Meeting called to order at approximately 9:33 a.m. by committee chair Tim Smolen.

Committee members present: Brian Bishop (*Association of Washington Cities*), Scott Bradley (*Archbright*), Teran Haase (*Washington Hospitality Association*), Tammie Hetrick (*Washington Retail Association*), Tom Walrath (*T E Walrath Trucking Inc*), and Tim Smolen (*Department of Labor and Industries*).

Introductions

(*Introductions were made around the room.*)

TIM: Let me start with Scott Bradley. For those of you who don't know Scott, we worked together the whole seven years that I've been in Retro. When I started, Lloyd Brooks was on our Advisory Committee representing Washington Employers which has since rebranded as Archbright. We're very excited to have Scott join the committee. Do you want to say something by way of introduction?

SCOTT BRADLEY: Thanks, Tim. Just excited to be on the committee, and I'm looking forward to the experience and being able to provide some input.

TIM: I did acknowledge Dan Hsieh and Katie Dixon. Katie is our assigned Assistant Attorney General, and Dan is what I affectionately refer to as her understudy— so that we're not one deep in representation from the AG's office. Thank you for joining us on the phone today.

Our friend Rose Kohler is here. Rose is the new supervisor for the Case Reserve unit. She's eager to meet you all. Obviously, the relationship between the Retro community and case reserve is an important one. Darryl Vaughn had been in the Case Reserve supervisor and he's moved over to be a Supervisor in QA & Training. So, we're happy for his promotion as well.

Mike Williams is new to us in Retrospective Rating. Mike comes to us from the Research and Data Services team here at L&I.

We sent a message to congratulate Marnee on taking a role in Claims Outreach. Congratulations to you! And thank you for joining us. We have the intention of keeping you connected. We made it really clear to Marnee and her boss that she's just on loan. She still belongs to Retro.

And Rachelle Bohler is going to then come behind Marnee in the role of Financial Incentive Coordinator. So, congratulations to you, too!.

With that, we'll be recruiting a person to then come behind Rachelle and help us with the work of enrollment. As I'm sure you have heard, the Governor's budget includes a substantial investment for Labor & Industries to replace our legacy technology system (LINIIS). Retro will be "first out of the gate", along with our colleagues in Employer Services as we move towards new technology. So, we want to get some extra staff help in Retro to adequately support the project and take care of your needs both as Retro customers and representing State Fund employers.

Next, a couple of other appreciations. Rachelle and Alicia and Leslie have all completed five years of state service. So, congratulations to you all and thank you for your support.

Finally, to supplement our team and continue to raise awareness about Retro inside the agency, we have several developmental job assignment opportunities. We're hoping for a few folks who are currently working at L&I to do some work with us in Retro as a way of building up their portfolio and helping us do some outreach inside the department. I'm hoping to have an announcement about that soon – perhaps the first week of January.

Safety Message

Tammie Hetrick provided a safety message. *Her presentation and remarks can be found on* ***page 24*** *of this document.*

Review/ Approve agenda, previous minutes

Minutes were approved with no edits.

TAMMIE HETRICK: We wanted to add to the agenda a discussion about outstanding costs and some changes in the Claim & Account Center (CAC) and some other things we'd like to have some deadlines set on when those outstanding costs are issued and how much time we have to get relief on those before enrollment.

TERAN HAASE: I want to talk about the Common Ownership pilot.

Retro Staff – updates

LIZ CEJA: At a previous meeting we committed to completing enrollment within 90 days from the application deadline. I am pleased to announce that we completed October enrollment within 45 days. Completing October enrollment ahead of schedule has allowed us the opportunity to take time with our ongoing process improvements. We want to make sure that you, our customers, know that we are taking your questions, concerns and recommendations seriously. Something we understand is important to you is being able to access and manage claims. We considered this when planning for January enrollment and most importantly any enrollment cycle.

It used to be that our process did not include granting Claim & Account Center access until much later. Now, we have improved the process by moving that step to the beginning. We now grant time of access that a group needs as part of our QA step. For example, once we get an application in our in-box, we check three main areas for accuracy and completion: UBI, account number and signature.

Then we grant access. And finally, we let you know that the application is received and access is granted.

In-box requests that we receive from you have a standard of five to ten business day turn-around time. And all requests are fulfilled on a first-come, first- served basis. Please feel free to reach out to us if you have any questions. But mostly we would love it if you had any suggestions and recommendations to make enrollment evolve into something great for all of us.

TAMMIE HETRICK: In our pre-meeting we had a small discussion on this. One thing that was mentioned was like a ticketing system. If there's any opportunity to maybe have something like that where it makes it a little easier to respond to issues as they come up.

LIZ CEJA: So, we actually do have something in the works on our end. We haven't bought it to light because it's still at the very beginning. But it's basically what we call like a heat-ticket system, which will allow us to work requests a little bit easier on our end and for you guys as well. So we don't know the whole scope of it just yet, but yes, we are working on something. Because the way that we do it now, it just comes into our Outlook in-box and it does get very bogged down with a lot of requests. So sometimes the five to ten business days is a long time to wait. So we're hoping with the heat-ticket system that we're trying to implement, it'll be less time and a lot better turn around for, you know, everybody. Does that answer your question for us?

TAMMIE HETRICK: Yes, it does. Is there any time frames around it? Or is it still kind of in the works?

LIZ CEJA: It's very, very early. But no actual time frames. But we'll let you guys know for sure. But it's definitely something we've been looking forward to.

TAMMIE HETRICK: Oh, good. Okay, thank you.

SCOTT BRADLEY: Do you have like your best guess for what you expect to— how quickly do you expect to turn around protests? Because it's kind of hit and miss a lot.

LIZ CEJA: 60 days. That's 60 days from when we receive it to process, do the research, and then reissue an order. Does that answer your question?

SCOTT BRADLEY: It does.

LIZ CEJA: And that's for enrollment protests; that's not adjustment protests.

SCOTT BRADLEY: Well, once we get a denial of a company and we submit a protest at that point, that's the point I'm wondering what your turn-around time is on those.

LIZ CEJA: So once you let us know, you know, what you're protesting, then it's 60 days— that's when the 60-day clock starts.

TIM: Thanks for the question about ticketing. As Liz said, right now we are essentially using Outlook to do multiple purposes. So, it is how we receive applications. It's also how we just receive correspondence with you all. And it is also how we receive protests. And it's also how we manage around what we'll call fulfillment requests. "Can I please get a copy of X, Y, Z report?" It really obviously wasn't intended for that purpose. So, we've started conversations about formalizing data-sharing agreements so that some of the things that you're sort of asking for could just be delivered directly: it doesn't need to be a request. We can just refresh the data to you on some periodic basis. Hopefully by when we check in again in the spring we'll have a more current report for you about the forecast about when you can expect to see these come on-line.

TAMMIE HETRICK: One of the concerns that was brought up in our pre-meeting is just staffing. We want to make sure that you have the support that you need. I think it's a concern that you don't always have enough support. I just was curious. You did mention some new hires. Is it just temporary while the new system's being put in? Or are these going to be permanent positions?

TIM: In the short term, we're going to try to get some temporary help with July enrollment. So we want to make sure that we have adequate coverage for that and to continue to work on cross-training the staff that are in place. But we're also looking for permanent staffing around the needs of the program on a going-forward basis. You know we currently have two vacant-funded positions which were the roles that Jessica and Ashley were in, and we're hoping to fill those as soon as possible after the first of the year. So, we do have support through Human Resources and Budget with Mike and Vickie to fill those positions, and so we're hoping to do that pretty immediately.

TAMMIE HETRICK: Good. Thank you.

TIM: Okay. Starting with the rules change in 2011, we've really seen the composition of Retro, in terms of the participation, change pretty significantly. We had a wholesale decline in the number of individually-enrolled employers. We talked about some consolidations in the groups and some groups that have exited. Obviously, with the insurance table study that we completed effective July 2017, there's much more conformity in the plan choices, so the rules and other changes that have come out of that have really sort of shifted our focus in terms of how we staff consultations with you. So, we're having more conversations about safety and return to work and trying to figure out how to be a good advocate for you inside the department and be a liaison. We want a conversation about 'how do we best support you on a going-forward basis as your needs change?'

LESLIE QUNELL: We're thinking about what's coming down the pike, what's on the horizon, what do the groups really need, how do we make them more successful moving forward, and how do we align to provide that support to you?. To us it looks like better data. You know, how are you using your reports? What do we need to provide you to make that a better tool for you? And understanding that all of the groups; although, we're trying to create standard work, all of you have individual needs. Not everybody is having the same success story or the same problems. And so how do we make sure that we're reaching out to you on an individual basis and meeting your needs. And I think the conversation started with a safety plan. I feel like all the groups have been really open to receiving that. And we got a really good turn-around for having those. Everybody submitted one. So thank you; we're doing really great.

We're working really hard to be more fluid across the program so that we do have the support to help you to get the data that you need, to answer the questions that you have, to be able to support you in any way that you feel that you need, or things that we identify that we feel could help you moving forward. So, you'll see our roles not necessarily changing but growing: anything that we can do to be more fluid to meet more of your needs, especially since the community is taking more frequent meetings. It's a goal of ours to be able to meet with you either right ahead of the quarterly or right after the quarterly's come out to address any patterns or things that we see coming up.

TIM: Also, let me acknowledge that Leslie has been having her baby, Paisley, in the office with us for a couple of months. And so Baby Paisley's going to have her graduation from L&I's *Infants At Work* in January. [I guess that's a kind of a staff change, but maybe not exactly.]

Before we move into the presentation that I prepared, can we just talk about a couple of other things that you all talked about ahead of time as the coalition? Scott, will you restate the direction that folks would like to go?

SCOTT BRADLEY: I would like to have a specific date, you know, in 30 days prior. I think we at the end we kind of agreed that might be a good target, that this is the list, this is what you're working towards, so you're not going to get another list in another two weeks or a couple, you know, two or three lists. And we know what to work with. And if additional companies come on that list, then, you know, it's— they're there, but we're working from this list. This is the one that we have to worry about. That was the concern I think.

TAMMIE HETRICK: Okay. And then the second part is I guess CAC access has changed. And so now we're having challenges in seeing the data and actually understanding what it is they're being charged for. Another issue is the interest continues to accrue even after we finally get to a settlement or we get this paid or, you know, have the employer pay it. Then there's this interest that's continuing to accrue. And I know that's a challenge. But we just need to figure out what that drop-dead date is, and then we can stop and we can get enrollment completed.

TIM: Thank you.

TIM: Michelle, can I ask: At one point you had a concern on behalf of the community that we also needed to look at the sort of minimum threshold for a debt that would disqualify for enrollment. Is that still a concern for the community?

MICHELLE REEVES: Yes, it is. Because, you know, if you have $1 million in premium and there's a $100 balance, or if you're a $5,000 premium company and have a $100 balance, that $100 balance is not proportional to both companies. And especially since the rates have increased as well. $100 was set— I don't know— can you tell me? Maybe in the '70s?

So it's time to revisit that and just bring it up-to-date. And then as we mentioned before, tying it to a CPI which is what you do with minimum wage. If you do that with those balances, then it makes it more proportional to the companies themselves. Because as a Retro community, we do spend a great deal of time collecting on behalf of the Labor & Industries, and we don't get compensated for that, but... so... thank you, Tim.

TIM: Dan and Katie, I'm not meaning to put you on the spot. But let me just describe what I think is the conversation for us then. So, I think the first part of the question would be like: "Inside the existing rule what authority do we have as the Retro program?" The rule language essentially says have an account in good standing at the start of the coverage period. So, I think the first question would be like: "What authority do we have to say that for Retro purposes we can choose a number other than $100 as the sort of threshold amount that would disqualify an employer?" And then what discretion do we have to say that, essentially, the start of the coverage period for us doesn't necessarily mean immediately ahead of the coverage period, but we can pick a date, as Scott said, 30 days out and say, in effect, "If the account is current as of that date, then for purposes of Retro, that qualifies." I think if, in fact, we come ultimately come to the conclusion that we don't have authority in the current rule to do that, then I think it's about essentially promoting that further — revising that rule in a way to make it clear that that's how we intend to administer the program. Katie or Dan, just— in terms of the construct, does that feel like the right approach that first, we decide what our authority is, and then if we conclude that we don't have sufficient authority, we seek a clarification in the rule?

DAN HSIEH: So this is Dan. I think Katie had to step off for a second. I don't want to speak for Katie, and since I'm new, it's possible I'd like to defer that since I'm not 100 percent on everything yet, and I don't want to misguide the group at the moment.

TIM: Okay. I'll just say for my own self, that feels like the right approach. It feels like what we should engage is a conversation about what would be timely, right? I think, you know, in general, as we said a moment ago, you know, 70 percent of our enrollment activity is around July. So, I think, for this to be a productive discussion, Scott, for the community and for Archbright, it's like we need to get to some kind of resolution, you know, in May, right? for it to be about right. Does that feel right?

TAMMIE HETRICK: Yes.

TIM: I mean, I just don't think we're going to get it done obviously in time for the January cycle, and I think April, we can, you know, manage around that. But I think for this to really feel like a meaningful success for the community, we got to have something done by July. Does that feel right for you?

TAMMIE HETRICK: Uh-huh.

SCOTT BRADLEY: (*Nodding affirmatively.*)

TIM: Okay. Dan, that's the take-away for you and me and Katie is to see if we can turn around and answer to that first question. Then, if it needs rulemaking, let's talk about how to initiate that process, early in the wintertime. Does that feel fair?

DAN HSIEH: This is Dan. I agree with that.

KRISTEEN JOHNSON: So there's a second part to the account-balance issue that we had talked about earlier, and that's our new applicants. We receive a report that shows account balances from our system on current participants at the beginning— or before the plan year starts so we can work on that and identify who has a balance. But any new applicant, whether it be at the beginning of the enrollment period cycle or at a quarterly staggered enrollment cycle, we're not notified at all of any balances. So perhaps consideration could be given to allow us some form of access or a report that can be created that we can download through CAC right now, similar to Table A, that we can pull an ARC report on every new applicant at any given time so that we know what balances. Currently, we can see what the premium balance is, but we have no way of any other balance.

TIM: Thank you for that, Kris. I think what we're describing is that we should take a look at our internal process. Liz talked about the idea that we can— we've made a change based on some feedback we got from Robert and Tammie over at Retail about moving the what we call the CSRE process. So granting access through a release for you all to start claims management earlier. I think what we're talking about is creating a similar kind of process to either kind of auto-create a debt report for you when we receive a release for an application, or else enabling your access to do that. Right now we're just at a really difficult place in the way that not <u>all</u> of the debts in the department are reported in the ARC system. That keeps kind of tripping us up…This is a big deal for our friend Lauren as well -- Kim can represent for her. I think we can at least make sure to essentially provide a report in real-time when we receive applications about whether there's a debt so that at least there's a few weeks or a month for you to do something about that. Right now, the current debt report is something that folks can order through the Claim & Account Center. So, I think it's a question about just ENABLING that access to order the debt report on demand. And then we'll have to continue to work to figure out how to get the other debts that are not reported in ARC accessible to you.

Rachelle, help me. I think a while back, we published a link out the Web site, something like "Pay A Debt," right? With a UBI or an account number, an employer can look up their own debt for the department. And groups have access to that as long as the release is in place. Am I right? We're not sure?

RACHELLE BOHLER: I think we're unsure.

TIM: Okay. So we'll take that as a take- away. So, effectively what we want is with the release or an application that stands in for a release, that the group or the TPAs would have access to that Web site where they can look up an employer data. Am I right?

RACHELLE BOHLER: (*Nodding affirmatively*.)

TIM: Okay. Thank you, Kris. Before we talk about the pilot rulemaking and common ownership, I want to say that we really want to be about enabling enrollment, not inhibiting enrollment. We don't want to disqualify an account. We don't want to be a barrier to getting them enrolled. I think it's a good news story. Michelle, you talked about this. Jessica, you have an outstanding track record. For Milton, that's Jessica Woods from Hospitality Association. You all have done a terrific job of reducing the number of accounts that get bounced for account balance debt at the time of enrollment, and that does make a meaningful difference in terms of collecting those debts to the department. So yes, we don't compensate you, but we <u>are</u> grateful. And we do need to just keep working together to figure out how to qualify more accounts more timely and not have them get bounced or non-renewed or denied at the time of application.

With regard to the common ownership pilot, Julie Osterberg and I have been of on point working on this. By way of background what we're looking for here is to use the pilot period, which was across essentially two cycles of July enrollment, and the intervening coverage year periods to collect some data to see whether it made sense to formalize a change in the rule relative to commonly owned companies. As far as Julie and I have gotten is to just compile the data around that. We had essentially no denied requests. We had one request that was withdrawn after we had a conversation with the applying group. But the others were approved. The total number is six or seven. Can you help me with the number?

JULIE OSTERBERG: That's about right.

TIM:. So, a very nominal number of them. I think that pretty well there was a pattern in the way that what we saw was sort of corporate interest where the ownership was really held at a corporate level, and there really wasn't a nexus in terms of local control so that— the department was rating these as a policy because that's where the statute and the rule directs us. But that, in fact, it was pretty clear from the applications and supporting materials that— I want to be thoughtful of how I say this— that the corporate structure really wasn't about what was happening in the local operations. And that—

obviously when Lloyd and others helped, stand up the pilot rulemaking, that was a lot what we *expected* to find, so, I would say we did find that. I think we're at the place of just needing to make a decision about whether we want to go forward and change the rules in some way to formalize the authority of the department to grant exceptions. I think that was one kind of recommendation: formalize the discretion of the staff and the program manager to grant these on an exception basis. Another was to try to craft rule language that would codify the situations in which exceptions would be granted, at least in Retro, even if they stay joined for purposes of experience rating. So I think where we're at is we just need to kind of take on that question.

I'll make it a little bit like the question of debt. We need to decide whether we're better served by changing the rule through the rulemaking process or if we're better served by just trying to formalize the authority that the staff have to grant exceptions to the rule, and if we do, then how do we do that and how do we communicate those decisions and how do we sort of describe the limits of our authority. What I'm hearing out of the conversation is that's what the Retro community is saying, So let's kind of move towards a decision and figure that out.

TAMMIE HETRICK: I do feel like there needs to be some formalization to this. And probably rulemaking is what's needed. So the pilot, is it not being continued while this decision's being made?

TIM: Correct. We had set up a period of time to collect these data. We're not currently accepting any new exception requests under the pilot. But we're continuing obviously to have exception request for other kinds of enrollment-related issues.

TAMMIE HETRICK: So until a final decision's made and you've seen that it isn't being abused and it's working, why can't we continue the pilot until rulemaking can be started?

TIM: I'll take that, Tammie, as homework and check in with Katie and Dan and ask about what's permissible for us. I just want to say on behalf of me and Julie, the AG's office, it was never really a concern about being abused; it was just a question about how we could do it in a way that was consistent with the statutory authority rule. I don't think any of us contemplated that the groups were going to do something untoward or mischievous.

TAMMIE HETRICK: Yeah, to me it just sounds like it's been a success. And I know we actually had one.

TAMMIE HETRICK: You know, it was a huge benefit. Because if we wouldn't have been able to do that, then it would have been <u>none</u> in Retro. So, there's value in this for employers who want to be part of Retro. I think if there's an opportunity to continue that while we try to work through this rulemaking that we should. It's a very limited number.

TIM: It is.

TAMMIE HETRICK: And it's helping employers. I think any opportunity to help employers, we should be moving forward with that.

TIM: I agree with you. I think Julie and I would also characterize it as successful. I think we just need to figure out how to move forward.

TAMMIE HETRICK: Okay.

TIM: I know other people in the community care a lot about this. Does anybody else want to be heard on the question of that or heard on the question of the pilot rulemaking before we move on? Lloyd.

LLOYD BROOKS: That just jogged a memory when we were setting up the pilot is that we intentionally did not put a sunset date on it.

And from what I remember in our discussion with the AG's office, we didn't have to. So, it seems from my non-legal perspective— you might want to talk to an attorney about this— but it seems we could continue that on without any problems. I think that really was the intent, you know, originally.

TIM: So we'll reach back to Katie and Dan and answer that question, Lloyd.

TAMMIE HETRICK: Thank you.

Retro Status Report: Enrollment

TIM: Scott, you asked about enrollment protests. We also handle adjustment protests. I'm happy to tell you as we sit here today that we've completed all of our work on the July cycle. We had completed that at our last meeting. We've also completed all of our work on the October cycle. Amy, thank you. You did a lot of work on behalf of the AWB and came over and got some feedback and I think had a good back and forth about that. We've received a small number of protests for the adjustment orders that we issued for January. Those are still in process. I think done a good job in cycling through the ones that we had for July and October, and we're feeling confident about being successful for the January cycle as well.

The State of Retro

TIM: I have a short PowerPoint presentation that I brought. We are obviously approaching the holiday season, so happy holidays to everyone. As a courtesy to my staff, I did not produce lots of materials, but will make this available on the Web site after the program. We're wanting better quality conversations about how to use the quarterly reports and the quarterly report data. You're very aware that we changed the rules in July 2017. So, this will be the first cycle for the July coverage period to have adjustments under the new rules. The reports that will be released next week (aiming for the 27th) will be the first reports that you start to see more meaningful data about the factors. We had a pretty good round of conversations after the release of the September reports. But I thought that based on some of the questions we've had and some of the conversations, I wanted to just spend a few minutes and just talk about the current quarterly reports and how we can help you use those better as they're currently configured and how we can help just do a better job in general with the things you're wanting to do with these.

First of all, why are we doing this? What we're hoping is that we can help you better adjust your own performance. For us, it's about accepting the Retro program kind of at-large. It's also about building capacity for us to do better analytics in support of your work. So, in general, what I'm expecting and what I've heard from folks who are using the quarterly reports to forecast your own adjustment reports to compare your own performance year over year and quarter to quarter, to compare your performance to that of other groups significantly ones that are in the same industry category or with whom you're competing to enroll accounts, and then to track your performance compared to internal metrics that you might have, including monitoring compliance with things like kept on salary or other contract requirements. In addition to those objectives, which obviously we support, we're concerned about creating a dashboard view performance of all of the groups under the new rules.

My commitment to Joel and Bill's commitment is that the rules really drive better safety and return to work performance. So, this is the chance for us to look at those data and see if that's, in fact, what we're getting.. So, just to clarify, quarterly reports for us answer the question: If we ran the adjustments today, what would the results be? It's <u>not</u> actually a forecast of future results. The programming of the quarterly report is identical to the programming of the adjustment report. So, we're literally running the adjustment at the Quarter. With that, a quick review about how the adjustment process works then.

It's in two stages. In the first stage, we calculate the target refund. What is the pool of current refunds that can be shared by all of the groups?. At this point we're comparing the performance of employers in Retro with those who are not in Retro. And we have a weighted average methodology so that we're comparing the results essentially across four coverage periods. Although in a given quarter, one set of groups is receiving an adjustment, the prior period performance for all of the groups is considered in deriving the target refund amount. Obviously, the second stage of the calculation is the distribution of the refunds among the groups based on their premium, performance and plan choices.

I brought a sample report. I think this is familiar to everyone. I appreciate we have some new folks in the audience as well. So, what we're doing in the report then is just showing you, as I said, at a point in time what the results would be. As with the adjustment reports, the quarterly reports have the equivalent of a freeze date. So it's data captured as of a certain date what the results would be. What I've done here is simply to take those data and do the math about the refund, and then calculate the return as the refund divided by the paid premium. I expect you're doing the same kind of thing on your end. For us, the challenge in terms of using those quarterly reports as a forecast is that a lot of what's real hasn't been settled yet when we issue the quarterly reports.

The first thing that's not settled is the target refund. We don't really know how Retro is going to perform compared to not Retro at the time of adjustment. We just know at a point in time how much better is Retro compared to not Retro. Historically what happens is that gap grows over time. It grows from the quarterly to the first adjustment, and it grows from the first adjustment to the third adjustment. That's a lot about kind of the stick-to-it-iveness of the groups and the TPA's and the individual employers in managing safety, return to work and claims management *away* from long-term disability. So, at the first instance, we don't actually know what the target refund amount is actually going to be. Take a moment to pause and think about - what *wouldn't* we know? What is still *not* settled at the time of the quarterly that's going to be settled by the time of the adjustment? I'm imagining here that you have to have these conversations with your customers when they say, "How does it look?" "Well, it looks like this." "Well, what does that mean?" "Well, there's still a lot we don't know." "Well, what don't we know yet that we wish we knew?" Right? But we don't know really how Retro is doing compared to the rest of Retro. It's too early, right? It's too early to know what the total of shared refunds is going to be. And in the early versions of the quarterly reports, we are also artificially setting the performance adjustment factor to 1.0000. So, we're actually not doing the Stage 2 of the calculation at all when we rebalance back to the target refund, right?

Okay. Then at Stage 2, also a lot is *not* settled yet at the time of the quarterlies. I'm going to describe this as being in two parts. One: the Retro premium for each group; two: the factors that we use to develop the losses. At the time of the quarterly, we're still going to see some movement in terms of the premium. We're still going to see some movement in terms of the loss ratio performance. All of the plan choices are a settled issue in the contract for virtually all of our groups were in loss-based plans, and the net insurance charges is indexed to the losses. So, without knowing the final loss amount, we don't actually know what the net insurance charges are going to be. Then there's a lot of uncertainty that attaches to the factors. We have the loss development factors (LDFs), we have the expected loss ratio factors, and we have the performance adjustment factor (PAF). So, what we're going to end up with needing to do is just making some qualifying assumptions about what we think is going to be the loss ratio and what do we think is a reasonable starting place for those factors.

TAMMIE HETRICK: I'm going to tell you the thought I've had for many years. Now that we have early claim reporting and we apply the LDF (loss development factor), if we did that for Retro and non-Retro and then determined what the difference is, it seems like you would be closer to the accurate number than you are right now. So— I mean, I think the only missing piece is applying the LDF and then calculating what the difference is. So is that even being considered?

TIM: Currently, we haven't considered that. We are several years away, but not all that far away from revisiting the rules and updating again the insurance tables. And I think that that would really be a timely suggestion for us as we think about if— you know, if the community has confidence that using early— using the predictive analytics and early case reserve makes sense that we could do it both in Retro and not in Retro. You know, Bill and I— Bill Vasek, our chief actuary— we have talked about kind of what would the implications be using the loss development factors explicitly when we compare Retro to non-Retro performance. I think for sure that the changes that we're making in case reserve make that more feasible. Because obviously the— historically the way that we have done that, especially at the time of the first adjustment, there's a pretty good size distortion just because of how Retro uses kept on salary compared to the non-Retro community.

I think that that's absolutely a suggestion that we need to do some serious study about.

TAMMIE HETRICK: Well, and if you go back and— this is dating me— the Retro proviso, when we went through that whole process, there was a recommendation in there that we do consider applying the LDF when we do that calculation. So there is something substantiated behind that that says this would be a good approach.

TIM: Okay. So why don't we just agree then that that will be a take-away assignment for us. And I'll check in with Bill about how we would sort of design that, and then we'll come back and check in with the committee members and make sure you all feel good about kind of the approach so that we— you know, I don't want to throw it too far down the path and then not agree on that that's the right approach, but I think if we could present sort of a study design and then bring it back to get you all to buy off on it...

TAMMIE HETRICK: Sounds good.

TIM: Great. Thank you. So, in my example then, I think the question is: How do we get to an estimate that has some degree of confidence so that we can help people make, you know, meaningful business decisions, right? I'm not a super technology person, but we live in a time now where you have an app on your phone that says, 'If I leave now, how long is it going to take me to get to Seattle, and what's the best route?' I get that it just seems unreasonable to people that we can't forecast their results considering all the data and technology that we have. I think we just need to do a better job supporting that conversation.

So, starting with Retro premium, I think this really would be the focus of our attention then because it is substantially the thing that's in our control as a calculated value. The approach that I'm suggesting, in terms of our support for you -- and we want some feedback about how you're already doing this and how we line up to support you -- is that we would first focus on losses compared to premium. From our perspective, we would divide the world kind of into fixed-cost losses and variable-cost losses: that's about whether those claims are closed or open. We would use the data from the predictive analytic model for claims that have not had a case reserve yet. We would focus on time loss (TL) and PPD claims compared to medical-aid (MA) claims. It turns out that a small number of claims are really the drivers, and so we would figure out how to do a deep dive on those and engage our claims staff and case reserve staff, Rose's team, as soon as possible, translate kind of that aggregate data back to an employer level so that we can make intelligent underwriting decisions, and then obviously relate those data back to safety plans to see if we've got the right safety plans in place if we are to have the right solution.

The Retro premium calculation is about the premium admin expense, the incurred loss and expense charges, and the insurance charges, but pretty fundamentally it's about the incurred loss and expense charge from our perspective. In the example, it looks like a 72 percent loss ratio, but what we want to do is figure out how much of that is essentially fixed cost because they're closed claims, and then how much of that variable because they're still open claims. When we did that analysis with the sample, what we find is that there's a pretty substantial number of open claims. So to us, it starts to feel like 72% is a 'soft' number. We're concerned about that number getting bigger, right? The results are going to erode. Again, being where we're at in the cycle, a fair number of claims still haven't had a case reserve. And I know that lots of you have in-house expertise for reserving. Obviously what we hope is that you're using the data that we're providing to supplement that, but getting to some sort of an estimate for claims that have not had a case reserve seemed meaningful to us. In other words, simply using the paid-to-date costs seems a bit like wishful thinking. What we'd say is find some way to estimate the reserves that are likely to come on-line by the time of the adjustment for the claims that haven't had one yet. We also feel like the predictive analytic model is pretty good at helping to forecast that are likely to change type. So, we'd be looking for claims that the model is forecasting would flip from MA claims to time-loss claims. Obviously conversations would be around then sort of loss control, mitigating the future costs of time loss, especially for open claims through meaningful return-to-work efforts. So, we'd be talking about those opportunities. And then looking at the small number of claims that have outlier kind of impacts and what can be done about those and how can we engage the support of the department in managing those claims and how can the Retro staff support you with that.

We would say that by the time of the quarterly reports that come out next week in December, it's not too soon to start thinking about how you use those data to manage enrollment inside your groups and base your decisions about underwriting, whether that's about kind of an in-out decision, renewals or non-renewals, or if that's about, you know, redirecting some safety or return-to-work resources. But I think we should be using those data to help inform how we relate to our customers in that way. And then last— and Dan Beaty from Vigilant Dan and I talked about this when he came on-line: claims data are just really an *artifact* of a way upstream process, right? Let's use those data to navigate back upstream toward solutions. As Leslie said, we're really pleased that the groups have engaged conversations with us about safety programming, and we feel like we can help advance that conversation. At a minimum, the department has 100 years worth of data. We have all the data for all the employers and all the injured workers since the history of the program. So, we have to figure out how to leverage that to help you write better safety plans.

The second part obviously then of the conversation are the factors. Forecasting the factors is a little bit fraught. Obviously, it's easier to forecast towards third adjustment than it is for the intermediate adjustments. The tables are organized around third-adjustment results. So, you're going to see that the factors are going to be substantially different from first to second to third with things like time loss for the Accident Fund, especially from first to second. We have confidence that the factors are pretty stable by third, and using those to estimate makes a great deal of sense to us compared to trying to estimate where first or second results are going to be. With regard to the LDFs, a couple of reminders that early in the production of the quarterly reports and even into the adjustments we're capping the factors, including for time loss. It would be higher if we let it rise to its natural level. We're actually capping it at 4.5000 just to maintain some degree of relativity. I think that's just a caution…How do we think about those claims? They're likely to be more expensive than they immediately appear. We do feel like the factors and the pretty good analytic model can be a meaningful substitute early on for claims where you're going to see the LDFs move substantially.

Using the September report as an example, on average, excluding the Accident Fund time-loss claims, those factors were about 15 percent lower. We feel like that gives you a better line of sight into where they're ultimately going to be at for purposes of estimating current performance or forecasting. With regard to the ELRFs, the expected loss ratio factors, we did make a change in the rules effective July 2017. We explicitly moved the ELRF for the Accident fund. This is about helping us to more consistently get to a PAF at parity (1.0000). Again, the tables are organized around third adjustment results, so I know some people got pretty spooked about 1.06 factor for the first adjustment for the January 2017. And although, my staff sort of loath when I do this, I'm confident you'll see that come back closer to 1.0000 as we move to second and third adjustment because that's just how it works. Making this change that we made in the rules was about trying to reduce some of the volatility in the PAF and do a better job of rewarding safety performance. So, the ELRF value is about making sure that we're not making it too difficult or too easy for groups to earn refunds just because of how we set the rates when we made them on an annualized basis. I guess the point here is that forecasting where the ELRF values are going to be for the first adjustment for the 2017 coverage year is going to be a little bit more difficult because we did make that change in the rule and we don't have significant historical experience with that.

And then finally the PAF, which I will refer to as your friend. The PAF is your friend in the way that it helps to make sure that we refund <u>all</u> of the earned refunds back to the groups, and that the PAF is only helping us to rebalance back to the target refund. So please don't read into a factor of 1.06 that Retro is 6 percent better or 6 percent worse compared to not-Retro employers. That's what we do at the first Stage of the calculation. That's where we compare Retro to not-Retro. The PAF is just balancing based on premium, performance and plan choices back to the target refund. It's not meaningful to think about it trending, for instance. It doesn't work like that. I do appreciate that it has sort of a mythological significance, and hopefully we can sort of slay that dragon and come around to thinking that it's your friend, not your enemy.

So, what we're suggesting is that's the approach that makes sense to us as we think about evaluating the performance of each of the 42 Retro groups. So when we're talking with Mike or we're talking with Vickie, and they want to say, " How is it going under the new rules?" What we imagine is taking the quarterly data and doing that sort of analysis about the results that we see to present an enterprise view of Retro. We want your feedback about whether you are doing something substantially different that we could learn from so that we have a better more consistent view with you and we have a better line of sight into what we're reporting to the leadership.

SCOTT BRADLEY: Tim, is there any way to keep us updated on a quarterly basis as to how well the Retro community is doing versus non-Retro? It seems like these meetings that you brought up in the past.

TIM: Yes, we can absolutely do that, Scott. So, at a minimum we can say, at the time of the quarterly, this is what it looks like would be the relative performance of Retro compared to not Retro. It is our intention to continue to publish the quarterly report data out to the whole committee. We were not timely. I apologize for doing that for September. We'll be better about getting the December results out there. I think what we're wanting to do is see if we can come to some consensus about a scorecard so we're not just publishing the block quarterly report data. In other words, I'm not just saying this group is at 72 and I expect them to stay there when, in fact, I think it's going to 82. But I don't want us, again, to be in a shoving match where I'm publicly saying, "Currently 72, looks like 82 and here's why," and you say, "He's a bozo." That's not good for us.

KRISTEEN JOHNSON: So, having that comparison available between Retro and non-Retro you were saying is doable. Are you saying that that would be something that would be on the quarterly report on the last page? Or what do you mean by— where would that information be displayed, that comparison between Retro and non-Retro?

TIM: We'll have to check in with the developers in the IT program. Kris, I don't know if we can easily program it into the reports, but we can certainly just publish it as an addendum.

BRIAN BISHOP: On that Retro to non-Retro analysis, can you give us some degree of volatility in that analysis as well? Can you show us, "Well, non-Retro has a certain percentage of open claims still versus Retro?" That would help.

TIM: I'm looking to Casey and Bill. Nichole could help us with those kind of data, Bill, right? At the time the report's run, we could get a line of sight into open claims, closed claims, kind of time-loss claims? Something like that? Is that fair? Can we do that?

BRIAN BISHOP: Can you also address performance history and how that relates? If we did get some information on percentage of claims open, percentage of claims closed at each immediate kind of a point in time financial to compare with that data to say, you know, this is really an anomaly. We're looking at the 2017 January group had a 1.06, or going way back to the PAF being at 0.82. Can you give us just some degree of I guess prediction or that this is an anomaly or that this is consistent with the normal?

BILL VASEK: I'm not sure what the ask is, first of all. We do analyze Retro performance all the time. Every quarter we actually have to come up with a reserve of what the potential of Retro refunds are going to be. And going out in the future those appear on our financial statements. So, there is an analysis being done. Now, if I can get together with some people and discuss what type of analysis people would like to see, we'd be happy to prepare something that, you know, we could bring forth to these meetings and just talk about those things. Easily done. I just need to know what it is you folks would like to see.

BRIAN BISHOP: I guess the ask was: Can you predict as best as you can what the PAF will be at each quarter?

BILL VASEK: No. What you notice is that it's the July group that pretty much controls it. The July enrollment pretty much controls the PAF. And you'll notice the PAFs will be similar for the next three quarters. That's probably my best prediction.

BRIAN BISHOP: Okay. So, the October was more of an anomaly since it was a 1.06 and July was closer to 1.000

BILL VASEK: Well, if you look, the 1.060 started with July. The subsequent three PAF's were, you know, close to 1.060. That would be the prediction for the following three adjustments.

TAMMIE HETRICK: I have a question. It's probably for both of you. We talked about having a follow-up Retro community meeting to talk about the early case reserving and that sometime in January. Would this be something maybe we could also follow up on? Does that give you enough time, Bill, to— like if we come up with some options on how to look at and evaluate this, would it be possible to have something by January like mid to late January?

BILL VASEK: Reports on what?

TAMMIE HETRICK: Well, like we're talking about applying like a LDF at first adjustment to Retro versus non-Retro and kind of seeing how that would work, how that number would change. And then whatever else we might want to look at as options on this.

BILL VASEK: Okay. So let me just rephrase what you said just to make sure that I understand what you're asking for. When we set the target refund for a particular enrollment period, what we're doing is we're looking at the percentage difference between Retro and non-Retro loss ratios. And when we do that, we're <u>not</u> developing the losses. All the losses are case-occurred losses. So, you're asking if we change that process to one where we would develop the losses, how would that change the refunds?

TAMMIE HETRICK: Uh-huh.

BILL VASEK: So, the first thing I want to say is, you know, what controls the ultimate refund is the third adjustment. Loss development factors are less of a factor at the third adjustment as opposed to the first adjustment. So, would there be that much of a change at the third adjustment? Well, you know, that's something we'd have to study. But the effect of the first adjustment would be greater than the effect of the third adjustment.

TAMMIE HETRICK: Right, absolutely. We had talked about with early case reserving and how we're getting closer to a number that's more accurate, if we apply the LDF and then do a calculation of Retro versus non-Retro, what does that look like? And does that get closer to where third adjustment is, you know, if we were to look past and back like five or six years, you know, had that been applied, how would that have looked, and would it have put you closer to where the final adjustment ended.

BILL VASEK: We can't look back that—

TAMMIE HETRICK: Because of all the rule changes, yeah.

BILL VASEK: So that's the first thing I would say. But now you're asking for two things.

TAMMIE HETRICK: Yeah.

BILL VASEK: You're looking at what would happen if, you know, we were to use the early case reserve numbers and then apply the loss development factors to that.

TAMMIE HETRICK: Uh-huh, right.

BILL VASEK: I don't know the answer to that. But how quickly can we do that analysis? I'd have to think about it and get back to you on that.

TAMMIE HETRICK: Okay, okay.

TIM: Brian and Tammie, I think some of the data that you're asking for are really very accessible and don't require much study. So, for instance, to Scott's question about, when the December quarterly report's run, can we just know what the target refund was at that point? Yes, we can do that. Then could we see how it compared to, you know, other previous points in the cycle? Yes, we can do that. That's straightforward. Can we find out how is Retro doing compared to not Retro in terms of fatalities or time-loss claims? Yes, we can do. But I think engaging the kind of study about a rules change around reserved or not reserved, it's not that we can't do it; we just can't cycle through it as fast. But it's just worth studying for sure.

Work groups update – Early case reserve

TIM: So maybe we can just talk about early case reserve then...

TAMMIE HETRICK: Sure.

TIM: Tammie, you were kind enough to organize a meeting for us, and we checked in with folks, and talked about scheduling a follow-up meeting in January after we get this next round of quarterly reports data. I think we've pretty well talked to everyone individually, but I would just like to take a moment since we're all together and just provide a quick review about where we're at in the project cycle and make sure that we're all clear about kind of what has been done and what hasn't been done yet. What has been done is that we are using the data from the predictive analytic model to redirect the work of the case-reserve staff team. The list of claims that is presented to the case-reserve staff on a monthly basis historically was organized around sort of three things:

1. Medical Aid claims more than $11,000.
2. Claims that had time loss or PPD.
3. Some number of claims where the current paid-to-date cost exceeded the already reserved value.
4. And then some other clean-up work — exception cases.

It's imperative that we prioritize the work that gets presented to them and have them focus on the highest-value claims. Starting in January of 2018 what we've done is started to use the data from the predictive analytic model to redirect some claims for review — it's about 150 claims a month on average. This is Retro and non-Retro; all State Fund claims. These are instances where the model predicts that it's going to be an expensive claim or the type is going to change from Medical Aid to time loss or PPD. So, to rebalance, in terms of the case load, we've raised the threshold from $11,000 to $ 22,000 for Medical Aid claims. What we've done in effect is said some of the Medical Aid claims that would have been reserved will not be reserved, and some of the claims that might not have been reserved because they didn't rise to that level will be reserved because the model is anticipating that they're going to be expensive claims. Our protocol is still that claims get reserved about nine or ten months after the date of injury, so, you won't have really seen the full effect of it is because there just aren't enough claims yet that have reached that threshold - especially for the July groups. You won't be seeing that until about the next quarterly report.

We talked about people have a chance to look at the December version of the quarterly reports. That'll be closer to trending in terms of the number of claims that would be affected by this change in referrals to the case reserve team. Our intuition about this is that the data that we've been providing to the Retro community across the past year or so that describes the potential financial impact of this will largely be realized just by this change in how we refer claims to the case reserve staff team. Because they'll get the small number of high-value claims that was driving the discrepancy that we were seeing in the data at first adjustment. So, what we want to do is give you all a chance to see those data, and then have a conversation before we get back in front of Joel. When we initiated the project we were describing the impacts as being about these many claims that would move about this much money at first adjustment, but we think that what the data show after we redirected the referrals is that the financial impacts have largely already been realized just by that change. The absolute number of claims that's affected is going to be relatively small.

We have also designed a system so that no claims that would affect Retro adjustments would do so directly - in the way that any claim that the model would have anticipated a change in type — that would affect the factors that attach to that claim, for example - those will be reserved by by a human being. So, effectively, we'll stand up a process where four times a year around adjustments and then once a year around the annual valuation for the state fund any claims that the model is predicting would change type -- where the value would be increased -- they won't just go directly to the rating system or directly to Retro; they would pass by the Case Reserve Unit. It's a way for us to safeguard that anything that has an adverse impact in terms of the Retro refund, the claim-free discount or the experience modification factor would only come to pass as a result of a human being reserving that claim.

Where we're at in the project cycle is our commitment to Joel is to check in with everyone one more time after the December quarterly reports, kind of do a pulse check, make sure everybody feels good, or if they have a principled objection, they have a chance to say that out loud and be heard. If Joel takes a decision to go forward, that would be after the freeze date for the July groups but ahead of the evaluation date for the State Fund. So, it would affect the rates for the 2020 rating year, and it would affect the refund starting with the October coverage year.

What did I neglect to mention, Tammie, based on the last review that we did with the community?

TAMMIE HETRICK: I think that covers it pretty well. I think the follow-up then is in January is just to kind of see where those reports are and how everyone feels about them so a decision can be made on whether to go forward.

UNIDENTIFIED FEMALE: Oh, okay. When a claim has already been reserved, is there a certain trigger? What triggers will send it back to your team to look at again? Is it like a— you know, just trying to kind of plan claims for— because we got a lot of reserves kind of right before freeze last year. And so I want to be able to know what I'm looking for that's going to probably trigger it to come back to your team if it's already been reserved once. So is it when it gets closer to its percentage of used reserve or is it the voc outcome that gets entered in? Can you kind of help us understand that a little bit?

ROSE KOHLER: Those come to us when they've exceeded any of the buckets where we've saved a certain amount of money. So whether it's time loss, miscellaneous charges or medical dollars. So it'll trigger it to come right back to us till we get it the second time.

UNIDENTIFIED FEMALE: So it'll automatically trigger it to come back to you?

ROSE KOHLER: Correct.

UNIDENTIFIED FEMALE: What about a voc outcome? That won't trigger it to come back?

ROSE KOHLER: That doesn't trigger it.

UNIDENTIFIED FEMALE: Okay. So just when the bucket is exceeded.

ROSE KOHLER: Correct.

UNIDENTIFIED FEMALE: What about when the bucket's closed?

ROSE KOHLER: It— only when it exceeds it.

UNIDENTIFIED FEMALE: Okay.

UNIDENTIFIED FEMALE: Or the time frame? So, like if it's now 12 months or 18 months, that won't necessarily trigger it?

ROSE KOHLER: No, it would not.

UNIDENTIFIED FEMALE: Okay. That's very helpful. I appreciate that. Thank you.

SCOTT BRADLEY: A couple of follow-ups. It's about timing of that. Because you're right, between the quarterly that we got and freeze, there's like a month gap. And there was a significant change this year between the two. So the timing that you're looking at these claims, is it the time before the last quarterly report comes out before a freeze or is it after the— we prefer it to be before.

TIM: Let me help you a little bit here. What ends up happening is some of those claims that got filed late in the coverage year, so say in May or June, they're not nine months old until practically on top of the freeze date. So Rose's team is reserving right on time when they're nine months. It's just that those late-filed claims end up being very close to the freeze date and sometimes after the quarterly.

I'm not meaning to be overeager, but Scott, this was part of our motivation for creating these early case- reserve reports so that you have a line of sight into those earlier on so they weren't a surprise when the reserves came on.

SCOTT BRADLEY: Yeah, that makes sense. But there's no control that you have when you look at them.

*Conversation about miscellaneous claims type and charges ensued. See **page 24** of this document.*

Enrollment

TIM: And then with that, the last thing that I had just as— just a quick check-in on enrollment. You heard from Liz earlier. We're at the place in obviously a January enrollment cycle. We have kind of a quick check-in. So we have ten January Retro groups. So all the groups have renewed their contracts for 2019. So we didn't have any withdrawals. We also did not have any adds. So we'll have ten January groups on a going-forward basis. In terms of the number of applications, so Monday, the 17th, was our deadline for ads. Monday the 31st will be our deadline for withdrawals from groups. The absolute number of applications is down 30 percent compared to 2018. And that generalizes pretty well across all of the 10 groups. And we have 15 non-January groups assigned applications, which is also down from the 19 we had last year. So this I think is a pretty consistent trend that we've seen, that enrollment in general, applications are down. We saw more withdrawals than we had adds for the July cycle. We may see that again with January. So I think just the program's shrinking a little bit, which I don't think is a bad outcome. How I'm reading that is that the groups are, you know, just being pretty judicious about who they enroll into the group, kind of reconsidering some of their underwriting standards, which I think is a positive. We haven't completed an analysis yet about kind of who stays and who goes, but based on the July cycle, definitely the trend is predominantly it's low premium payers leaving groups compared to higher premium payers. And I think that will have some interesting implications for us as we go forward. I don't know if we have our friends from ICM on the phone, but we recently did a consultation with them about the Auto Dealers Association group. And they literally have two members which are their highest premium payers that taken together have about a million dollars in premium and a million and a half dollars in losses. And so literally those two companies, if they either got to a 60 percent loss ratio or if they left the group, would improve the loss ratio performance of the whole group seven points. And so it is a question of being, you know, pretty thoughtful about who's in and who's out, right? I described it to Janae (phonetic) and her team, it's a bit like a hiring decision, right? If you hire the right person, it's easy. If you hire the wrong person, it's not easy. And so there's something about just being thoughtful about who we enroll, right? So from my perspective, I think Retro is doing well. And the diversity of groups is important to us. We want to continue to support that. As Leslie said, we're looking for feedback about our outreach. You know, it's not a one size fits all kind of preposition. Across 42 Retro groups, everyone's needs are very different, and we're trying to, you know, rebalance to do that, and also, as I said, get us all to kind of a better baseline about where do we find ourselves and what does our meaningful support look like for all of the groups that we can sustain the program in the long term and sustain the diversity of membership in the program. We want it to be a good place for individual employers. We want to make sense. We want it to be a good place for members of groups to come. And so we just want to continue to foster that, you know, collaboration about how do we support you with data and other kind of expertise inside the department, whether that's the Insurance Services division or back to DOSH so that you can continue to be successful. We really appreciate your attendance and your attention. And we're wishing you all a very happy holiday.

Good of the Order

TAMMIE HETRICK: There's a pilot project being worked on. There's been a report to the House Labor Committee on it. And it has to do with the master level mental health therapist treatment. This is going to be very important to the Retro community. And so if we could have an update on where that's at for the next Retro Advisory Committee meeting, I think that would be important because it's really changing the dynamic of psych treatment and who can provide treatment and for what. And so we definitely need to be in the know on that.

TIM: Absolutely. We can absolutely do that, Tammie. Thank you. Is there a person or a program that we could maybe collaborate ahead of time so that we get the right person in the right program?

MIKE RATKO: I'll take care of that.

TIM: Thank you all for your support and happy holidays.

Meeting adjourned at 11:30 a.m.

Safety message – *presentation and remarks by Tammie Hetrick*

Winter months see a rise in carbon monoxide (CO) poisoning. CO is an invisible odorless colorless gas that is created when flues burn incompletely. Extremely high levels can be fatal causing death within minutes. Safety tips: Install CO alarms inside your home to provide early warning of carbon monoxide. CO alarms should be installed in a central location and on every level of the home and in other locations where required by applicable laws, codes or standards. For the best protection, interconnect all CO alarms throughout the home. When one sounds, they all sound... which is really annoying, but good. Follow the manufacturer's instructions for placing it at mounting height. Test the CO alarms at least once a month. Replace them according to the manufacturer's instructions. (I guess that's probably the big thing is we put them in, but then we forget to test them and make sure they're still working.) And if the audible trouble signal sounds, check for low batteries. If the battery's low, replace it. Have fuel burning equipment and chimneys inspected by a professional every year before the cold weather sets in. And when using a fireplace, make sure the flue vent is open for adequate ventilation. Never use your oven to heat your home. If you need to warm your vehicle, remove it from the garage immediately after starting it. Do not run a vehicle or other fueled engine or motors indoors even if the garage door is open. Generators should be used in a well-ventilated location outdoors away from windows, doors and vent openings. Only use barbecue grills outside. And if the CO alarm sounds, immediately move to fresh-air locations outdoor or by an open window or door. Make sure everyone inside the home is accounted for. Call for help from a fresh-air location and stay there until emergency personnel arrives. CO alarms are not substitutes for smoke alarms. And we do have handouts in the back if anybody's interested. I mean, I know all of these seem like common sense, but we hear every year about some nimrod who was barbecuing in his house because the power was out. So, obviously, it's not as common sense as you think.

Miscellaneous type claims and factors [*continued from page 21*]

SCOTT BRADLEY: If you talk about miscellaneous charges, and when a human looks at it, it seems like there's an automatic miscellaneous charge that's put on that reserve, which affects the LDFs on those claims. So why— I guess a couple of questions: Why is a miscellaneous charge put on there kind of automatically? And what can we do to get that off?

ROSE KOHLER: We try not to add a miscellaneous charge on there if it's not already a compensable claim. But when we're looking at it if we're anticipating they're going to go to an IME, there's going to be travel incurred with that. And so that's typically what seems to trigger that miscellaneous charge.

SCOTT: So that's kind of an assumption that there's going to be travel? Do you have a percentage of how many claims that go to an IME that there's travel—

ROSE: I don't have a hard and fast number on that.

SCOTT: It's a concern.

BILL: There's a little confusion about miscellaneous accident fund claims. What a miscellaneous accident fund claim *is* is a claim that doesn't have any time loss or PPD or pension benefits are either paid or reserved on it. You're looking at basically a medical only claim, except it has miscellaneous accident fund charges. What Rose is saying is she's <u>not</u> putting miscellaneous accident fund charges on a medical only claim; she's putting them on a time-loss claim. If you put miscellaneous accident fund reserve on a time-loss claim, it still remains a time-loss claim. So it'll get the time loss development factor. The same thing with the PPD claim. She puts a miscellaneous accident fund reserve on a PPD claim, it still remains a PPD claim. So, what she's doing isn't really affecting the type of claim, and it's not affecting the loss development factor applied to those claims.

UNIDENTIFIED MALE: That's not what we're seeing, Bill. We're actually seeing medical-only claims get hit with the miscellaneous costs. And so you take a $5,000— you take a $5,000 medical claim, and it all of a sudden has $200 in miscellaneous costs, and again, it's getting hammered. I mean, it's not just time loss. We understand that if it's a time-loss claim, you're going to get the time-loss LDFs. If it's a PPD claim, you're going to get the PPD LDFs. We're seeing medical claims get a miscellaneous. And then my staff's coming to me, and they're calling the reserve unit. And Rose, we're actually going to have a conversation later on. So they're calling the reserve unit, and what we're being told is "We're required to put this on." I mean, that's what we've been told.

TAMMIE: If I may, my understanding was that the 9.0000 development factor was to account for kept on salary. Because those claims have some skewed factor of what they may look like in the future. So, initially I thought that miscellaneous 9.000 for medical only was to somehow make up for the fact that it was a kept-on-salary (KOS) claim, that maybe they're KOS for those three years, but then once it's no longer in that retro period, the cost may go up, and so you're trying to account for that. I think our challenge is is that for us there may be some KOS, but we're not seeing those claims be exorbitantly expensive after that three-year period, but that miscellaneous has hit us significantly hard on that claim. So that's kind of I think where this all ties together and where the concern comes in.

BILL: Well, for claims that have miscellaneous charges, what we notice from our actuarial studies is those claims blow up and get larger on average. That's why, if we were to put the loss development factor in reserve, it could be in the 20's and 30's instead of capping which puts it below 10.0.

TAMMIE: But if it's a KOS, that's different than someone who got paid for travel to an IME. I mean, that's what we're seeing for us is it's more that's been developed by 9 because there was travel money in there, but it's not necessarily a KOS claim.

BILL: If there's actual *payments* of miscellaneous accident fund on a claim and the only other charges are medical only, it's a miscellaneous accident fund claim. It's not the case reserving that turned it into a miscellaneous accident fund claim, it's the actual charges, benefits that were actually paid on it. What I said was when we look at actuarial studies of those type of claims, they end up costing a lot more on average over the lifetime of these claims. If we were to actually use a loss development factor that wasn't capped, it would be much greater than 9.0000.

JESSICA WOODS: …miscellaneous charges from what I'm hearing from the room is that it is for travel and whatever else it may be. It seems to me that a travel expense is a very major level expense. And that cost should not go up at all. It's just a $200 miscellaneous charge. But when people are paying their quarterly payments, there's not a miscellaneous bucket. So where's this miscellaneous charges for travel, where is the money coming from and why are we being held even more so accountable at the capped 9 LDF versus the time loss 4 1/2 times? It seems like you're robbing Peter to pay Paul, and there's only so many buckets of money. So why is there a miscellaneous charge that is an absolute number that's not going to inflate versus a kept on salary or time loss or medical costs that are obviously going to go up in the scenario that you're explaining that anytime there is miscellaneous charges, then it just compound and compound, and then all of the other costs are going to go up. But the miscellaneous is an absolute. So I guess that's where I'm a little disconnected.

… So you're saying miscellaneous is not absolute? But it's just been said it's for travel and to an IME. What other miscellaneous charges would there be that would be? We wouldn't know what it was going to be…

BILL: There are other miscellaneous accident fund charges.

TAMMIE: There would have to be. I think that was an example.

BILL: There are voc charges as well.

LESLIE QUNELL: I have a recommendation to make. Maybe we can come back at a different RAC meeting and Rose can be a guest speaker and have material prepared. Rose, you're doing great. Thank you for answering the questions. But I feel like the room would be better served if we were able to like maybe have questions ahead of time that she can speak to, and then bring the materials to explain like their process as far as reserving and what they're looking at and that type of stuff. Does that seem fair?

SCOTT: Yes.

TIM: Does that work for people?

TAMMIE: Uh-huh.

MICHAEL COUTHRAN: I just wanted to clarify that the only thing that is multiplied by 9.000 is the miscellaneous charge; in case that was freaking anybody out. All the other charges are somewhat inflated over the medical aid LDF. But it's not 9.0000.

TIM: Thank you.

AMY EARLY: So our business does business in Ohio as well, and so some of my staff work in Ohio, and voc is not considered a negative thing in Ohio. I think because it's so highly developed in Washington as far as the cost, I think Retro freaks out. I guess the one thing I would like to ask is that this be visited by the department so that it doesn't have this negative connotation to it. You know, because we do freak out when voc gets assigned to the claim. I just hired a voc person in our firm to try and avoid department voc as much as possible because of this issue. But in comparison, Ohio, which is another state fund, has not developed the voc out that much. And so it's not considered by the employer community to be a negative. It's more of a partnership thing in Ohio. So just— I guess I'd like to challenge us in Washington to, you know, revisit this. Because it is creating that negative relationship between the voc community and Retro. And maybe that can be mitigated a little bit by not developing out by 9.

TIM: Thank you. I'm going to ask for the committee help here. I think what would make sense is if we kind of compile a list of questions or concerns, and then we can present those back to Rose and Bill and then have a more structured conversation as Leslie suggested.