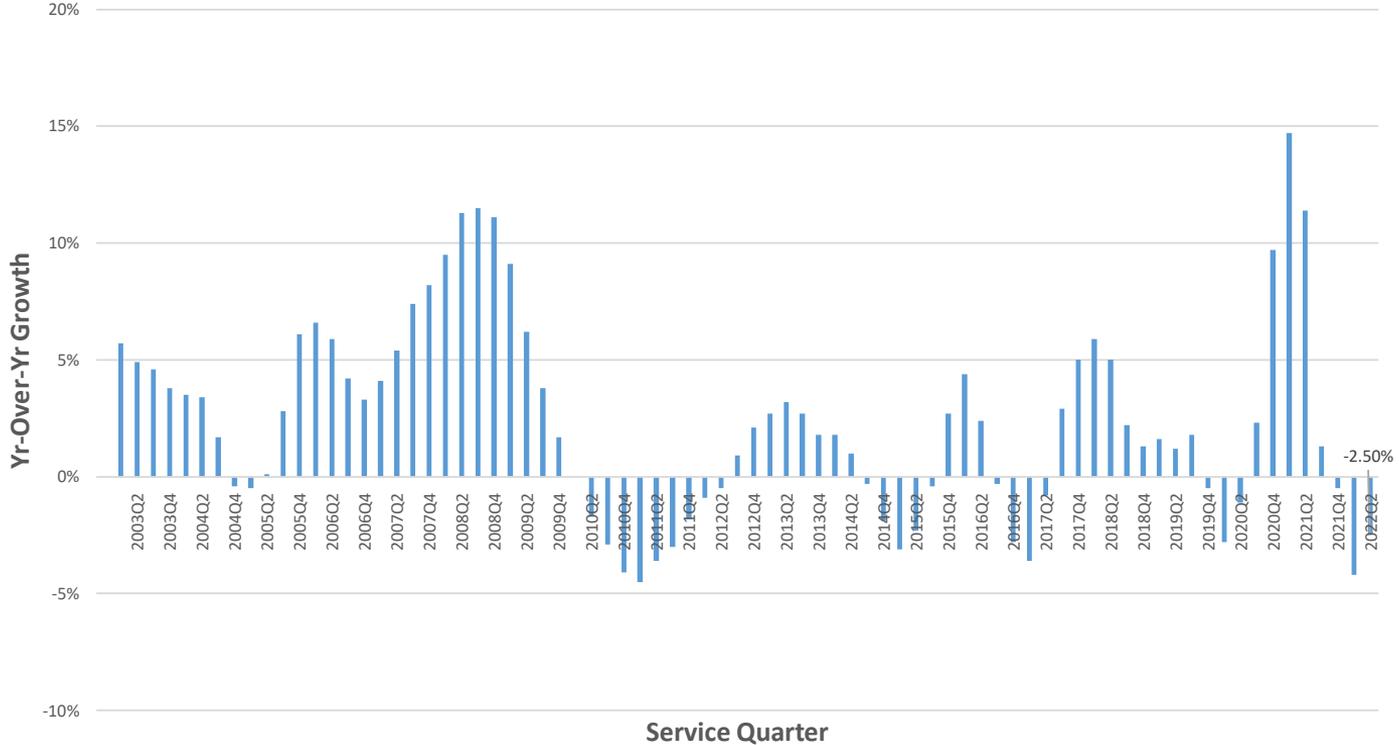
The percent of injured workers with compensable claims that have time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*



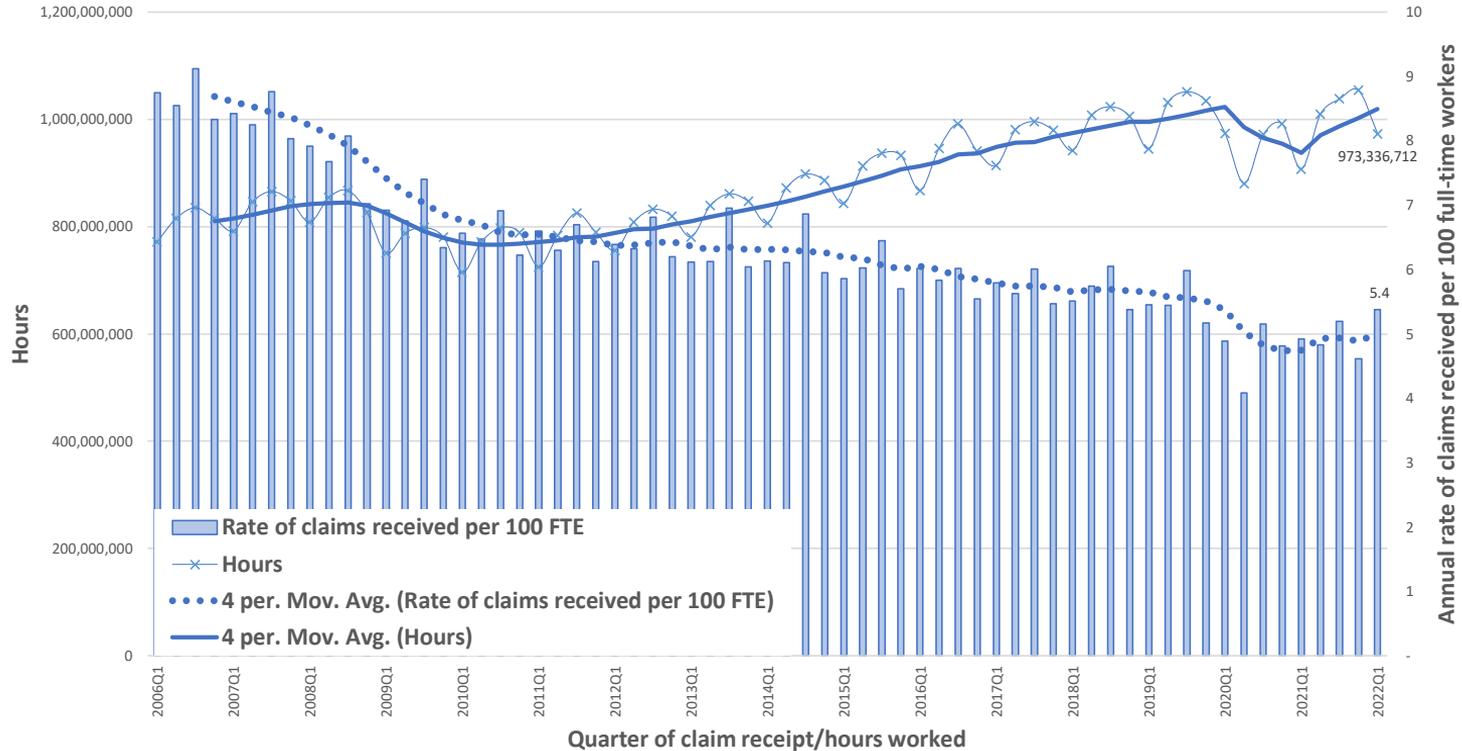
# State Fund Total Permanent Disability Pensions Funded per Quarter



# Medical Cost Growth Estimate for State Fund Claims

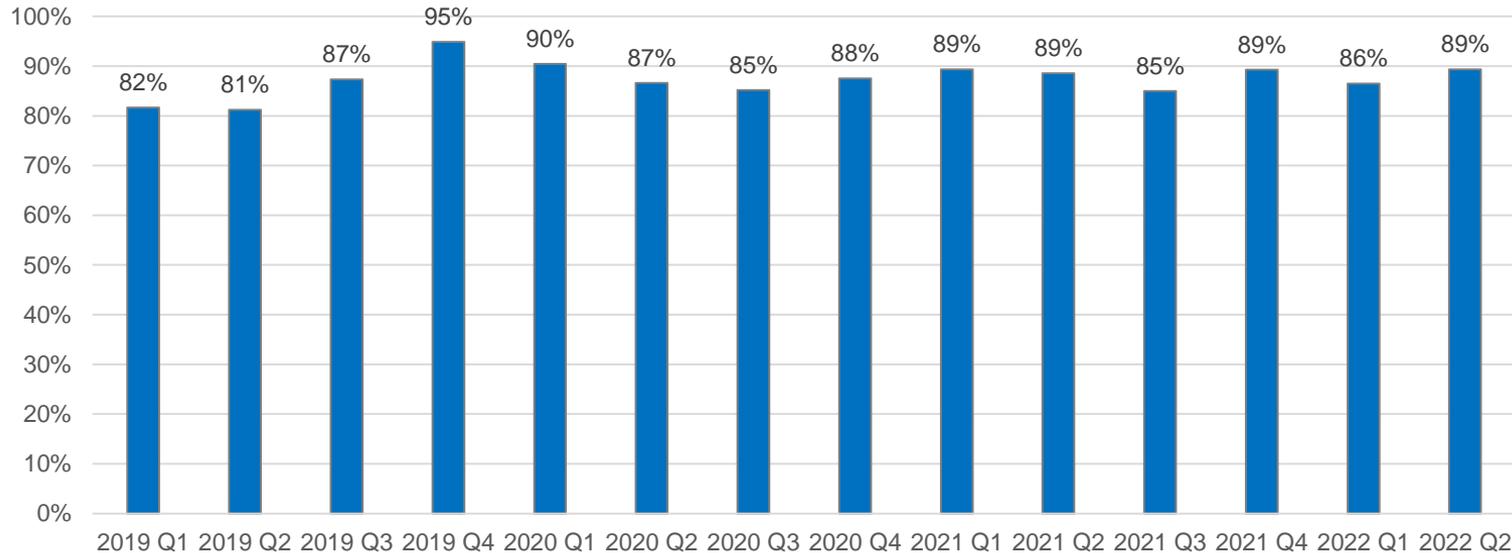


# Covered Hours and the Rate of Claims Received



# Percent of Workers' Comp Operational Measures Meeting Target

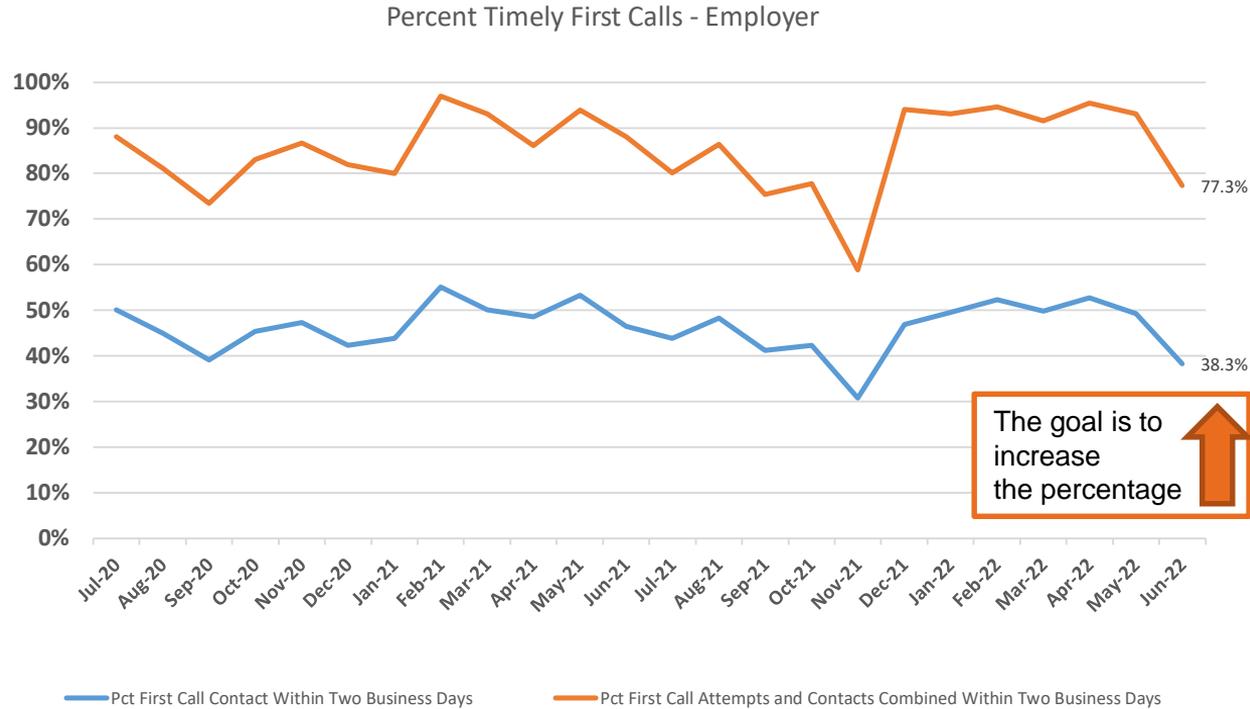
The percent of operational measures that meet operational targets are consistently above 80%.



Currently there are 38 active operational measures in Insurance Services

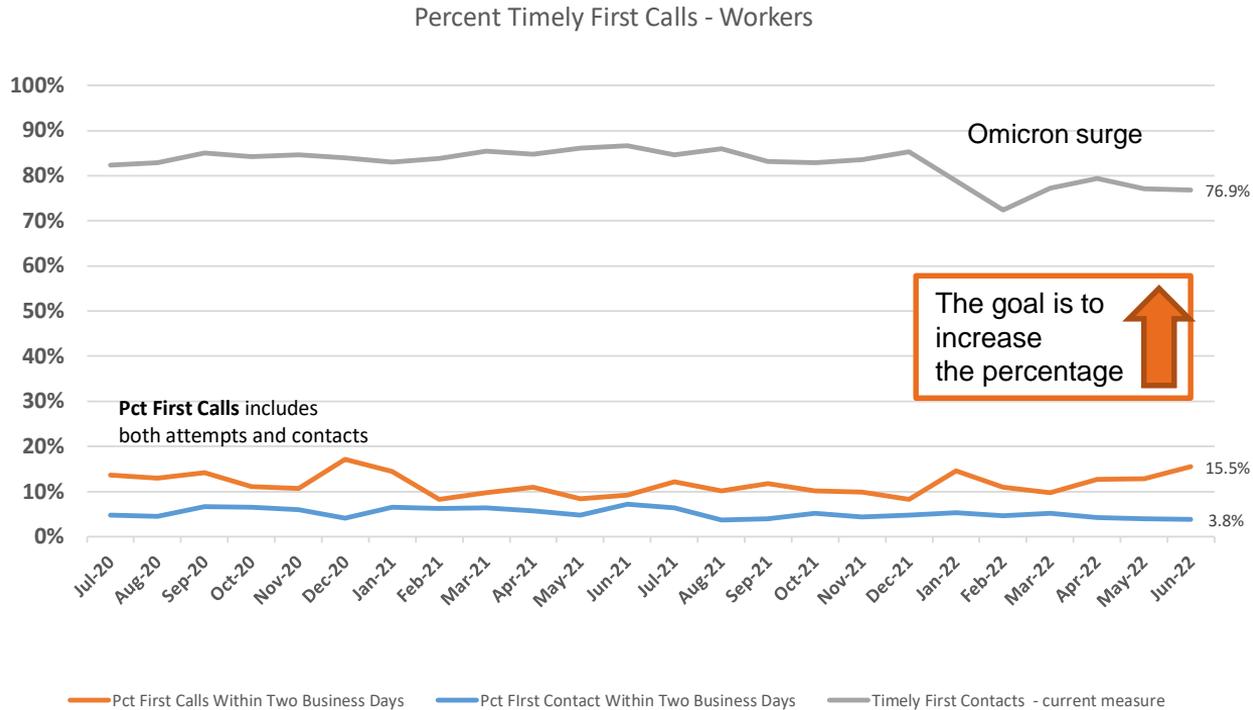
# Appendix

# JLARC recommended employer contact measure



Note: Clock starts when claim is established in the system.

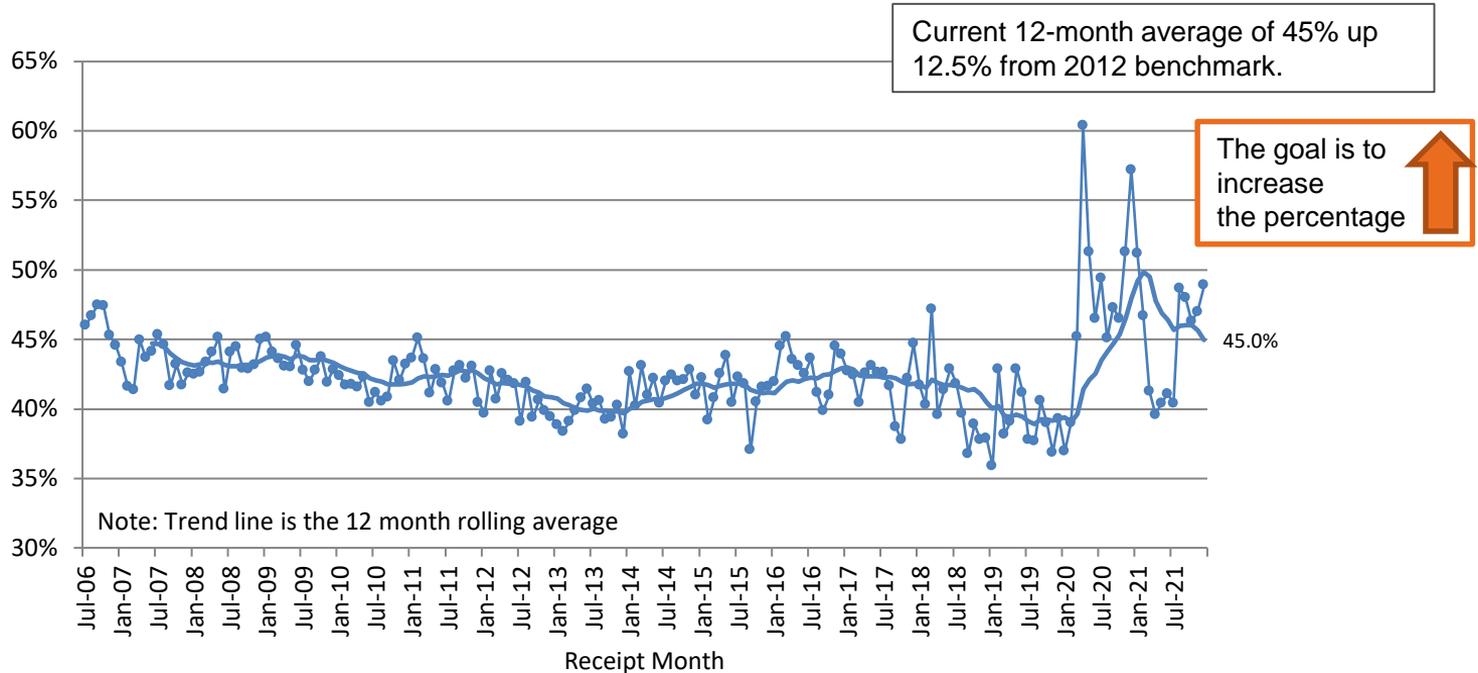
# JLARC recommended worker contact measures & L&I's current measure



Note: Clock starts when firm and class are assigned on the JLARC recommended measure and when time loss is first paid on the current operational measure.

# The share of time-loss claims resolved six months after claim receipt

Share of time-loss claims resolved six months after claim receipt



# Transitioned to COTS

## Workers newly on opioids transitioned to chronic opioid therapy

68

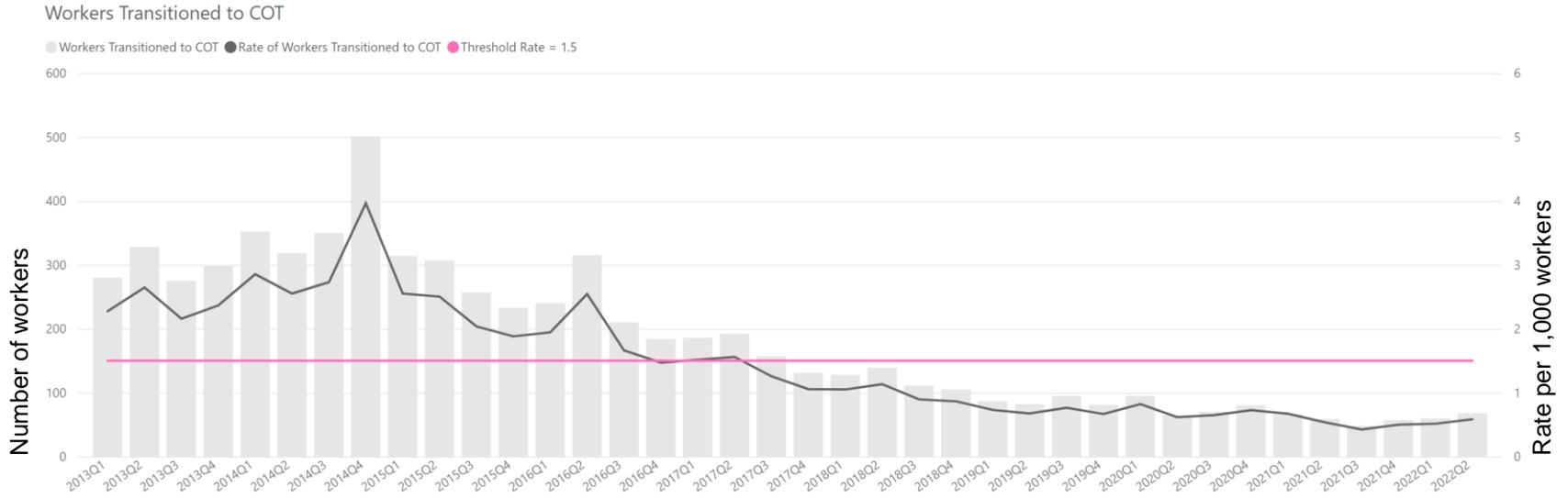
Workers Transitioned to COT

+13%

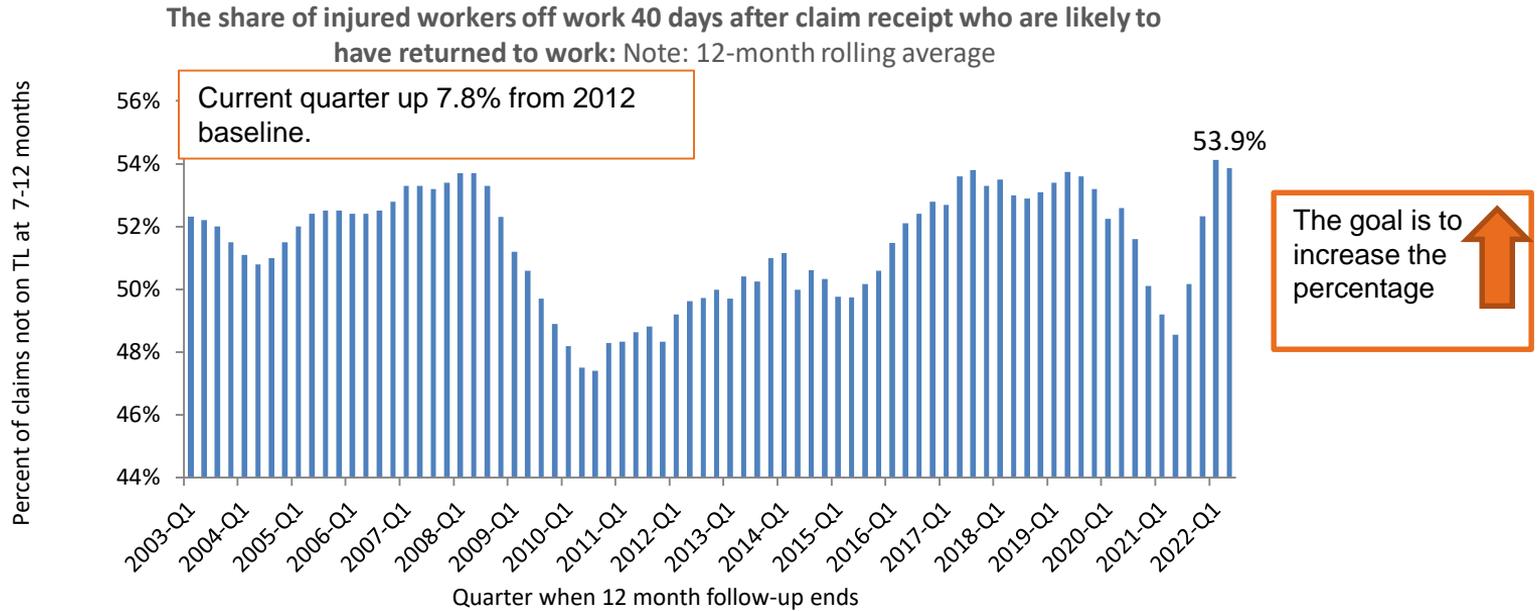
Change Since Previous Quarter

0.58

Rate per 1000 Injured Workers



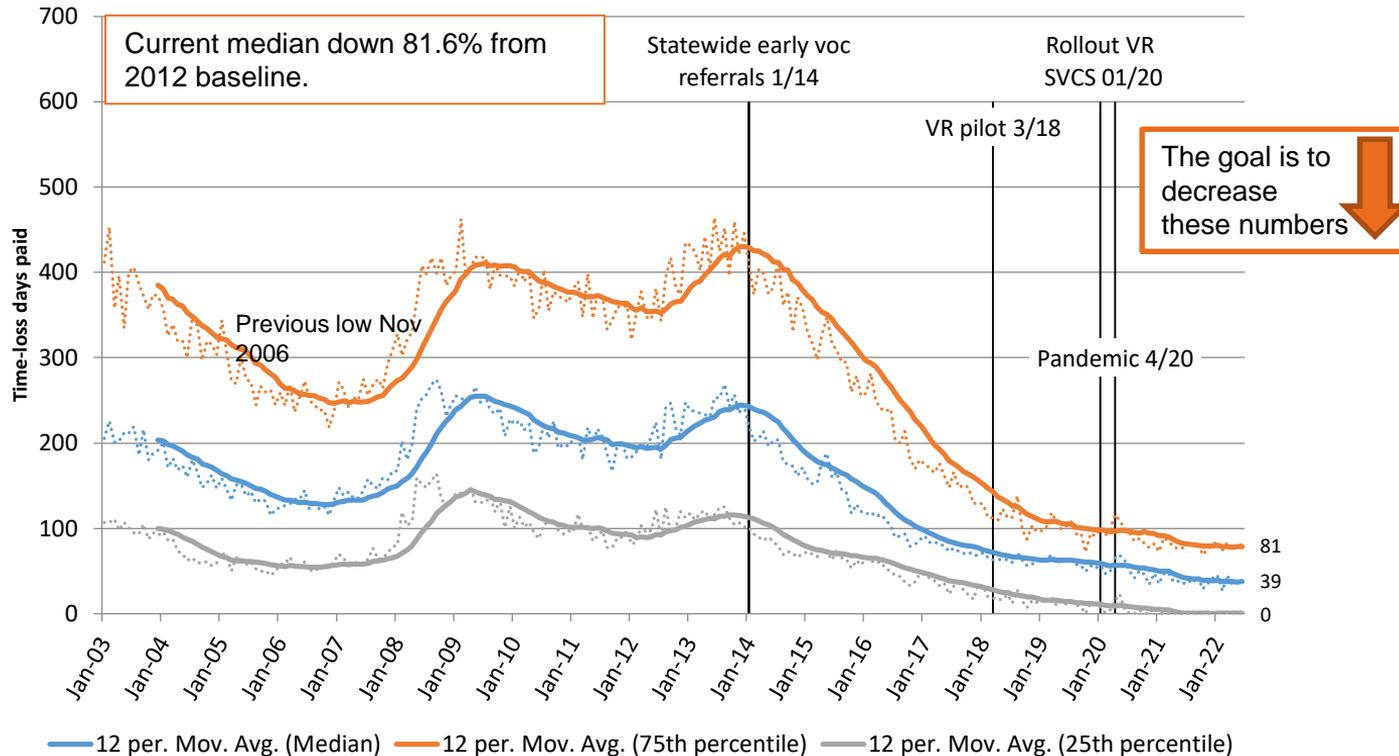
## High risk claims – Initiatives in the first year are improving RTW outcomes



High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,400 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

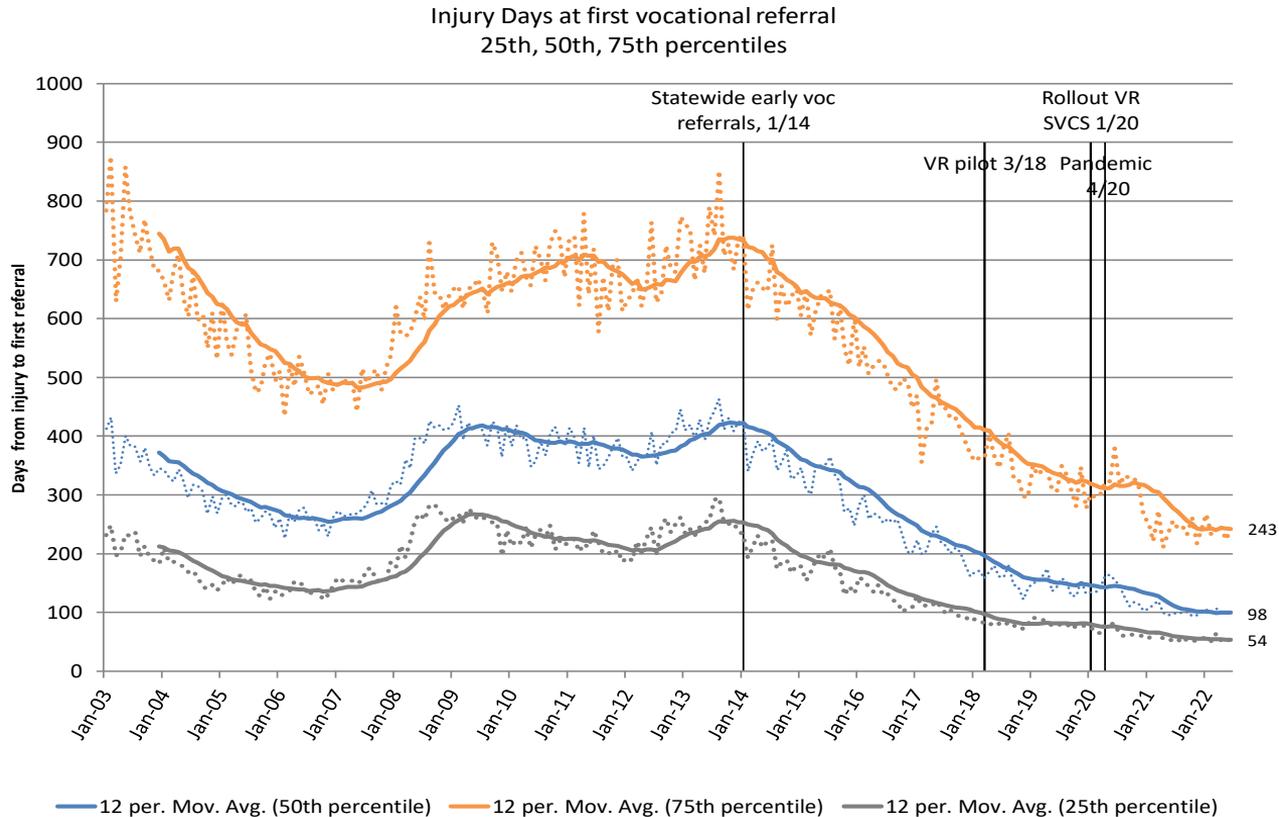
# Referrals are now targeted to address the onset of disability

Time-loss days paid at first vocational service referral



# Referrals are now targeted to address the onset of disability

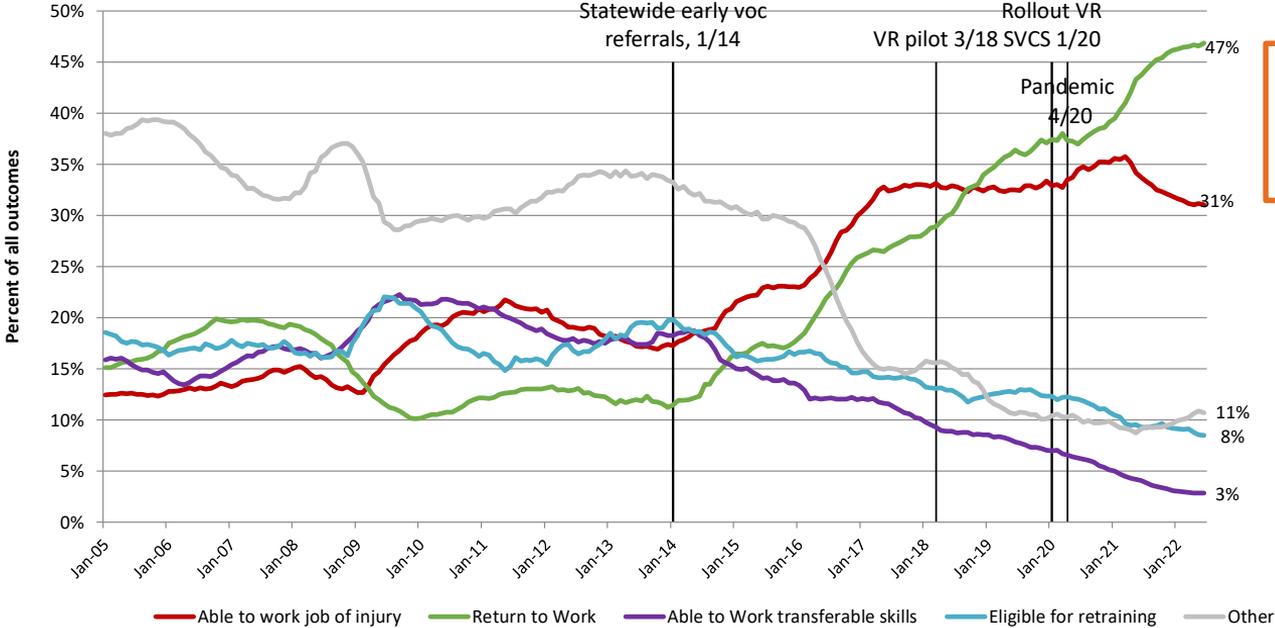
- days from date of injury



# New focus on return to work has increased positive employable outcomes for all first vocational service referrals

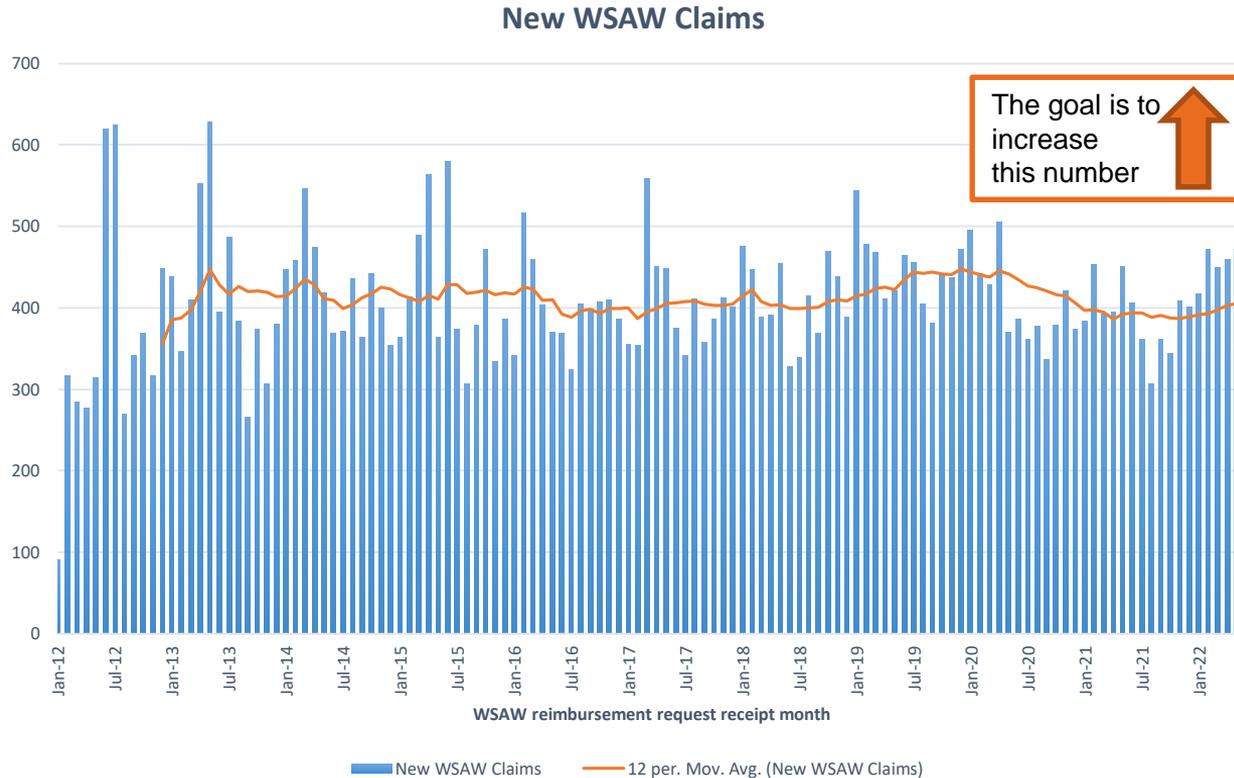
The share of RTW has increased 309% since the new process was implemented.

Outcome distribution, first vocational service referrals, select outcomes (12-month average)



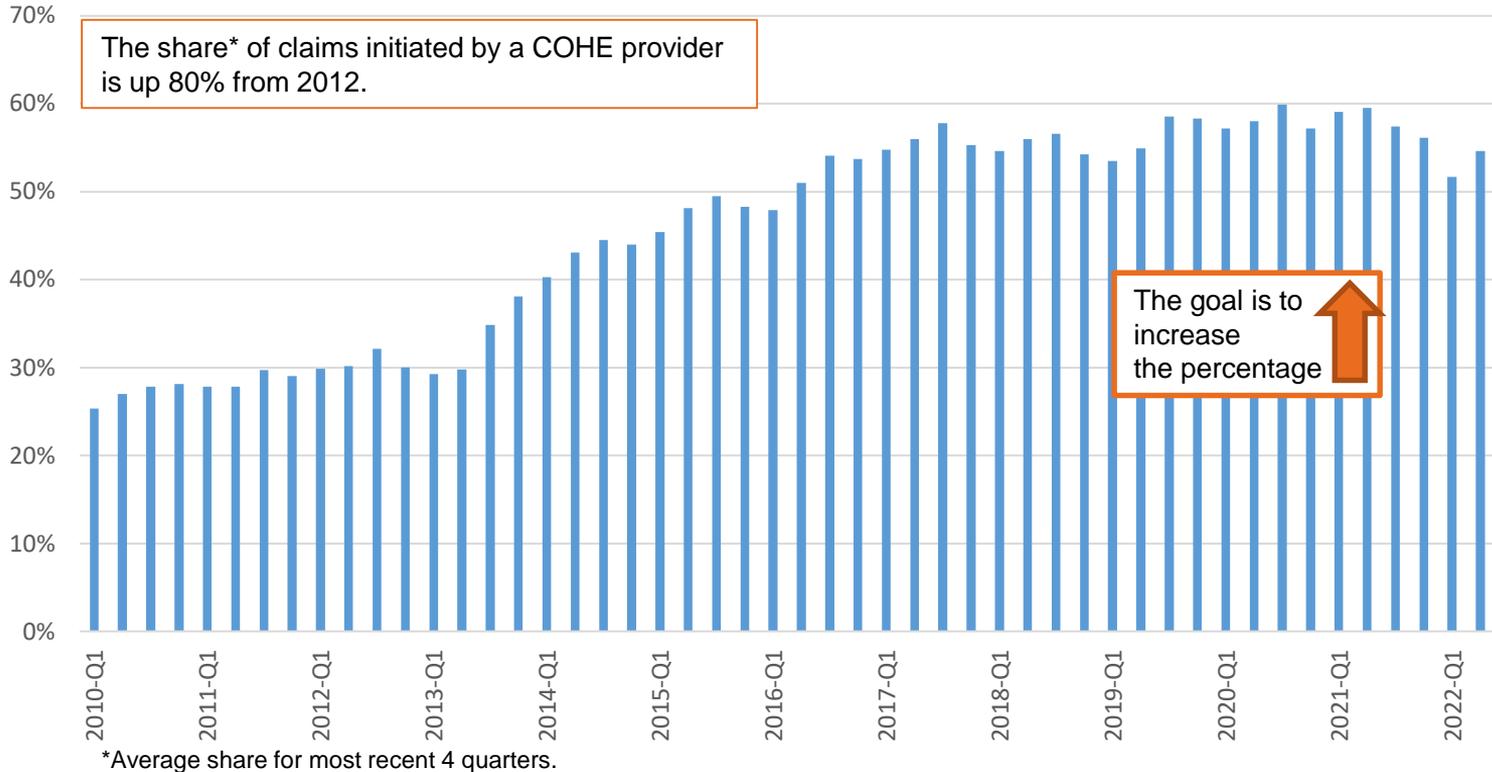
The goal is to increase the share of RTW outcomes

# Participation in light duty job assignments helps maintain the employer/injured worker relationship.



# Percentage of claims for injured workers initiated with a COHE provider

Percent of claims received initiated with a COHE provider



## Industrial Insurance (State) Fund Financial Overview

**Preliminary** Statutory Financial Information  
Fiscal Year 2022  
July 2021 – June 2022

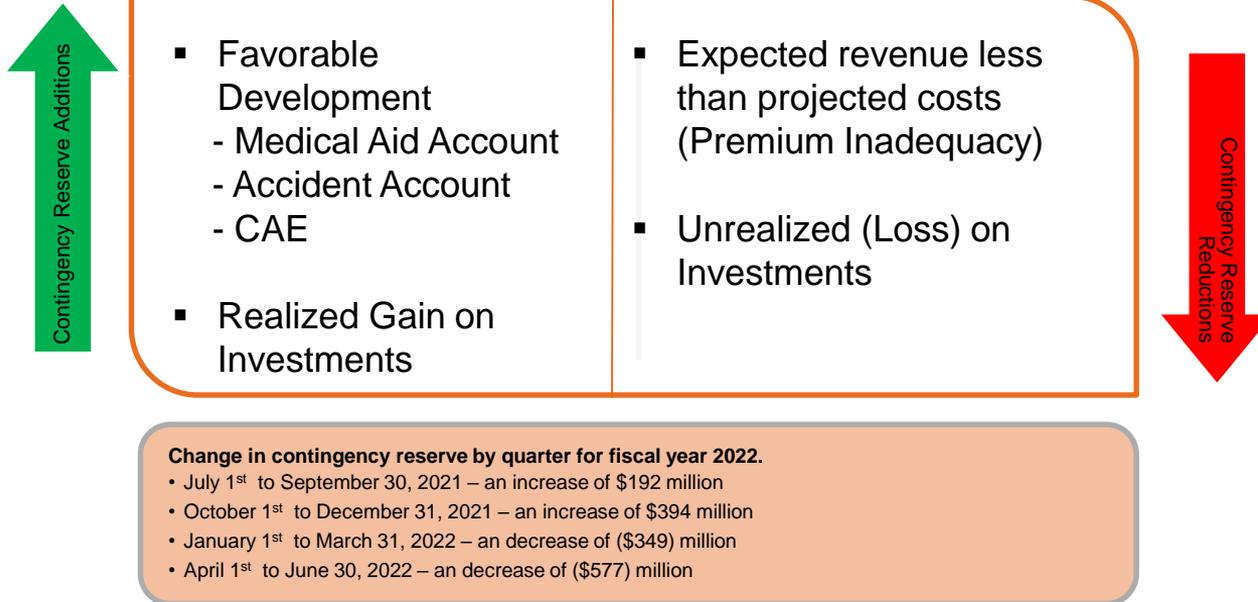
*Rachel Swanner, Workers Compensation Accounting Manager*



# Significant Financial Highlights

July 2021 through June 2022

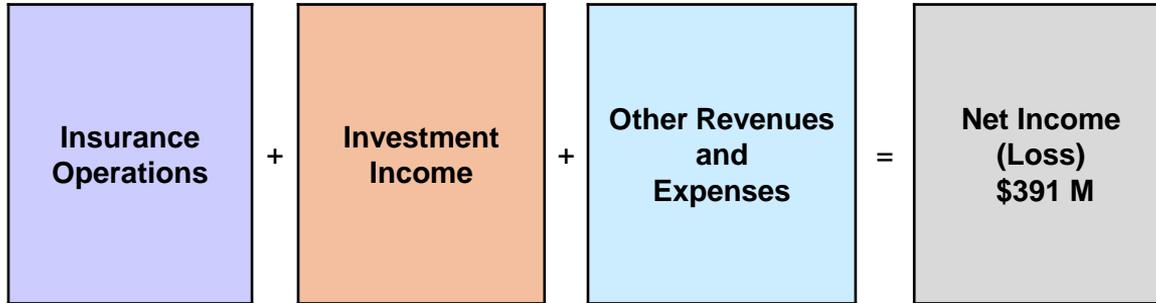
The contingency reserve decreased **\$340 million**, from \$4,675 million on July 1, 2021 to \$4,335 million on June 30, 2022.



# State Fund Results

“Net Income”

July 2021 through June 2022



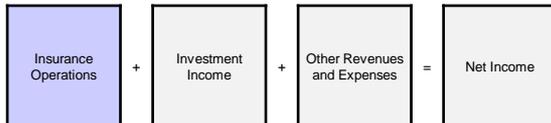
# Insurance Operations

July through June 2022  
(in millions)

## Twelve Months Ended

		June 30, 2022	June 30, 2021
We took in (Premiums Earned)	+	\$ 1,851	\$ 1,615
We spent (Expenses Incurred)			
Benefits Incurred		1,760	2,337
Claim Administrative Expenses		204	261
Other Insurance Expenses		93	98
Total Expenses Incurred	-	2,057	2,696
Net Income (Loss) from Insurance Operations	=	\$ (206)	\$ (1,081)

Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.



# Premiums Earned

July through June 2022  
(in millions)

	Twelve Months Ended		Difference
	June 30, 2022	June 30, 2021	
Standard Premiums Collected	\$2,012	\$1,926	
Less Retrospective Rating Adjustments	(238)	(214)	
Less Ceded Reinsurance Premiums	(15)	(13)	
Net Premiums Collected	1,759	1,699	
Changes in future Premium Amounts To Be Collected	71	(35)	
Changes in future Retrospective Rating Adjustment Refunds	21	(49)	
Net Premiums Earned	\$ 1,851	\$ 1,615	\$ 236

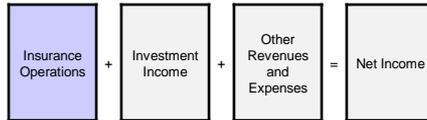


# Benefits Incurred

July through June 2022  
(in millions)

## Twelve Months Ended

	June 30, 2022	June 30, 2021	Difference
Benefits Paid	\$ 1,674	\$ 1,648	\$ 26
Change in Benefit Liabilities	87	305	(218)
Discount Rate Reduction from 4.5% to 4% for State Fund	0	384	(384)
<b>Total Benefits Incurred</b>	<b>\$ 1,761</b>	<b>\$ 2,337</b>	<b>\$ (576)</b>



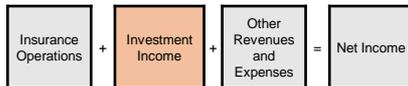
*The main reason for the \$576 million decrease in benefits incurred is because last year we reserved for the pension discount rate reduction from 4.5% to 4.0%.*

# Investment Income

July through June 2022  
(in millions)

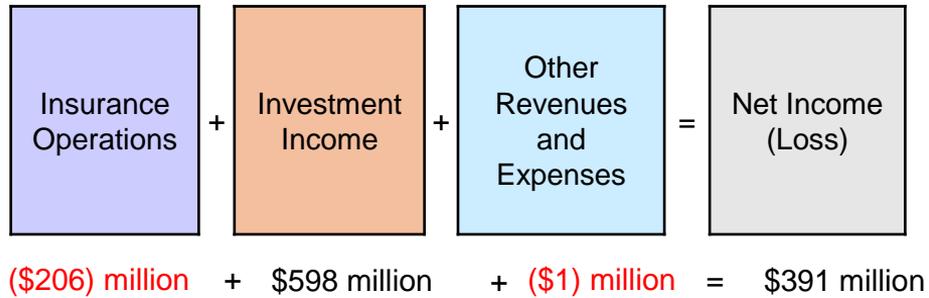
## Twelve Months Ended

		June 30, 2022	June 30, 2021
Investment Income Earned from Interest on bonds	+	\$456	\$ 463
Realized Gain/(Loss) from Fixed Income Investments Sold	+	76	106
Realized Gains from Stocks (Equity Investments) Sold	+	66	193
<b>Total Investment Income</b>	<b>=</b>	<b>\$ 598</b>	<b>\$ 762</b>



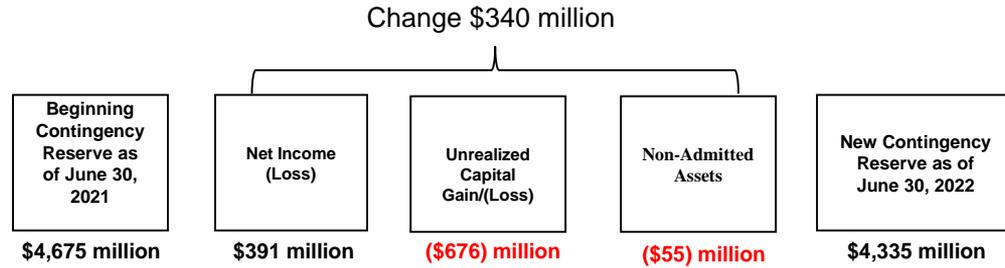
# Results of Operations

July 2021 through June 2022



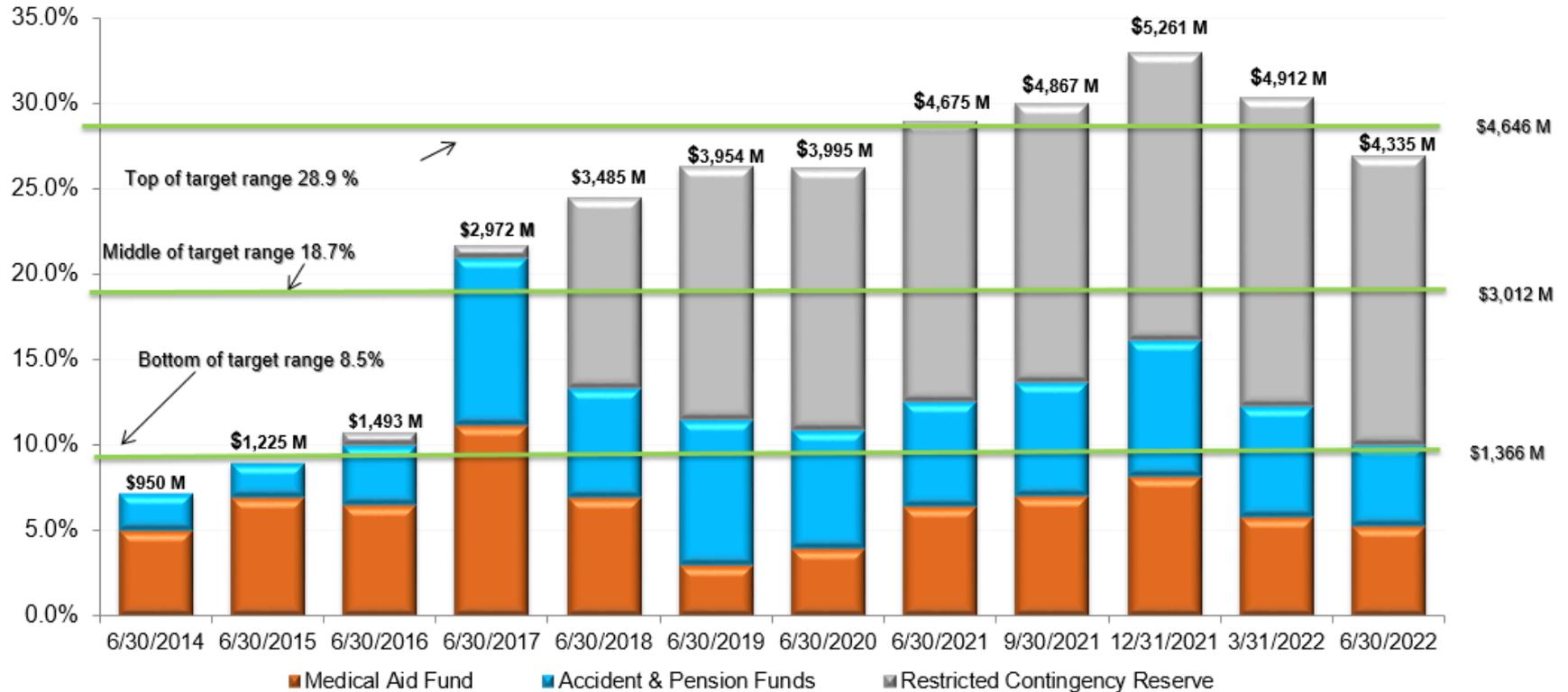
# How Did Contingency Reserve Perform?

July 2021 through June 2022



# Combined Contingency Reserve vs. Targets

## Combined Contingency Reserve is 27.0% of Total Liabilities

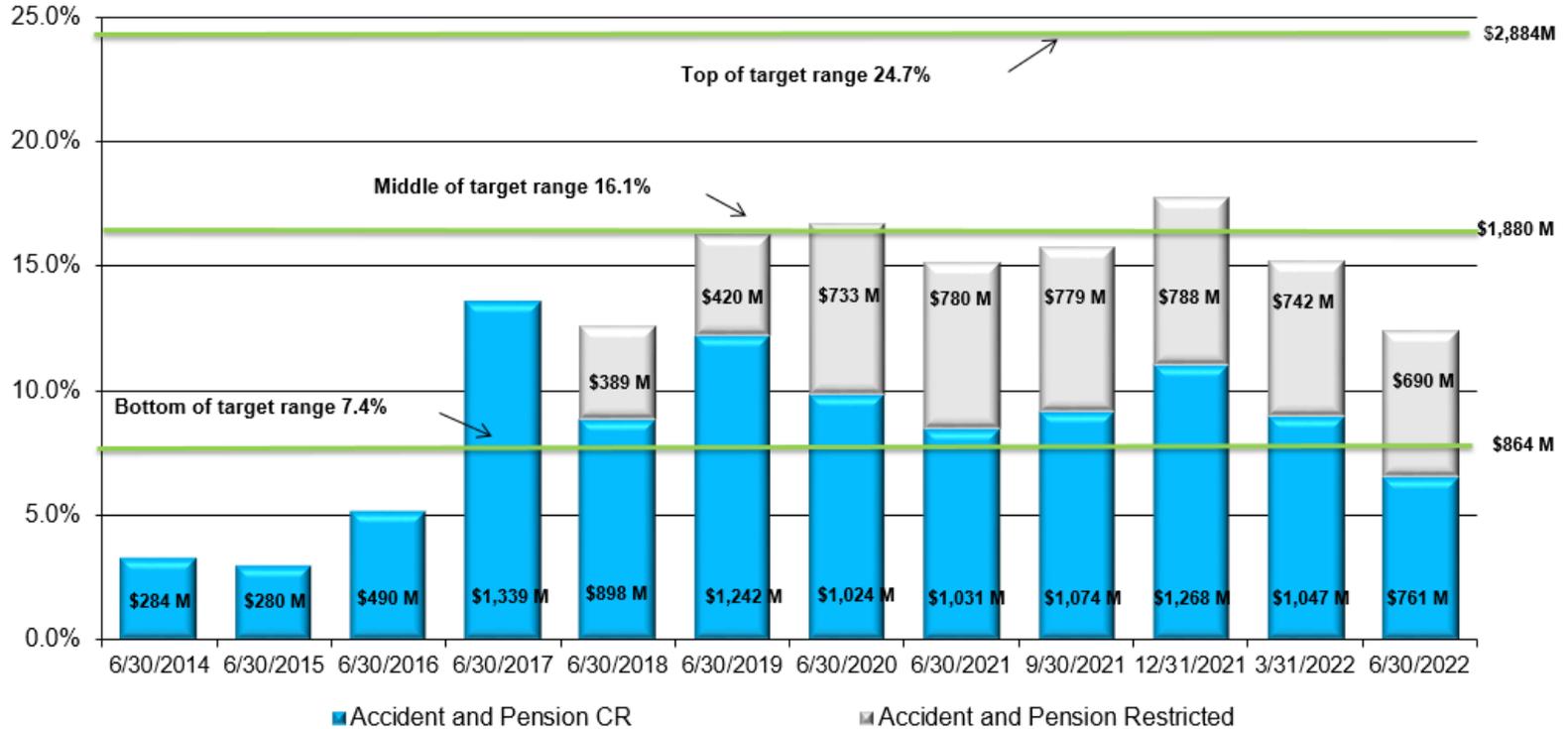


■ Medical Aid Fund   
 ■ Accident & Pension Funds   
 ■ Restricted Contingency Reserve

*Restricted is based on final June 30, 2022 financial information and the change in the value of investments through 6-30-22.*

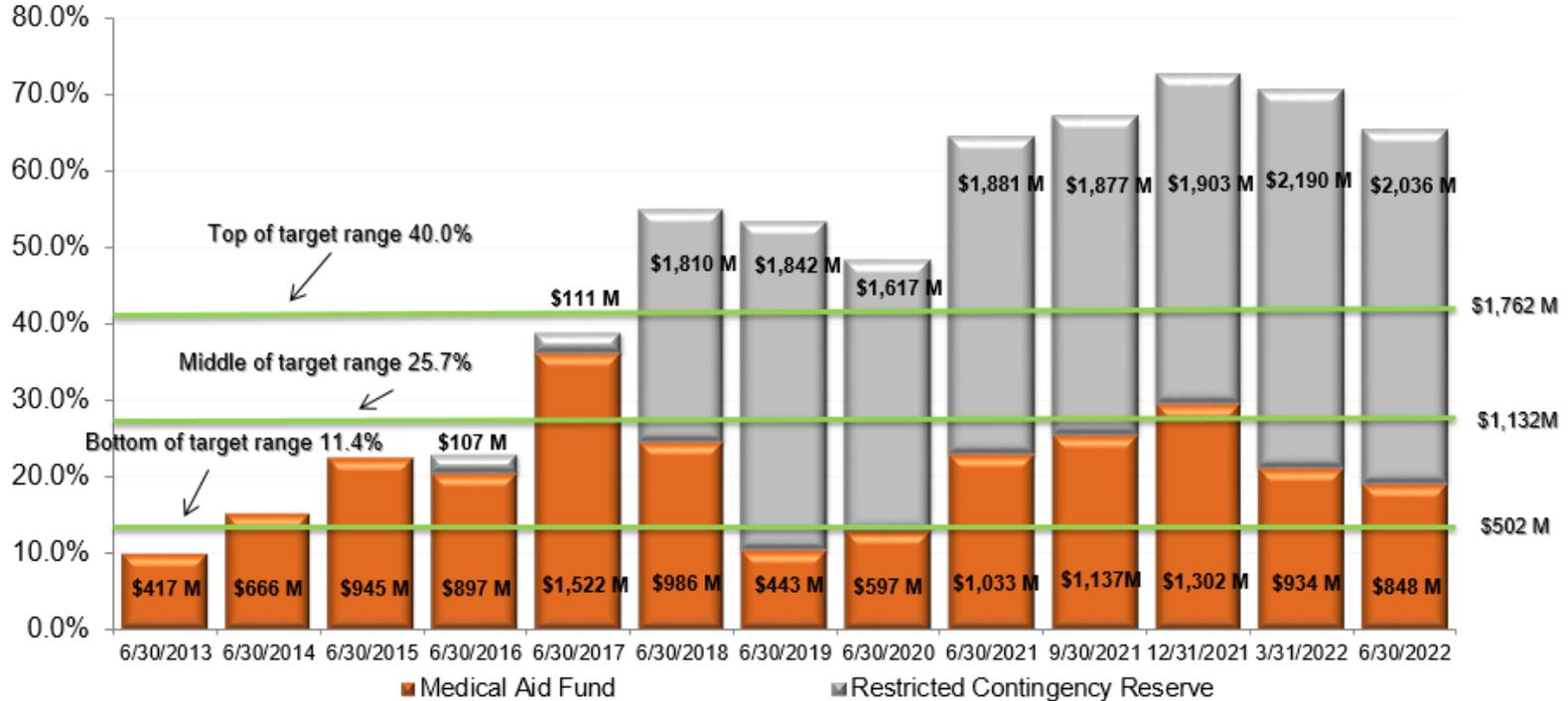
*The WCAC Target has historically been the midpoint between the bottom and middle target.*

## Accident, Pension & Restricted Contingency Reserve is 12.4% of Liabilities



The WCAC Target has historically been the midpoint between the bottom and middle target.

## Medical Aid & Restricted Contingency Reserve is 65.5% of Liabilities



*The WCAC Target has historically been the midpoint between the bottom and middle target.*

# Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended June 30, 2022		Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	104.3%		117.1%	90.5%
Prior Year Benefit (Loss Ratio)	(9.2)%		30.0%	35.4%
<b>Total Benefit (Loss Ratio)</b>	<b>95.1%</b>	<b>50.1%</b>	<b>147.1%</b>	<b>125.9%</b>
Current Year CAE Ratio	12.5%		14.4%	11.5%
Prior Year CAE Ratio	(1.5)%		1.8%	1.8%
<b>Total Claim Administration Expense (CAE) Ratio</b>	<b>11.0%</b>	<b>13.0%</b>	<b>16.2%</b>	<b>13.3%</b>
Sub-Total: Benefit and Claim Administration Expense Ratios	106.1%	63.1%	163.3%	139.3%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	5.0%	27.2%	6.1%	5.1%
<b>Combined Ratio (Industry omits dividends)</b>	<b>111.1%</b>	<b>90.3%</b>	<b>169.4%</b>	<b>144.4%</b>
Investment Income Ratio	24.7%	17.5%	28.9%	26.3%
<b>Operating Ratio</b>	<b>86.4%</b>	<b>72.8%</b>	<b>140.5%</b>	<b>118.1%</b>

*Note: a ratio of 100% would indicate that costs = premium for the period.*

## Questions & Comments

Contact Rachel Swanner,  
Workers Compensation Accounting Manager

- Phone: 360-902-6263
- Email: [Rachel.swanner@lni.wa.gov](mailto:Rachel.swanner@lni.wa.gov).

Thank You!

# Reconciliation of Change in Benefit Liabilities

(In \$1,000s)

July 1, 2021 Benefit Liability Beginning Balance	\$14,622,093
Prior Year Benefit Payments	(\$1,409,047)
Prior Year Development and Model Change (Unfavorable)	(\$525,738)
Self Insurance Prefunded Pension Transfers	\$15,758
Regular reserve discount reduction	\$339,614
Net Total Prior Year Benefit Liability as of June 30, 2022	<u>\$13,042,680</u>
New Current Year Benefit Liabilities	\$1,666,002
June 30, 2022 Benefit Liabilities Ending Balance	<u><u>\$14,708,682</u></u>
<b>Change Between Beginning and Ending Balance</b>	<b>\$86,589</b>

# Highlights of Changes in the Contingency Reserve

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22 Q4	Total
Actuarial Development <sup>1</sup>	\$149M	\$543M	\$147M	\$926M	\$941M	\$352M	\$(197)M	\$287M	\$526M	\$3,700M
Rate Changes	\$58M	\$59M	\$38M	\$27M	\$(14)M	\$(120)M	\$(110)M	\$(44)M	\$(29)M	\$(135)M
Greater (less) than expected changes in the stock market	\$279M	\$(29)M	\$(101)M	\$411M	\$199M	\$50M	\$340M	\$1,263M	\$(639)M	\$1,773M
Mortality table change	-	\$(146)M	-	-	-	-	-	-	-	\$(146)M
Adjustments to avoid double counting 2011 reform savings	\$(130)M	\$(83)M	-	-	-	-	-	-	-	\$(213)M
Discount rate reduction	\$(256)M <sup>2</sup>	\$(31)M	\$(31)M	\$(36)M	\$(646)M <sup>3</sup>	-	\$(90)M <sup>4</sup>	\$(384)M <sup>5</sup>	\$(6)M <sup>6</sup>	\$(1,479)M

1. Includes numerous, offsetting factors including model changes, operational influences, and the state of the economy.

2. Model change for 13-year plus claims \$102 M; Pension Discount change \$154 M.

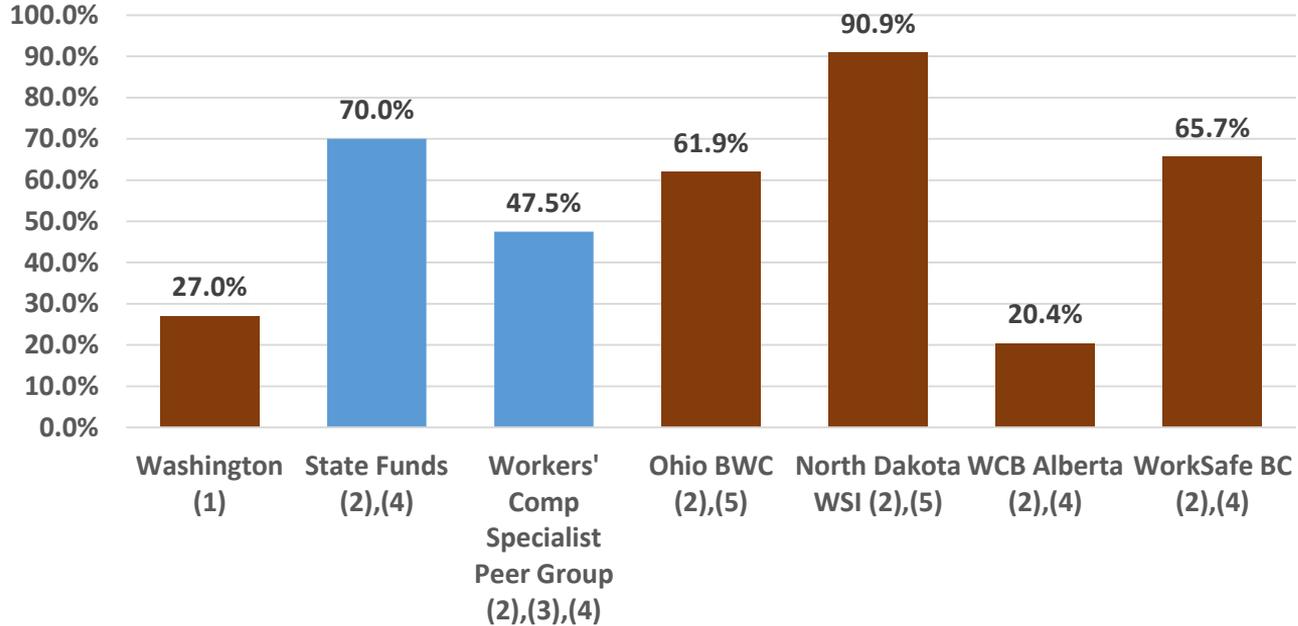
3. Pension Discount Rate reduction from 6.2% to 4.5%

4. Non-Pension Discount Rate reduction from 1.5% to 1.0%

5. Proposed Pension Discount Rate 4.5% to 4.0%

6. Self-insurance prefunded rate reduction from 5.8 to 5.7%

## Washington's CR is below most other funds as a percent of liabilities



(1) Preliminary as of 6/30/2022

(2) Source: Conning Peer Analysis, August 17, 2022

(3) Worker's Comp Specialist Peer Group—workers' compensation specialist insurers including some state funds

(4) As of 12/31/2021

(5) As of 6/30/2021

# Historic Results of Operations

July through June  
(in millions)

As of Quarter Ended June 30,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2022	(206)		598		(1)		391
2021	(1,081)		762		(33)		(352)
2020	(839)		769		(4)		(74)
2019	(193)		475		15		297
2018	(223)		1,573		33		1,383
2017	444		581		62		1,087
2016	(252)		636		58		442
2015	(354)		552		53		251
2014	(702)		783		54		135
2013	(797)		552		40		(204)
2012	(750)		1,030		84		364
2011	(416)		560		64		208

# Historical Investment Performance

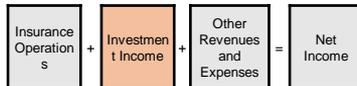
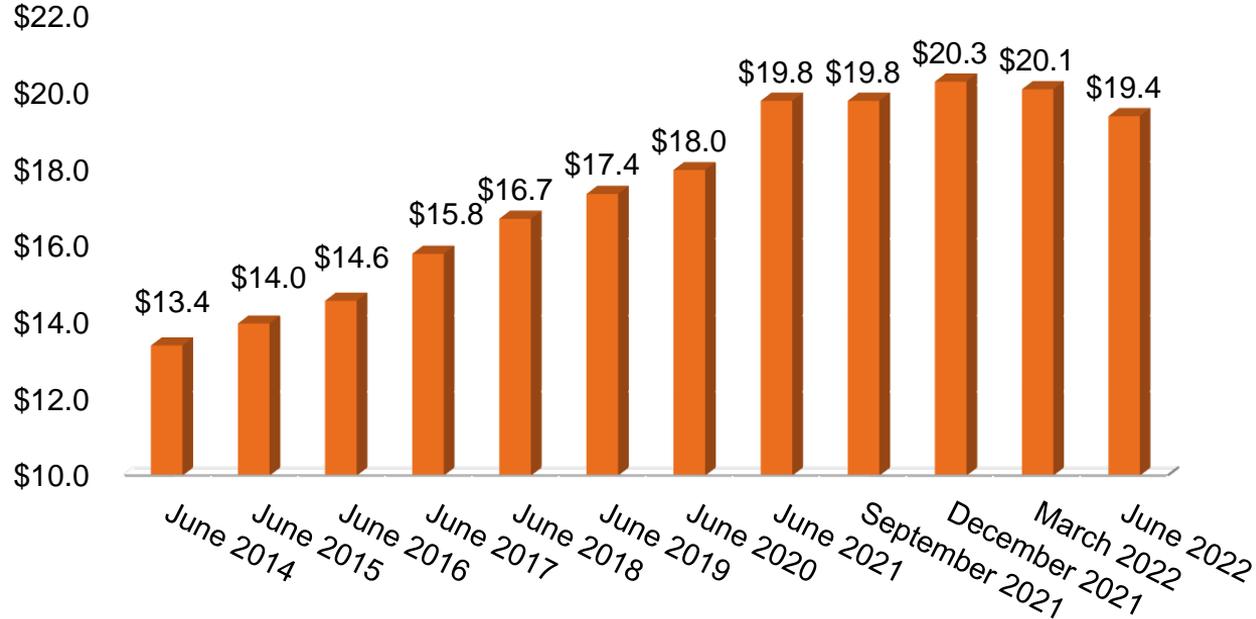
## Fiscal Year Ended

	Quarter Ended June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Investment Income	456,375,000	462,700,000	496,981,000	498,626,000	481,048,000	478,130,000
Realized Gain (Loss)	141,857,000	299,787,000	272,266,000	(23,498,000)	1,092,446,000	102,540,000
Unrealized Gain (Loss)	(676,444,000)	1,069,560,000	161,264,000	151,820,000	(812,942,000)*	380,183,000
Total Invested Assets	19,420,354,000	19,793,907,000	17,992,984,000	17,443,448,000	16,728,166,000	15,815,997,000

**\*Unrealized gains in prior years that increased the contingency reserve were removed from unrealized and included in realized gains when equities were sold in fiscal year 2018.**

# Total Investments

(rounded to billions)



# Closing Comments & Adjourn

*Mike Ratko, Assistant Director for Insurance Services*  
*Joel Sacks, Agency Director*



# Next Meeting

- December 8, 2022
- Hybrid – Zoom/L&I Auditorium