

## Retro Advisory Committee

9:30AM, Friday, August 23, 2019  
L&I HQ Auditorium, Tumwater, WA

### AGENDA

- 9:30 – 9:40 a.m. Welcome (Mike Ratko)
- 9:40 – 9:45 General announcements (Brian Frisina)
- 9:45 – 9:55 Introductions, Call to Order (Mike Ratko)
- 9:55–10:00 Safety topic (Bobbie Hanna)
- 10:00–10:15 API update (Shannon Steketee)
- 10:15–10:30 July enrollment update (Liz Ceja)
- 10:30–10:45 BREAK
- 10:45–11:00 LDF relativities (Bill Vasek)
- 11:00–12:00 Update on Vocational Recovery (Vickie Kennedy, Ryan Guppy)
- 12:00 p.m. Wrap up/ Good of the Order (Mike Ratko)

## **Annual Review of Loss Development Factor Relativities**

Retro Advisory Committee Meeting

August 23, 2019

Bill Vasek, FCAS, Chief Actuary





Washington State Department of  
Labor & Industries



## Loss Development Factors by Type of Claim

- Developed in response to a 1998 JLARC audit recommendation
- 2005 Class Rating implementation
- 2008 Retro implementation
- Need to track not only the average ultimate cost of each type of claim, but also how likely a claim is to switch types (medical only claim gets a PPD, PPD claim becomes a pension, time-loss claim becomes medical only, etc.)



Washington State Department of  
Labor & Industries



## LDF Relativities updated annually as part of the ratemaking process

- Actuarial study tracking how claims have developed over time
  - Case incurred (paid + outstanding estimate)
  - Change in type of claim
  - Paid development out past seven years
  - Account for time value of money and fund
- Typically studied in June, using data as of March 31



## EXAMPLE: 3rd adjustment Med Only, new relativities

- Medical only claim, July 2015 enrollment,  
case incurred = \$2,000
- Overall average Medical Aid LDF = 1.3402
- New medical only LDF Relativity = 0.8356
- Relativity less than 1.0 because medical only claims develop less than other claim types
- The developed claim cost :
  - $\$2,000 \times 1.3402 \times 0.8356 = \$2,240$



## EXAMPLE: 3rd adjustment PPD, new relativities

- PPD claim, July 2015 enrollment, case incurred:
  - Accident: \$20,000,
  - Medical Aid: \$30,000
- Overall average LDFs:
  - Accident: 1.8652,
  - Medical Aid: 1.3402
- New PPD LDF Relativities:
  - Accident: 0.9933,
  - Medical Aid: 1.0468
  - PPD relativities are Medical Aid because they develop more than timeloss claims beyond the final third adjustment
- Applying these factors:
  - Accident Fund:  $20,000 \times 1.8652 \times 0.9933 = \$ 37,054$
  - Medical Aid Fund:  $30,000 \times 1.3402 \times 1.0468 = \$ 42,088$
  - Total = \$ 79,142 developed to ultimate cost



## New relativities:

Retro Discounted relative LDFs											
Fatalities		TPD	TPD	PPD		Timeloss		Misc. Accident		Med Only	
AF	MAF	AF	MAF	AF	MAF	AF	MAF	AF	MAF	MAF	Adjustment
1.0000	1.0000	0.9328	1.3742	0.9933	1.0468	0.9179	0.9111	28.2147	1.1660	0.8356	Third
1.0000	1.0000	0.9334	1.2640	0.9828	1.0537	0.9680	0.9438	32.6482	1.1567	0.8356	Second
1.0000	1.0000	0.9358	1.1346	0.9505	1.0321	1.0700	0.9848	43.0399	1.2916	0.9110	First
ABSOLU ABSOLU ABSOLUTE											
			Ldfs are relative to:								
			AF: non-pension claims average LDFs								
			MAF: non-fatality claims average LDFs								

Claims recognized as severe (TPD medical & PPD) have more development than less severe claim types (Timeloss & Med only).

TPD Accident LDF is close to 0.933 to mainly account for discounting to time of claim allowance

Misc. Accident relativities for the Accident Fund are capped





## Prior relativities:

Fatalities		TPD	TPD	PPD		Timeloss		Misc. Accident		MedOnly	Adjustment
AF	MAF	AF	MAF	AF	MAF	AF	MAF	AF	MAF	MAF	
1.000	1.000	0.923	1.372	1.045	1.082	0.868	0.916	30.146	1.165	0.860	Third
1.000	1.000	0.923	1.242	1.004	1.072	0.924	0.932	33.984	1.169	0.846	Second
1.000	1.000	0.926	1.103	0.952	1.036	1.081	0.975	41.648	1.233	0.914	First
ABSOLUTE											

## Change in relativities:

Fatalities		TPD	TPD	PPD		Timeloss		Misc. Accident		Med Only	Adjustment
AF	MAF	AF	MAF	AF	MAF	AF	MAF	AF	MAF	MAF	
0.0%	0.0%	1.0%	0.2%	-4.9%	-3.2%	5.7%	-0.5%	NA	0.1%	-2.8%	Third
0.0%	0.0%	1.1%	1.8%	-2.2%	-1.7%	4.8%	1.3%	NA	-1.1%	-1.3%	Second
0.0%	0.0%	1.1%	2.9%	-0.1%	-0.4%	-1.0%	1.0%	NA	4.7%	-0.4%	First

TPD and Time-loss relativities have increased on the most part.  
PPD and Med only relativities have decreased.  
The change in Misc. accident AF LDF is NA because we cap them.





Questions?

# Insurance Services Dashboard/ Vocational Recovery Project

*Retro Advisory Committee August 2019*



# Dashboard Summary

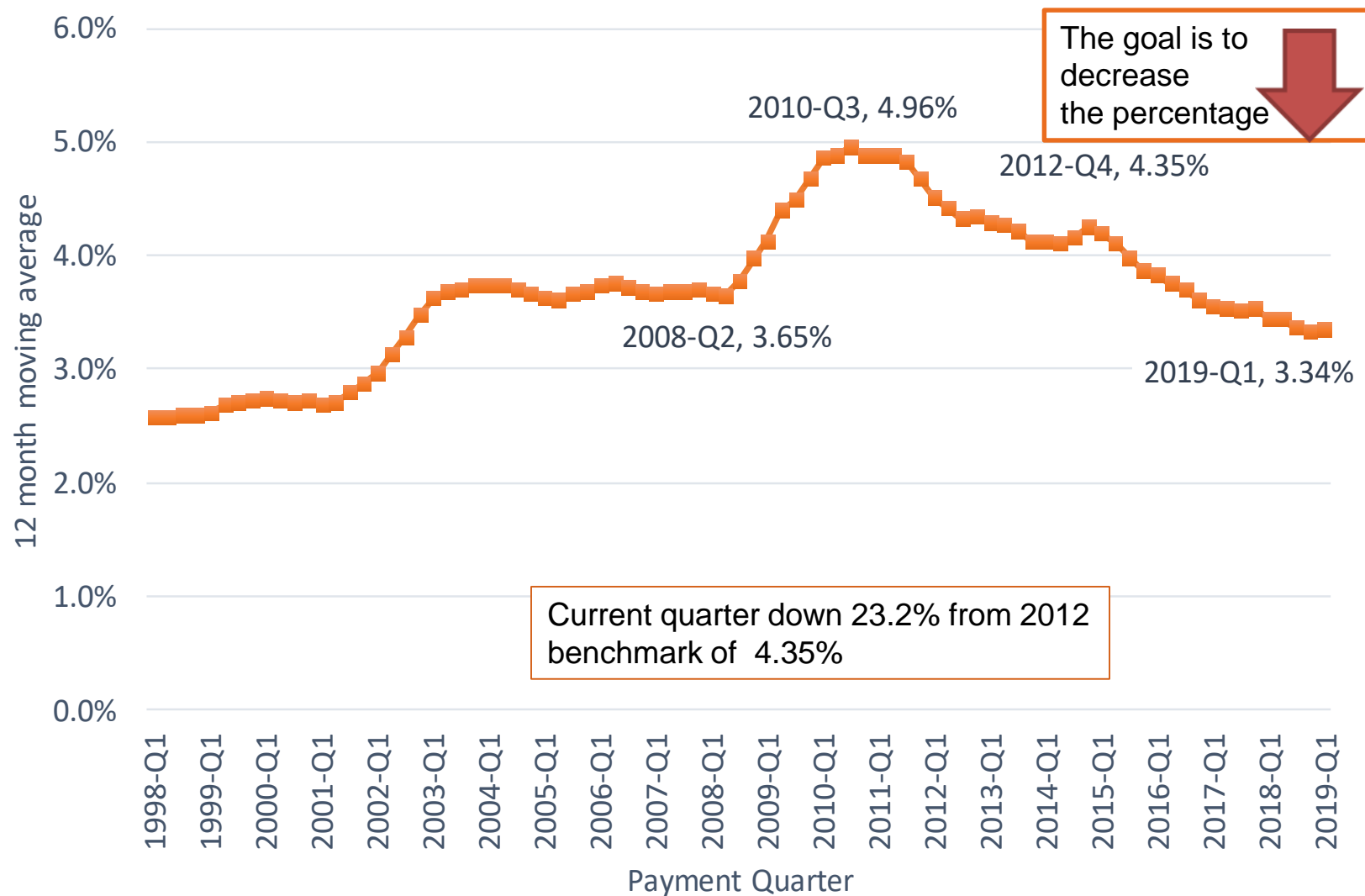
Measure	Change from 2012 (unless otherwise noted)	Highlights
<b>Long Term Disability</b> – share that received a TL payment in the 12 month post injury	Down 23.2 % ↓	Lowest since 2002
<b>Persistency</b> – Ratio: claims with a TL payment in the 6 <sup>th</sup> month to those with payment in the 3 <sup>rd</sup> month	Down 3.4% ↓	
<b>Resolution rate</b> - time-loss claims at 6 months	Up 4.1% ↑	
<b>Auto adjudication of claims</b>	Up 82.7% from 2014 ↑	Highest since 2002*
<b>High risk claims</b> – share return to work at 12 months	Up 8.0% ↑	
<b>Median time-loss days paid at first vocational service</b>	Down 70% ↓	Lowest since 2002*
<b>% RTW outcomes</b> - all first vocational service referrals	Up 143% ↑	
<b>WSAW participation</b>	Steady utilization →	
<b>COHE utilization</b>	Up 81.2% ↑	

\* Earliest year for which measurement is available

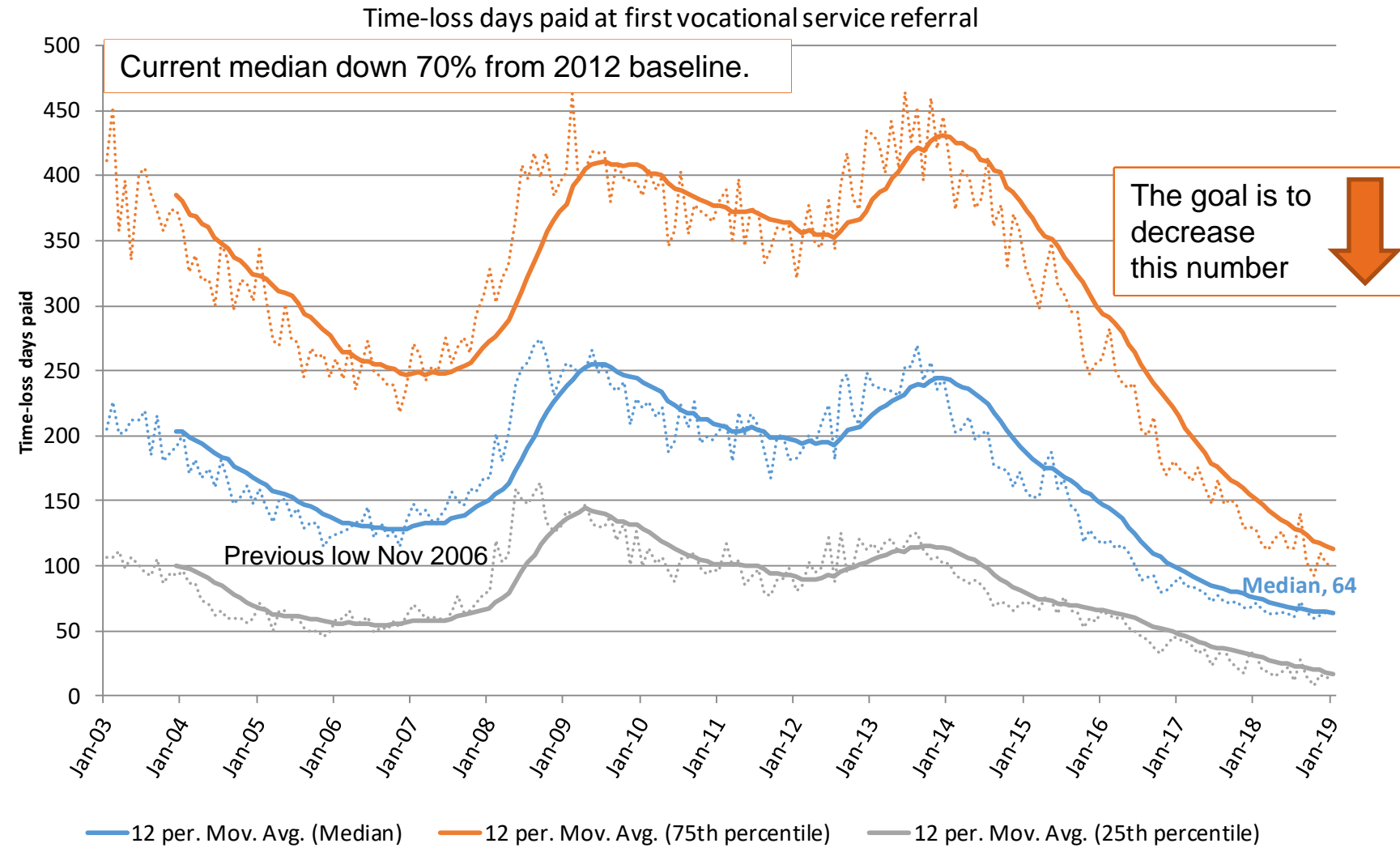
08–23–2019

# Long term disability percent

Share of injured workers with time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*

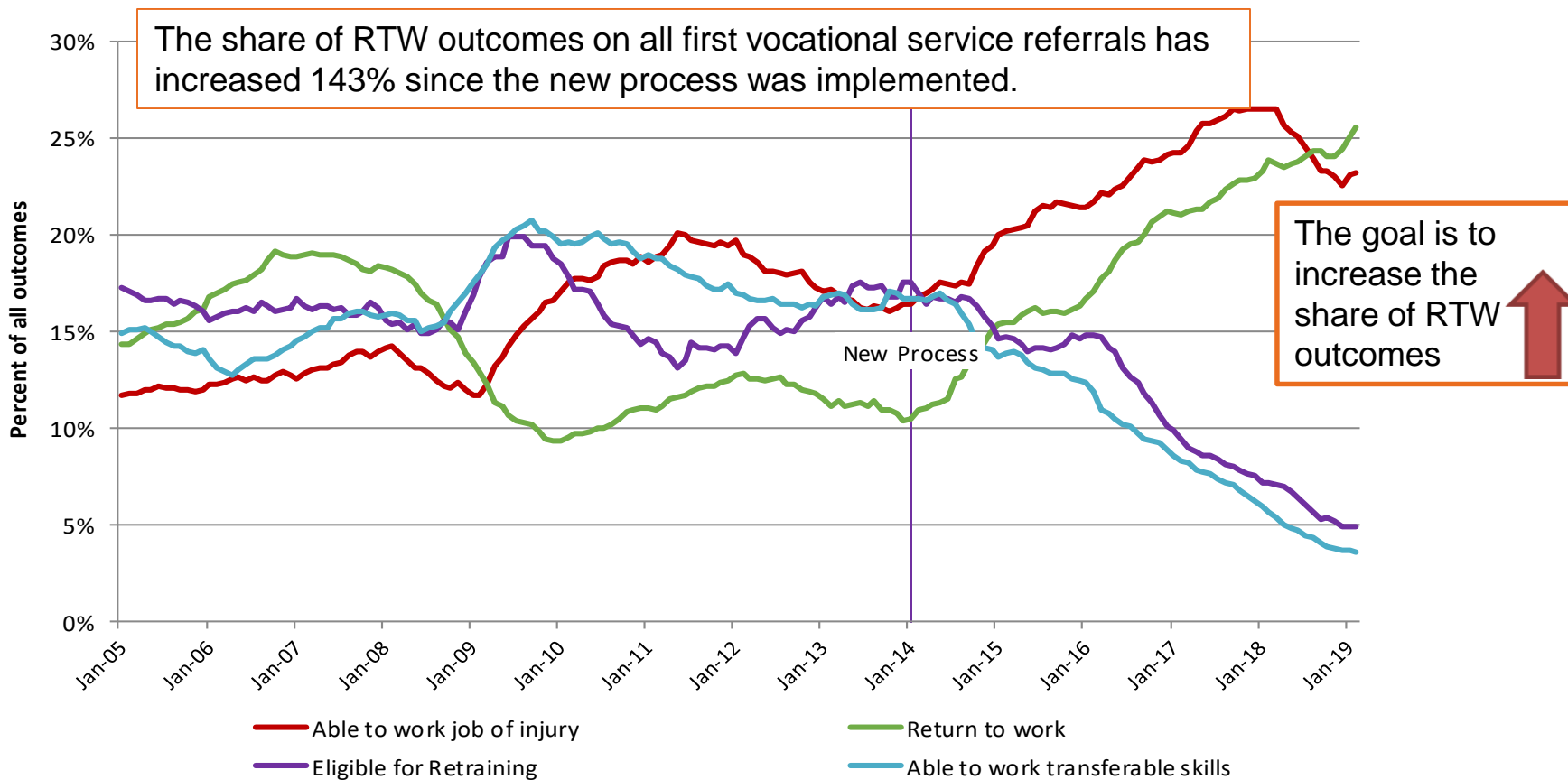


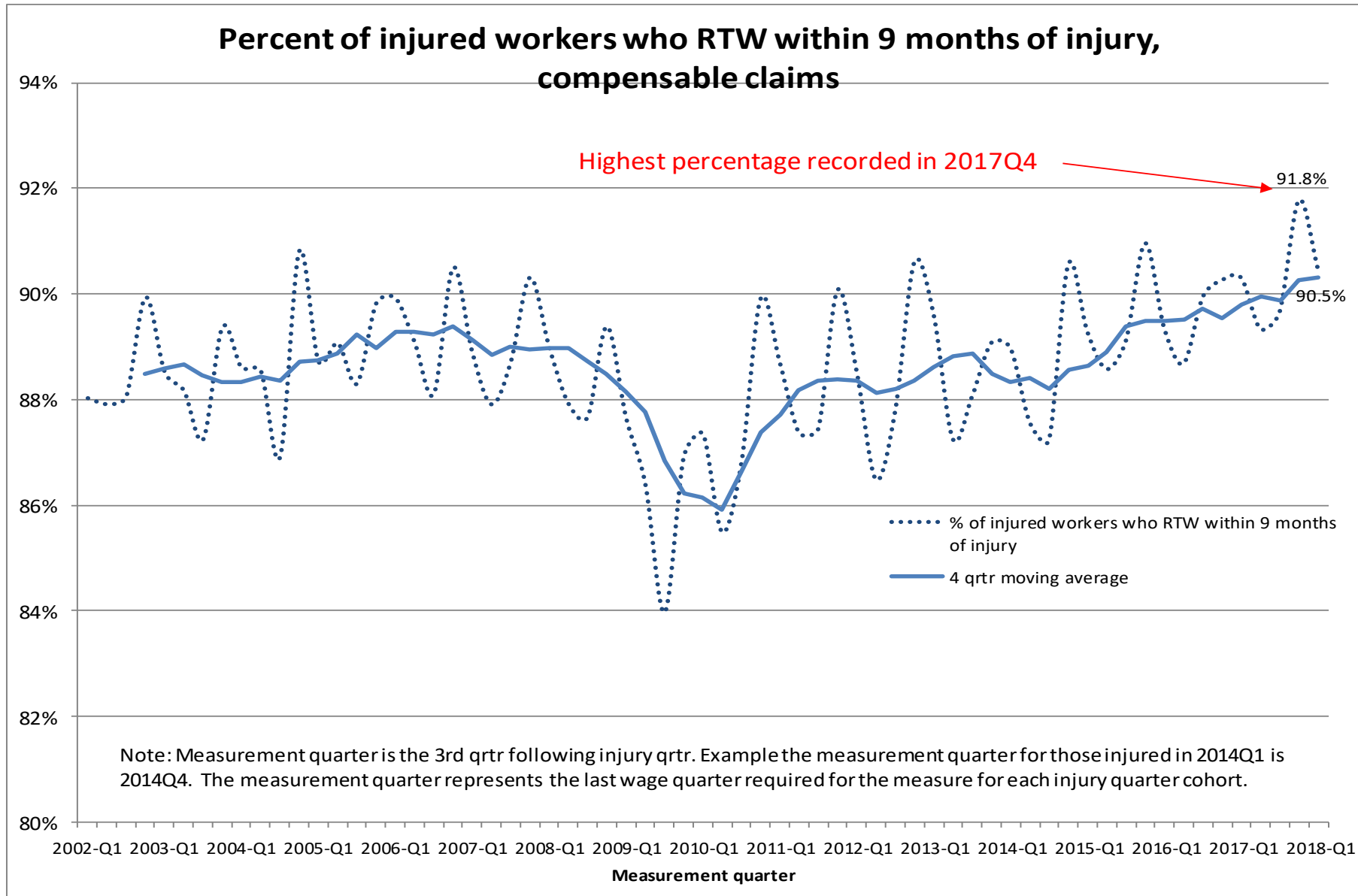
# Referrals are now targeted to address the onset of disability



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

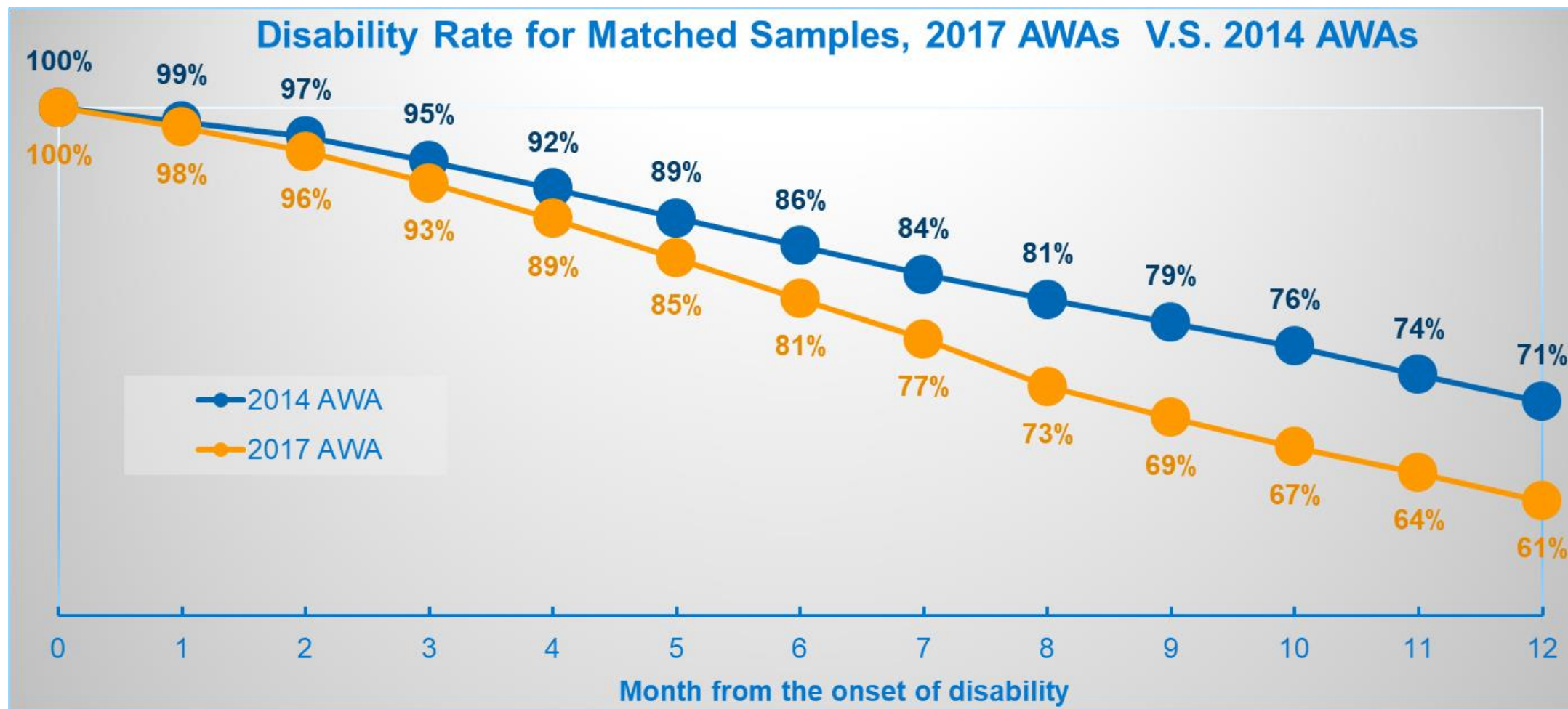
Outcome distribution, first vocational service referrals, select outcomes (12-month average)







# We are seeing indications of less disability



# Vocational Recovery Project

The most significant method of keeping time-loss benefits from growing to lengthy levels is through the vocational rehabilitation program.

Early and aggressive intervention by skilled VR professionals has great potential to reduce time-loss and improve return to work for injured workers.

- Washington State Pension System Review, W.E. Upjohn Institute, 2008

# JLARC Audit Recommendation

Implement RTW standard practices:

“Some vocational service practices need to be tailored to be more effectively utilized in appropriate claims. For example, the AWA is being used as an “adjudicative” tool, but the adjudicative approach is not an effective RTW tool. New practices and interventions need to be defined and put into use, which can become part of a standard RTW practice used to manage claims towards desired outcomes . . . .”

# Work Disability

Work disability occurs “when a worker is unable to stay at work or return to work because of an injury or disease. Work disability is the result of a decision by a worker who for potential physical, psychological, social, administrative, or cultural reasons does not return to work...”

*Handbook of Work Disability Prevention and Management – Loisel and Anema 2013*

# Preventing Work Disability

## Preventing work disability

The 4 principles of work disability prevention

1. Prevent unnecessary delays
2. Prevent a confusing process
3. Prevent unnecessary duration
4. Prevent unclear RTW expectations/plans

Used with permission of Centrix Disability Management Services Inc., 2005–2019

# System Support

- Cultural Shift: Vocational Recovery vs. Employability Determinations
- RCW 51.32.095: Broad language enables, in a general way, everything we are trying to do to promote vocational recovery
  - focus on enabling and returning to gainful employment vs. solely employability assessment
  - does not require medical treatment to be concluded
  - broad latitude to pay for services necessary for return to work
- The Vocational Recovery Project



# Vocational Recovery Project

## Rule development

- Defining “vocational recovery” to better align with RCW 51.32.095
- RCW 51.32.095: Broad language supports vocational recovery interventions as opposed to employability assessments as initial “service”
  - Focus on enabling and returning to gainful employment vs. solely employability assessment
  - Does not require medical treatment to be concluded
  - Broad latitude to pay for services necessary for return to work
- “Worker-centric” services

Targeting effective date January 1, 2020

# The Law

## RCW 51.32.095

(1) One of the primary purposes of this title is to enable the injured worker to become employable at gainful employment. To this end, the department or self-insurers must utilize the services of individuals and organizations, public or private, whose experience, training, and interests in vocational rehabilitation and retraining qualify them to lend expert assistance to the supervisor of industrial insurance in such programs of vocational rehabilitation as may be reasonable to make the worker employable consistent with his or her physical and mental status. Where, after evaluation and recommendation by such individuals or organizations and prior to final evaluation of the worker's permanent disability and in the sole opinion of the supervisor or supervisor's designee, whether or not medical treatment has been concluded, vocational rehabilitation is both necessary and likely to enable the injured worker to become employable at gainful employment.

# Worker Centric

RCW 51.32.095

(1) One of the primary purposes of this title is to enable the injured worker to become employable at gainful employment.

**...making it easy for the worker to choose to return to work!**

# Worker Centric Means We...

put the worker in the lead role and make it easy for them to choose to return to work

are engaging and activating workers based on what they think needs to happen through goal planning and attainment to enable them to successfully return to work or progress through the process

develop relationships and trust with workers to help them identify their motivations, concerns, and risks with returning to work

# The Law

## RCW 51.32.095

(4) To encourage the employment of individuals who have suffered an injury or occupational disease resulting in permanent disability which may be a substantial obstacle to employment, the supervisor or supervisor's designee, **in his or her sole discretion, may provide assistance including job placement services for eligible injured workers who are receiving vocational services under the return-to-work priorities listed in subsection (2)(b) through (i) of this section** except for self-employment, and to employers that employ them.

# Questions?