

Improving Integrity and Accountability in the Workers' Compensation System

2017 Annual Report to the Legislature

January 2018

Table of Contents

Executive Summary	1
Introduction.....	4
Worker Fraud Investigations.....	5
Overview	5
Detection	5
Criminal and civil cases	5
Employer Fraud Investigations.....	7
Overview	7
Detection	7
Criminal and civil cases	9
Provider Fraud Investigations	10
Overview	10
Detection	10
Criminal and civil cases	11
Data sharing	12
Collections	13
Education and Outreach	15
Initiatives	17
Future initiatives	18
Conclusion	19
How to report fraud.....	19
Figures	
Figure 1: L&I investigations, FY 2017	6
Figure 2: Unregistered employer audits, FY 2010-2017	8
Figure 3: Premium Assessments, FY 2017	8
Figure 4: Types of health care provider fraud.....	10
Figure 5: Delinquent premiums collected, FY 2010-2017.....	13
Figure 6: Distribution of delinquent money collected, FY 2017.....	14
Figure 7: New employer reviews, by industry, FY 2017	15
Glossary of Terms	20

Executive Summary

The Department of Labor & Industries (L&I) provides information and services to help employers, workers and health care providers understand and comply with the requirements of Washington's workers' compensation system, and works to preserve the integrity of the workers' compensation fund. This is done to ensure money is available to pay for injured worker benefits and to help reduce premium costs for both workers and employers. The department uses discovery tools, interagency partnerships and public tips to find, detect and deter fraud in the workers' compensation system.

This annual report summarizes L&I's efforts to find and eliminate deliberate fraud in the workers' compensation system. As requested in state law (RCW 43.22.331), the report includes actual and estimated cost savings resulting from these activities where possible. It also describes L&I's efforts to provide targeted education and assistance to employers. It does not describe the results of L&I's investigations into employer practices regarding payment of minimum wage, overtime and other pay requirements, or meal and rest breaks.

In fiscal year (FY) 2017, L&I continued to ensure that employers, workers and providers realize that committing fraud can have serious consequences. The following are some of the department's key actions.

Worker fraud

Worker fraud generally involves someone collecting workers' compensation benefits to which they're not legally entitled. **Worker fraud involves any individual who obtains benefits through deliberate misrepresentation.**

In FY 2017, L&I completed 95 worker investigations of fraudulently claimed benefits, amounting to over \$1.9 million.

Employer fraud

Employer fraud occurs when an employer knowingly misclassifies employees in lower-cost rate classes, underreports worker hours, or fails to pay required premiums.

It is important to note that not all unpaid workers' compensation premiums identified through employer audits were the result of deliberate fraud; however, L&I is not always able to identify and separate figures in this report that represent intentional fraud. In FY 2017, L&I received close to 3,500 employer fraud leads. The resulting reviews and audits led to nearly \$28 million in assessments.

In FY 2017, L&I prevented and reduced employer fraud in the following ways:

- Audited nearly 3,500 employers, of which 993 were unregistered employers.
- Through employer audits, identified a total of nearly \$28 million* in workers' compensation premiums owed. Improved audit selection enabled the department to focus on employers

most likely to owe premiums, which resulted in finding that 80 percent of audited employers owed debts to L&I.

- Collected \$178.8 million in delinquent employer premiums.*
- Completed five criminal employer fraud investigations.
- Reviewed nearly 4,200 public works contracts worth \$7.6 billion to ensure workers' compensation premiums were paid.

*These dollar amounts include collections due to both fraud and standard collection practices.

Provider fraud

Health care provider fraud is any scheme to obtain payment from L&I fraudulently -- for example, billing for more than 24 hours in a day, or billing a 15-minute appointment as a full hour.

In FY 2017, L&I identified nearly \$675,300 in provider overpayments, of which more than \$367,000 was identified as potential fraud.

Collections

L&I's Collections Program gets involved when employers, workers, or providers are delinquent in paying money they owe to L&I. The program tracks down debtors and collects what's owed -- whether it's workers' compensation premiums, overpayments to providers or injured workers, or penalties. The program also collects and distributes unpaid wages owed to workers. In FY 2017, L&I collected a total of \$199 million in delinquent money, of which \$178.8 million came from employer premiums.

Return on Investment

In FY 2017 L&I employed 277 FTEs in detecting, investigating, and taking enforcement action against workers' compensation fraud. For every dollar spent on these efforts, L&I returned \$10.99. (Note: Return on investment compares operating costs to the money recovered, money collected and expenses avoided during the year. Operating costs include salaries, benefits and capital outlays.)

Education and outreach

L&I also offers extensive training programs, direct customer service, and awareness campaigns that promote compliance and prevent fraud by making sure customers understand and follow the rules.

Helping businesses reduce reporting mistakes and understand the laws and rules they must follow allows L&I to focus its investigation and enforcement activities on businesses that intentionally undermine the system.

In FY 2017, L&I offered a wide array of programs and services with this goal in mind, including:

- New employer reviews (instructional-only audits to help employers with reporting and recordkeeping)
- Contractor training days

- Agricultural Business Day (training for small agricultural businesses about how to comply with laws)
- Introduction to L&I workshops
- Provider outreach to help health care providers understand L&I's billing and documentation requirements

Initiatives

L&I continues to implement new and innovative ways to identify and prevent fraud. The agency's labor and business stakeholders, as well as the legislature, will remain valued partners in these efforts.

In last year's report, L&I identified three objectives and initiatives for 2017 related to deterring, detecting and prosecuting workers' compensation fraud. Two initiatives are still pending or ongoing, and one has been restructured. The status of each project is given in the *Initiatives* section of this report (page 17).

In FY 2018, L&I will continue pursuing workers' compensation fraud in the following ways:

- Develop and enhance relationships with key partner groups to improve overall effectiveness of workers' compensation claim investigations
- Explore developing data analytics to select high probability case leads for worker fraud investigations

Introduction

Workers' compensation fraud comes in three forms: employers who fail to pay their workers' compensation premiums, employees who make false injury and disability claims, and health care providers who bill dishonestly.

Cheating the workers' compensation system is not a victimless crime. Fraud drives up costs in the workers' compensation system. Both employers and workers pay insurance premiums into the system – and they all pay the price if costs are unnecessarily high due to fraud.

Impact to honest employers

Employers that don't comply with business regulations and laws have lower costs, giving them an unfair advantage over other businesses. By not paying for workers' compensation or other taxes, licenses and wages required by law, these employers are able to charge less. This raises costs for legitimate businesses because there are fewer businesses to cover the full costs of the system.

Impact to workers and the public

Higher premium rates resulting from fraud cut into workers' wages, lower business profits, and increase prices for consumer goods and services. Taxpayers are unduly burdened as workers are misclassified or left without employer-provided workers' compensation benefits.

The Department of Labor & Industries' (L&I's) first priority is to prevent deliberate fraud by offering access to services, information, and training that help employers, providers and workers comply with requirements. But the department also protects the public's interests through an integrated array of programs focused on deterring, detecting, and prosecuting fraud, and ensuring compliance in the workers' compensation system.

This report begins by describing worker fraud and how L&I detects and prosecutes it. Later chapters describe these same efforts when fraud is committed by employers and medical providers. Subsequent chapters discuss how L&I collects past-due debt, averts fraud through education and outreach, and implements innovative programs and tools.

Workers' compensation is a form of insurance that provides medical treatment, wage replacement, and other disability benefits when workers are injured or suffer a work-related illness. About 177,000 employers and 2.8 million workers are covered through L&I (the state fund), and share risk by paying premiums to fund the system.

Insurance premiums are based on the risk associated with the type of work employees perform. This is done by assigning certain "risk classes" to employers.

In addition to the assigned risk class(es), **premium rates** are adjusted for each individual employer based on the number of injuries and worker hours the employer reports. This is referred to as the employer's "experience factor." Hazardous work activities with an increased risk of injury require a higher premium rate through the risk class. Companies that experience more costs for workplace injuries will pay higher rates within the class, and those with lower costs will pay less.

Worker Fraud Investigations

OVERVIEW

Worker fraud generally involves any individual collecting workers' compensation benefits to which they're not legally entitled, or [obtaining benefits through deliberate misrepresentation](#).

[Fraud investigations may result in workers having to repay benefits and, in some cases, face criminal convictions](#). Investigations do more than identify debts owed to L&I; they also help avoid unnecessary expenses. When an investigation determines someone is not entitled to workers' compensation benefits, L&I stops paying benefits to the worker. L&I estimates that over \$2.3 million in future workers' compensation costs were avoided through these efforts during fiscal year (FY) 2017.

DETECTION

L&I's Detection and Tracking Unit (DTU) within the agency's Investigations program is responsible for identifying and preventing fraud and abuse within the injured worker claim system. The unit uses a variety of resources and tools to detect fraud. Employees review individual claims and assess the potential for fraud by analyzing multi-agency, cross-matched resources and data. They also review tips from the public and share them among internal programs.

In FY 2017, the DTU evaluated a total of over 5,800 claims. As a result of these evaluations, 3,150 investigations were conducted. Fraud was found to have occurred in 95 instances, amounting to over \$1.9 million in overpayments and penalties. The evaluations also found non-fraudulent overpayments amounting to over \$765,000.

Public tips were the source of 778 of the 5,800 claim reviews done in FY 2017. These 778 claim reviews led to 273 investigations. Fraud was found to have occurred in 52 of these investigations, with 34 resulting in penalties for willful misrepresentation.

CRIMINAL AND CIVIL CASES

In FY 2017, investigators referred 12 worker fraud cases to the Office of the Attorney General and local prosecutors. Of these, six resulted in criminal charges.¹

L&I received restitution orders in the amount of over \$356,000 as a direct result of criminal referrals.

[If an initial review of a tip received about potential workers' compensation fraud suggests inconsistencies, staff refers the tip to L&I's Investigations program. Fraud adjudicators in this](#)

¹ Criminal prosecution and adjudication can take several months. For this reason, several referrals made during the fiscal year are still in pending status and are currently being reviewed.

program gather evidence and, when appropriate, issue Administrative Fraud Orders (AFOs) to recover money paid in fraudulent benefits. In FY 2017, investigators issued 75 worker fraud AFOs totaling more than \$1.2 million.

L&I investigators conduct the following types of investigations:

- **Activity:** Activity checks investigate the current level of a worker’s activities to see if he or she is still injured or if their activities exceed the documented medical condition. This type of investigation seeks to determine if the injured worker is still unable to work.
- **Validity:** Validity checks examine the facts surrounding a claim for benefits – for example, whether an injury is the result of a work-related accident.
- **Fraud due to worker misrepresentation:** These investigations result when a worker receives benefits, such as wage-replacement funds and medical treatment, by intentionally misrepresenting themselves to their attending physician and L&I in order to continue receiving benefits they would otherwise not be entitled to. An example is a person working under the table while continuing to receiving benefits – usually wage-replacement funds.
- **Claim reopening:** Although infrequent, these investigations are conducted to ensure that there have been no intervening incidents, such as traffic accidents or other insurance claims for the same type of injury, between the time the claim was closed and the request for reopening of the claim.
- **Other:** Other investigations can result from requests by claim managers who need information to manage a claim. Examples include retrieving medical records or checking to see if an individual is in jail.

Figure 1 shows the types of worker fraud investigations L&I conducts, and the number conducted in FY 2017. Following more than 5,800 claim evaluations, 3,150 investigations were conducted. The most common are activity investigations that verify whether an injured worker is still unable to work.

Figure 1: L&I investigations, FY 2017

Type of referral	Number of referrals
Activity	1,732
Other	811
Validity	561
Fraud	41
Claim reopening	5
Total	3,150

Source: L&I Investigations

Employer Fraud Investigations

OVERVIEW

Employer fraud occurs when an employer knowingly misclassifies employees in lower-cost rate classes, underreports worker hours, or fails to pay required premiums. Employer fraud cases are investigated by both auditors and investigative staff. Some examples of employer fraud include:

- Operating a business without the proper license
- Paying workers in cash with no payroll records
- Intentionally underreporting workers
- Treating workers as independent contractors (failing to cover workers with industrial insurance)

Employers that commit fraud can incur large assessments and penalties and may be criminally prosecuted.

In FY 2017, the Investigations program initiated seven criminal cases. These are special cases where there are allegations of employer misconduct, such as failure to secure industrial insurance for employees, continuing to employ workers after their certificate was revoked, or violations of other criminal statutes pertaining to employers. Referrals primarily come internally from collections activity, audits, and the Contractor Compliance program. Though the number of these cases is not large, these cases require the highest investment of time due to their complexity.

DETECTION

Twelve years ago, fewer than half of employers audited were found to owe premiums to L&I. Since then, L&I has improved its detection and targeting capabilities, resulting in increased detection of employers who owe premiums, as well as fewer compliant employers being audited.

To identify businesses most likely to owe premiums, L&I uses tips from the public, shares data and information with other agencies and interested parties, and makes use of available data to send audit resources to the right businesses. Improved detection methods ensure L&I targets and actively pursues the employers most likely to commit fraud, which also saves time and trouble for employers who follow the rules. In FY 2017, L&I received more than 3,400 employer fraud leads. The resulting reviews and audits led to more than \$28 million in assessments.

Of the more than 3,400 employer audits completed in FY 2017, 80 percent owed money to L&I. L&I assessed nearly \$28 million in premiums found through these audits. [Since 2010, the number of audits of unregistered businesses has increased by 65 percent, as shown in Figure 2. During that time, the amount of premiums assessed has increased each year until FY 2016, and is now leveling out. As shown in Figure 3, about 38 percent of the assessments in FY 2017 involved unregistered employers.](#)

Figure 2: Unregistered employer audits, FY 2010-2017

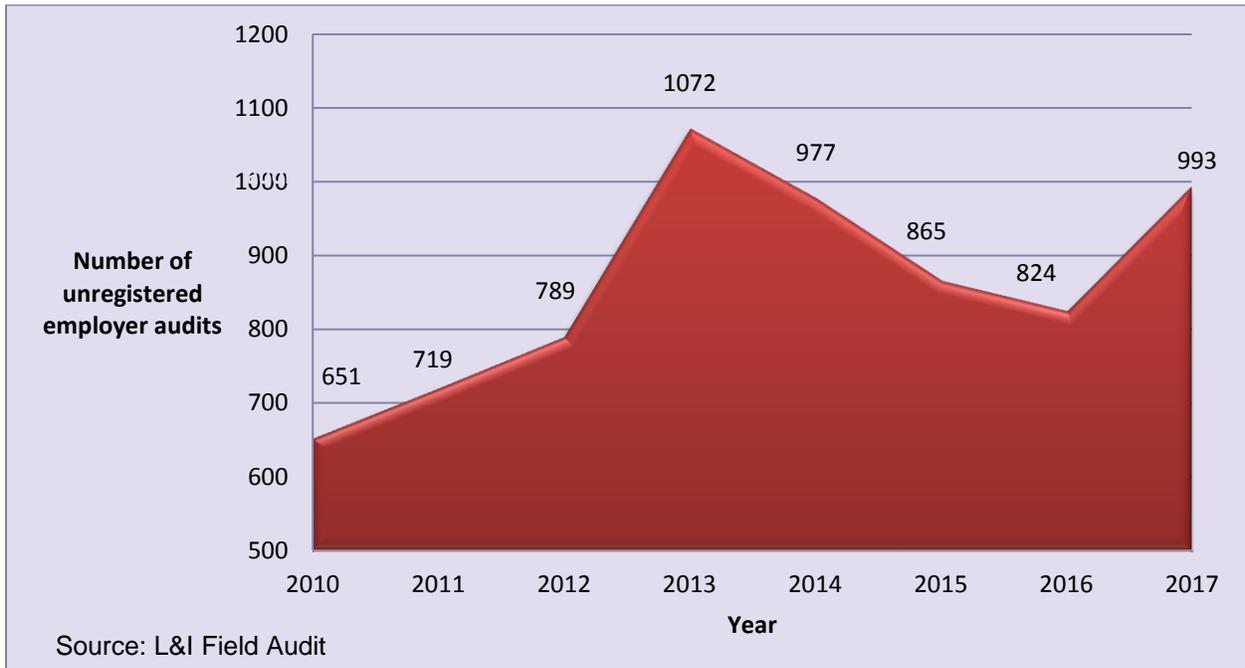
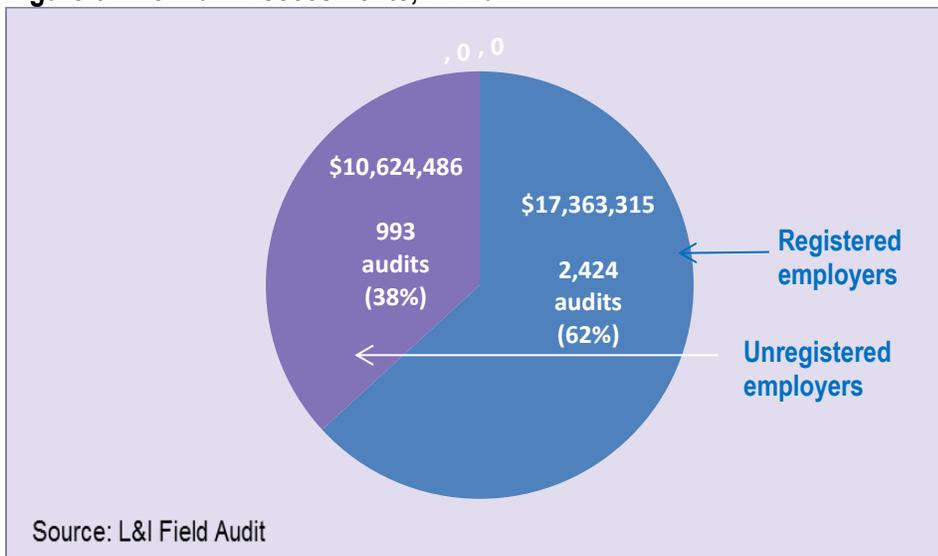


Figure 3: Premium Assessments, FY 2017



Field audits

Audits are an important tool to ensure employers report their worker hours correctly and pay appropriate workers’ compensation premiums. L&I has a standard audit process that includes checking business records, conducting interviews, and verifying the number of workers reported and that all hours are reported in the correct risk class.

Field audits are conducted by auditors located in field offices throughout Washington. After completing an audit, L&I performs a closing conference with the employer. This typically is a phone conversation, but may be an in-person meeting. In the closing conference, auditors supply educational materials and explain how to improve record-keeping. This post-audit conference is an important part of the process and is required on every audit. It provides employers with an opportunity to better understand the reporting process. It's also a chance to answer employer questions, which helps prevent recurring problems.

Public works contracts

L&I reviews every public works project worth more than \$35,000 to determine whether appropriate workers' compensation premiums were paid. On these projects, the final five percent of payments is withheld until certain tax payments are verified. This ensures that contractors follow the law and pay taxes, including any workers' compensation premiums owed to L&I. While this process of withholding contract payments is also used to pay any wages owing, that information is not included in this workers' compensation-focused report.

In FY 2017, L&I reviewed nearly 4,200 public works contracts, valued at nearly \$7.6 billion. L&I found \$2 million in debt owed for work on public projects during the year.

If, while reviewing a public works project, L&I discovers a contractor owes workers' compensation premiums for other types of projects, the department may pursue those debts as well. In FY 2017, L&I recovered nearly \$3.2 million in debt discovered through public works contract reviews.

L&I also works with contractors to resolve unintentional reporting discrepancies. If there is a problem, contractors can voluntarily amend their company's workers' compensation reports and make the required payments. However, not all cases are resolved voluntarily; a small number require an audit. In FY 2017, more than 30,700 account reviews were completed; 63 of those were audited, and 99 percent of the audits revealed debt owed to L&I.

CRIMINAL AND CIVIL CASES

Criminal cases

While rare, a criminal case may be filed against an employer for the most egregious actions. Vital support for these cases comes from two full-time assistant attorneys general who help develop cases of employer workers' compensation abuse for criminal prosecution.

In FY 2017, L&I forwarded three referrals of employer fraud to the Attorney General's Office. All three cases were charged criminally.

Civil cases

Civil misrepresentation penalties occur when employers intentionally misclassify or underreport employees for workers' compensation insurance. In FY 2017, L&I assessed 34 misrepresentation penalties, totaling over \$750,000. This was in addition to workers' compensation premiums owed.

Provider Fraud Investigations

OVERVIEW

Medical professionals serve the public to make a difference in the health and well-being of the community in which they provide services. Most ensure the needs of the patient are met with integrity and honesty; however, some provider fraud does occur.

Provider fraud is any scheme to obtain payment from L&I that was not earned. L&I has one employee dedicated to examining records for inconsistent billing patterns and reviewing leads from the public. Examples include billing for more than 24 hours in a day, and “upcoding” (for example, billing a 15-minute appointment as one hour).

Figure 4 shows eight common types of provider fraud, in no particular order.

Figure 4: Types of health care provider fraud

Billing for services not rendered
Billing for a non-covered service as a covered service
Misrepresenting location of service (billing for treatment services while in a separate physical location)
Misrepresenting provider of service
Incorrect reporting of diagnosis or procedures (includes unbundling)
Overutilization of services
Corruption (kickbacks and bribery)
False or unnecessary issuance of prescription drugs

Source: L&I Investigations

DETECTION

L&I receives referrals that help detect provider fraud from both internal and external sources, including: injured workers, other medical providers, other agencies, claim managers, and staff responsible for paying medical bills. In FY 2017, there were 227 referrals to L&I about suspected provider fraud.

L&I’s one-person detection unit served as the sole statewide resource dedicated to detecting improper billing and fraud by medical providers in FY 2017. After reviewing all 227 providers referred for suspected fraud, this employee identified more than \$1.1 million in estimated improper payments and referred 51 providers to provider fraud investigators.

CRIMINAL AND CIVIL CASES

Criminal cases

Criminal provider investigations are typically complex and labor-intensive. In FY 2017, L&I did not refer any cases to prosecutors for potential criminal charges.

Civil cases

Civil cases rely on lower evidentiary standards and are more common than criminal cases. In workers' compensation civil cases, L&I focused on private sector rehabilitation services, provider credentialing, and improper billing.

L&I's Provider Quality and Compliance (PQC) Unit audits providers' medical billing for services paid for by the state workers' compensation fund. The purpose of the audits is to notify providers of any violations identified regarding applicable laws, regulations, and L&I policies that affect the billing and reimbursement for services provided to injured workers. The audits also enforce compliance with L&I's medical aid rules and fee schedules. In FY 2017, the program completed a total of 113 medical provider reviews and assessed nearly \$675,300 for improper billing, penalties, and recovery of money owed – not all of which was fraud-related.

In FY 2017, L&I issued five orders and notices of violations for fraudulent overpayments, with penalties and interest amounting to nearly \$367,000 of the total \$675,300 assessed. These efforts helped avoid an estimated \$2.23 million in costs due to fraudulent activity.

Data Sharing

In addition to L&I staff detection efforts, sharing and cross-matching L&I data with data from other agencies and organizations helps catch inconsistent reporting or duplicated claims that may indicate worker, employer or provider fraud. Here are some ways L&I is using data-sharing in its fraud-fighting efforts:

Cross-agency collaboration

L&I shares information with the Department of Revenue (DOR) and Employment Security Department (ESD). When any of the agencies finds businesses or individuals that may need to be investigated, they send referrals or share and cross-check data. In FY 2017, the three agencies exchanged over 64,000 pieces of data through electronic data transfers.

In addition to sharing information with DOR and ESD, L&I and the Washington State Department of Corrections (DOC) have an interagency data sharing agreement. DOC cross-matches reports of injured workers confined in Washington state prisons. L&I reviewed a total of 230 DOC claims in FY 2017. Of these, six were investigated.

Coordinated Enforcement Pilot Project

The Coordinated Enforcement Pilot Project (CEPP) is a focused effort to collaborate and coordinate with the Attorney General's Office (AGO), other L&I divisions, and regional offices across the state to identify and take significant actions against the worst violators of all laws that L&I enforces. The goal of the pilot is 25 significant civil or criminal actions by 2020 against entities that violate multiple laws administered by L&I.

This project has three components: detection, enforcement, and communication. The agencywide effort will focus on a comprehensive enterprise approach to improve the identification of bad actors, decrease the number of bad actions, and increase public awareness that L&I targets bad actions. The CEPP aims to leverage and replicate L&I's existing best practices and foster new kinds of partnerships among L&I's divisions and regional field staff. It may also include a partnership with the AGO when appropriate.

Collections

L&I's Collections program gets involved when employers, workers or providers are delinquent in paying money owed to L&I. The program tracks down debtors and collects what's owed – whether workers' compensation premiums, overpayments to providers or injured workers, or penalties. While the program is also responsible for collecting other types of debt on behalf of other L&I programs, this report only addresses workers' compensation-related collections.

Figure 5 shows collections for delinquent workers' compensation premiums over the past five fiscal years. Collections may fluctuate based on a combination of factors, including the economy.

Figure 5: Delinquent premiums collected, FY 2013-2017²

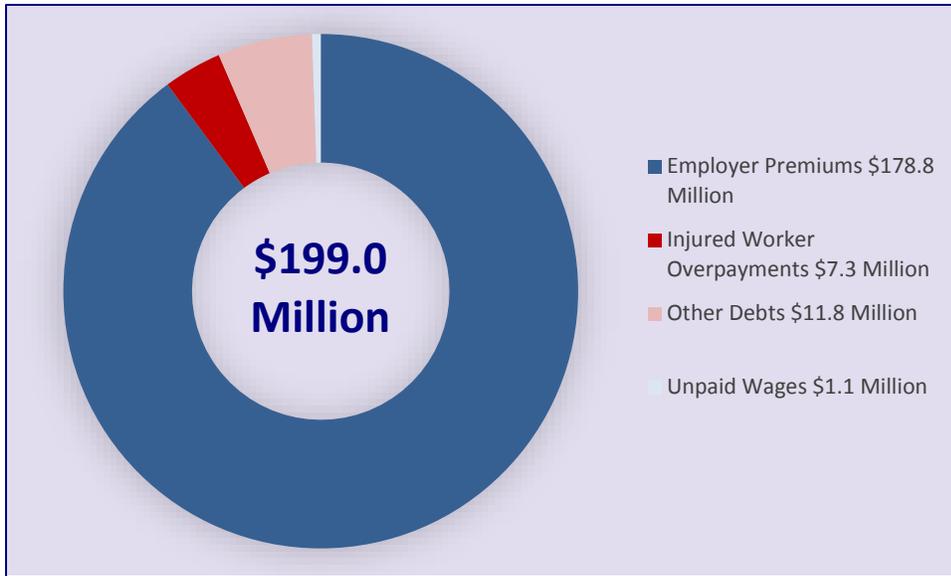


Source: L&I Collections

² The figure featured for FY 2016 in this report is a corrected figure from the previous year's report. The previous year reported \$191 million for FY 2016, but that was the total amount collected and not just delinquent employer premiums.

Figure 6 shows the sources of money collected. Employer premiums account for the vast majority of collections, more than \$178.8 million of the total \$199 million collected in FY 2017.

Figure 6: Distribution of delinquent money collected, FY 2017



Source: L&I Collections

* “Other debts” includes unpaid penalties, safety and health citations, Right-to-Know billings and Retrospective Rating Program billings.

Education and Outreach

L&I wants to help employers, workers and medical providers be proactive in their approach to workers' compensation, and avoid making mistakes that are costly for them and the workers' compensation system – and that can potentially lead to fraud. Helping businesses reduce reporting mistakes and understand the laws and rules they must follow makes it easier for them to do business with L&I, and allows L&I to focus investigation and enforcement activities on businesses that intentionally undermine the system. The department offers a wide array of programs and services with this goal in mind.

New employer reviews

To help business owners, L&I offers new employer reviews in the form of instructional audits. These are available to businesses that have been operating for at least six months. They are designed to teach new businesses about reporting and recordkeeping without the threat of penalties or fines. They help establish a relationship between the new employer and L&I, connecting individual employers with designated points of contact. Employers can ask L&I questions and learn the requirements specific to their industries. Ultimately, this avoids long-term misreporting and expensive mistakes.

In FY 2017, L&I conducted more than 650 new employer reviews. Figure 7 shows the percentage of new employer reviews for each of the target industries. The construction industry accounts for the highest percentage, mainly because it is among the first to rebound when the economy improves.

Figure 7: New employer reviews, by industry, FY 2017

Industry	Percentage
Construction	73%
Janitorial	14%
Service & repair	2%
Property management	4%
Trucking	5%
Delivery	2%

Source: L&I Field Audit

Contractor training

L&I invests considerable effort in helping all businesses, including construction contractors, understand their legal obligations. The department educates contractors on almost every aspect of their business and provides an introduction to L&I during Contractor Training Days. At these events, which are highly rated by participants, attendees can learn how to properly report and pay workers' compensation insurance, keep a safe workplace, market their business, write an effective contract, and more. L&I makes it easy for contractors to register, with online step-by-step instructions and explanations of laws and rules. In FY 2017, over 1,600 contractors were trained at eight events statewide.

Workers' Compensation Coverage Determination

The Workers' Compensation Coverage Determination Unit was created in response to a request from the employer community for the ability to determine coverage for workers' compensation insurance without having an assessment. This unit allows an employer or business to get assistance from L&I by submitting a written request for guidance on workers' compensation issues or on whether an independent contractor would be considered a covered worker in certain circumstances. The unit makes it easier to do business with L&I by combining the education of individual employers into one program, both benefitting the employers and providing consistency in the education provided. In addition, it helps bring businesses into compliance before any reporting errors are found during an audit.

Agriculture Business Day

Partnering with several other state agencies and colleges, L&I held its third Agriculture Business Day in November 2016. More than 59 small agricultural businesses in Washington participated to learn about labor contractor rules, break and meal periods, workers' compensation insurance, taxes, safety of minor workers, and much more.

Provider outreach

L&I offers workshops and other assistance to help providers understand the department's billing and documentation requirements and the Medical Provider Network for injured workers. Step-by-step instructions and examples are provided, such as when to send a corrected claim or when to adjust a bill. Outreach staff provide hands-on demonstrations of how to use L&I resources and, most importantly, allow providers to ask questions about their specific billing needs. In addition, L&I provides an online outlet for provider questions at ProviderFeedback@LNI.WA.GOV.

Introduction to L&I workshop

L&I offers all new employers an "Employer's Introduction to L&I" workshop. These are held across the state and were attended by more than 500 new businesses in FY 2017. Beginning in March 2017, 141 attendees participated in a self-evaluation in order to measure the difference the workshop made in their understanding of workers' compensation, claim management, safety and health, and wage and hour requirements. Averaged across all four categories, 36 percent of respondents rated their understanding as good or excellent prior to the workshop; this increased to 90 percent after the workshop.

Initiatives

Below is a summary of the status of L&I’s FY 2017 objectives and initiatives:

Objective	Status
<p>A Special Investigations Unit (SIU) was created by repurposing other positions to investigate and develop cases for criminal prosecution relating to workers’ compensation, wage and hour laws, safety and health violations, construction compliance, and prevailing wage laws.</p>	<p>Not funded in FY 2015. Initiative was restructured as the “Coordinated Enforcement Pilot Project,” discussed on page 14</p>
<p>Implement an agencywide effort to analyze current compliance efforts, including fraud, wage enforcement, and safety; to analyze effectiveness of current escalation strategies and deterrents; and to employ strategic data analysis, identify trends, and develop customized solutions.</p>	<p>Ongoing – Strategic analysis of activities and data occurring in each program with compliance responsibility</p>
<p>Enhance L&I’s ability to enforce consequences for egregious intentional violators by reviewing processes and eliminating gaps in pursuing criminal prosecutions.</p>	<p>Ongoing</p>

FUTURE INITIATIVES

L&I will continue to aggressively pursue fraud and abuse in the workers' compensation system. The department will employ the following strategies in FY 2018:

- Continue developing enterprise systems and solutions to improve results in addressing intentional violators through the "Results L&I" initiative's Goal 4 focus. This will ensure a consistent agencywide approach to compliance that is effective in both finding and deterring bad actors.
- Launch the "Escalating Enforcement: Employer Premiums" project, a tool to help L&I staff provide the right information, assistance, and consequences to employers at the right time so that employers pay the premiums they owe. It ensures that the agency response is appropriate to the employer's action, and that there is a consistent application of consequences.
- Further implement and support the Special Investigations Unit, focusing on repeat bad actors across numerous program areas. This will make permanent the effort initiated with the Coordinated Enforcement pilot project.

Conclusion

Educating employers, medical providers and workers about their rights and responsibilities in the workers' compensation system is a top priority at L&I. Fighting fraud when education is not enough is also a priority. The department is undertaking a range of initiatives – including increased innovation, regulatory actions and collective resources – to bolster the fight against fraud while producing measurable results. Moving forward, L&I remains engaged with stakeholders to develop new methods for combating the underground economy in the construction industry.

In FY 2017, L&I employed about 277 FTEs to detect, investigate, and take enforcement action on workers' compensation errors and fraud. For every dollar spent on these efforts, L&I returned \$10.99. In other words, it costs about nine cents to collect a dollar of debt

ANYONE CAN REPORT FRAUD; HERE'S HOW

Anyone can help stop workers' compensation fraud by reporting situations that may be fraudulent, and by telling others how to report:

- Fraud Hotline: 888-811-5974
- Report a Contractor: www.reportacontractor.Lni.wa.gov
- Fraud Website: www.Fraud.Lni.wa.gov

Employers can help state government detect workers' compensation and unemployment insurance fraud by workers. Report newly hired workers at www.dshs.wa.gov/newhire. The information will be shared with L&I and the Employment Security Department to ensure employed workers aren't claiming benefits they're not entitled to receive.

Glossary of Terms

- **Assessment** – A dollar amount identified as owed and payable to L&I, including premiums, overpaid benefits, penalties and interest.
- **Audit** – An official review of accounts and legally required business records.
- **Benefit** – The medical coverage and/or wage replacement received by an injured worker.
- **Cost avoidance** – The amount of benefits that would have been paid to a claimant found to have committed fraud. Costs recouped from inappropriate medical billing are not usually included in this term.
- **Employer** – Any person or business engaged in work in Washington covered by the state’s Industrial Insurance Act and employing or contracting with one or more workers.
- **Fiscal year** – Washington state government defines a fiscal year as the period from July 1 through June 30. For purposes of this report, all years displayed are fiscal years.
- **Fraud** – A willful misrepresentation of facts for profit or to gain unfair advantage.
- **Lead/tip** – Potential fraud reported to Labor & Industries for investigation.
- **Premium** – Amount to be paid by employers and employees for workers’ compensation coverage.
- **Provider** – Any person or legal entity providing any kind of services for treating an industrially injured worker.
- **Referral** – A verified lead that is forwarded for an investigation, audit or other action.
- **Underground economy** – Businesses or individuals who fail to either record, report or register a significant part of their business activities with the proper authorities as required by law.
- **Worker** – An individual hired to work for compensation who, through employment, is covered under workers’ compensation laws.
- **Workers’ compensation/industrial insurance** – A form of no-fault insurance providing medical benefits and wage replacement to workers injured on the job.