

Improving Integrity and Accountability in the Workers' Compensation System

2020 Annual Report to the Legislature

Publish Date: July 2021

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Executive Summary

This annual report summarizes the Department of Labor & Industries' (L&I) efforts to find and eliminate deliberate fraud in the workers' compensation system among workers, employers and health care providers. It describes L&I's efforts to provide targeted education and assistance to employers and, as directed in state law (RCW 43.22.331), includes actual and estimated cost savings resulting from the agency's investigations into workers' compensation fraud. This report does not address L&I's investigations into employer practices regarding payment of minimum wage, overtime and other pay requirements, or meal and rest breaks. Results of those investigations are included in other reports.

Education and outreach

L&I offered a wide array of programs and services in Fiscal Year (FY) 2020 to help businesses reduce reporting mistakes and understand applicable laws and rules, including:

- Contractor training days
- "Introduction to L&I" workshops
- Outreach to health care providers to help them understand L&I's billing and documentation requirements
- Webinars and e-learning modules
- Early contact calls to employers who have a time loss claim

Using Lean principles, L&I created standardized processes for new employers opening new industrial insurance accounts. A key focus is outreach to businesses via phone and/or email to ensure that the correct premium rates are being charged, and to educate businesses about quarterly reporting requirements.

Identifying and addressing fraud

L&I confronts industrial insurance fraud in three key areas: Among *Workers*, *Employers* and also those *Providers* who care for or train injured workers. Along with pursuing both civil and criminal charges, the department also intervenes on behalf of injured workers who may be discriminated against for filing a workers' compensation claim or whose employer knowingly suppresses the filing of an injury claim.

March of 2020 marked the beginning of the global COVID Pandemic. In the last quarter of FY 2020 (April-June) the team shifted to supporting statewide priorities related to workplace violations as a result of COVID-19 resulting in lower final figures during this fiscal year.

Worker fraud

In FY 2020, L&I completed more than 2,700 investigations into potential worker fraud, including 96 investigations of fraudulently claimed workers' compensation benefits, amounting to savings of over \$3.7 million.

Cost savings from worker fraud investigations

L&I's actions to deter and detect worker fraud help ensure that money is available for injured worker benefits, and help reduce workers' compensation costs for both workers and employers.

Cost savings due to overpayments discovered through investigations amounted to over \$177,600. Additional cost savings from fraud investigations totaled close to \$5 million, and those from non-fraud investigations totaled more than \$87,000. Total cost savings directly associated with investigations were over \$5.2 million.

Employer fraud

L&I received nearly 4,200 leads related to potential employer fraud in FY 2020. The resulting reviews and audits led to over \$26 million in additionally assessed premiums, penalties and interest.

To reduce and prevent employer fraud in FY 2020, L&I:

- Audited more than 2,200 employers, over 700 of which were unregistered employers
- Identified over \$26 million* in workers' compensation premiums owed through employer audits. L&I has improved its audit selection procedures over the last several years, enabling the department to focus on employers most likely to owe premiums. This resulted in finding that 74 percent of audited employers owed debts to L&I in FY 2020.
- Completed 13 criminal employer fraud investigations.
- Reviewed nearly 4,520 public works contracts worth \$6.9 billion to ensure workers' compensation premiums were paid

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

Provider fraud

This unit addresses fraud allegations among those entrusted to help injured workers, including claims related to medical or therapeutic care, vocational training or language interpretation. L&I identified nearly \$3.4 million in health care provider overpayments in FY 2020 and referred 12 providers to provider fraud investigators for further action.

Collections

In FY 2020, L&I collected a total of \$216.9 million in several different delinquent funds, of which \$199.5 million came from employer premiums. Other sources of this delinquent money include the Retrospective Rating program, Washington Industrial Safety and Health Act (WISHA) citations, contractor infractions, the Merit-based Incentive Payment System (MIPS) for provider payments, claims overpayments, the Wage Payment Act and Third-Party claims.

Measuring return on investment into the fraud program

Each year, the department is asked to identify the return on investment of fraud detection and elimination. 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.

In FY 2020, L&I employed 265 FTEs in detecting, investigating, and enforcing action against workers' compensation fraud. For every dollar spent on these efforts, L&I returned \$8.87 to employers, workers and medical providers.

Initiatives and future actions

In previous reports, L&I identified objectives and initiatives for 2019 and 2020 related to deterring, detecting and prosecuting workers' compensation fraud. As of the writing of this report, two initiatives are still pending or ongoing and one has been restructured. The status of each project is shown in the *Initiatives* section of this report on page 21.

In FY 2021, L&I will continue its existing efforts to pursue workers' compensation fraud by:

- Developing and enhancing relationships with key partner groups to improve overall effectiveness of workers' compensation claim investigations
- Exploring ways to develop data analytics to select high-probability case leads for worker fraud investigations
- Partnering with other programs and agencies on significant "bad actor" businesses who are severely out of compliance across the varied lines of business
- Collaborating with other federal, state, and private investigation groups to identify provider investigations with common themes
- Focusing efforts with claims management to provide information that assists in returning workers to work, thereby avoiding long-term work disability

Introduction

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. The goal is 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 detect and deter fraud in the workers’ compensation system. In the most egregious cases, the department moves to criminal prosecution.

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 or vocational **providers** who bill dishonestly.

Cheating the workers’ compensation system is not a victimless crime. Fraud drives up costs. 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 businesses that do comply. 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 legitimate 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.

In this report

This report describes how L&I detects and prosecutes fraud committed by workers, employers and medical providers. It also explains how L&I collects past-due debt, averts fraud through education and outreach and implements innovative programs and tools to combat fraud.

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 182,000 employers and 3 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

In general, any individual collecting workers' compensation benefits to which they're not legally entitled, or obtaining benefits through deliberate misrepresentation, is committing worker fraud.

Fraud investigations may result in workers having to repay benefits and, in some cases, face criminal charges. Investigations do more than identify debts owed to L&I; they also help avoid unnecessary expenses to the system. When an investigation determines someone is not entitled to workers' compensation benefits, L&I stops paying benefits to the worker. Investigations often uncover vital information that enables better claim adjudication decisions and helps workers return to work, avoiding workplace disability. L&I estimates that over \$5 million in future workers' compensation costs were avoided through these efforts during fiscal year (FY) 2020.

DETECTION

L&I's Detection and Tracking Unit (DTU) identifies and prevents fraud within the injured worker claim system using a variety of resources and tools. 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 2020, the DTU evaluated more than 5,500 individual workers' compensation claims. These evaluations led to over 260 investigations; of those investigations, 27 found that fraud (willful misrepresentation) occurred. As a result, L&I collected nearly \$1.35 million in overpayments and penalties. The evaluations also found non-fraudulent overpayments amounting to over \$108,500.

Public tips were the source of nearly 600 of the more than 5,500 claim reviews done in FY 2020. These led to over 140 investigations.

CRIMINAL AND CIVIL CASES

In FY 2020, investigators referred 11 claimant fraud cases to the Office of the Attorney General (ATG) for consideration of prosecution. Eight of these cases remain in a pending status awaiting charging decisions. The Attorney General's Office declined to file charges on the remaining three. During this reporting period, the ATG filed criminal charges on two cases.

For civil cases, 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. This team gathers evidence and, when appropriate, issues Administrative Fraud Orders (AFOs) to recover money paid in fraudulent benefits. In FY 2020, Fraud Adjudicators issued 69 worker fraud AFOs, which recovered more than \$2.2 million.

L&I investigations include:

- **Activity checks** in which the current level of a worker’s activities is reviewed to see if he or she is still unable to work
- **Validity checks** of the facts surrounding a claim for benefits to ensure the claim is legitimate (for example, determining whether the injury was the result of a work-related accident)
- **Fraud due to intentional misrepresentation** of injuries by a worker in order to continue receiving benefits they would otherwise not be entitled to (for example, a person working under the table while continuing to receive wage-replacement funds)
- Requests to **reopen claims** that were previously closed, to ensure 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 to reopen it was received

Other investigations can result from discoveries of irregularities by claim managers when they request information, such as medical records, to manage a claim.

Figure 1 shows the types of worker fraud investigations L&I conducts and the number conducted in FY 2020. Following more than 5,500 claim evaluations, over 2,700 investigations were conducted. The most common were activity investigations to verify whether an injured worker was still unable to work. The numbers in Figure 1 include the civil and criminal cases identified above.

Figure 1: L&I investigations, FY 2020

Type of Referral	Number of Referrals
Activity	1,507
Other	548
Validity	625
Fraud	96
Claim Reopening	1
Total	2776

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 L&I auditors and investigative staff. Employers that commit fraud can incur large assessments and penalties and may be criminally prosecuted.

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)

In FY 2020, the Investigations program initiated 11 criminal cases related to employer fraud involving allegations of employer misconduct such as failure to secure industrial insurance for employees, continuing to employ workers after their certificate of coverage was revoked, or violations of the other criminal statutes in the bulleted list above. Referrals of these cases primarily come internally from collections activity, audits and L&I's Contractor Compliance program. Though these cases are relatively infrequent, they require the most investigator time due to their complexity.

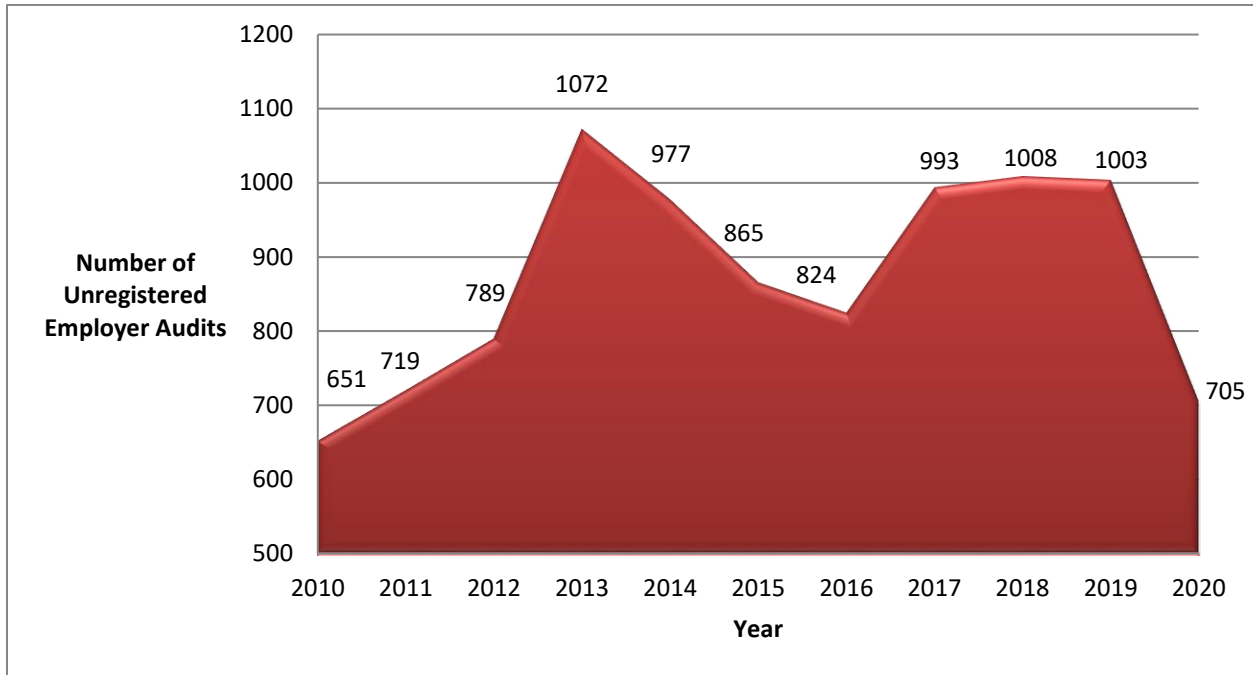
DETECTION

L&I's continually improving detection and targeting capabilities have led to better detection of employers who owe premiums, and fewer instances of 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 efficient use of other available data to send auditors to the right businesses. Improved detection methods ensure L&I targets and actively pursues the employers most likely to commit fraud—also saving time and trouble for employers who follow the rules. In FY 2020, L&I received nearly 4,000 employer fraud leads. Of the more than 2,200 employer audits completed in FY 2020, 74 percent found money owed to L&I—resulting in over \$26 million in assessed premiums.

Since 2010, the number of audits of unregistered businesses has fluctuated. The rapid decline shown for FY 2020 is related to audits being paused due to COVID-19. However, collections from audits in prior years continued, contributing to the overall totals of premium collected in FY 2020.

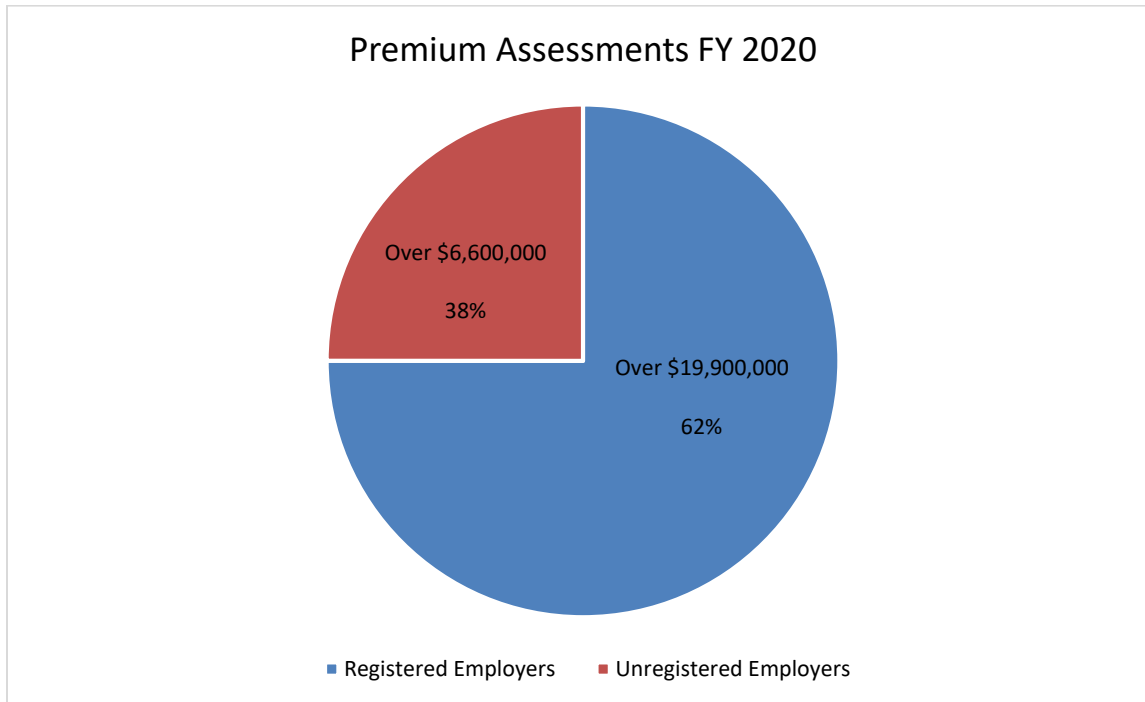
Figure 2: Unregistered employer audits, FY 2011-2020



Source: L&I Field Audit

As shown in Figure 3, about 38 percent of premium assessments in FY 2020 involved unregistered employers. This is slightly decreased from 41 percent in FY 2019, showing continued focus on auditing those employers most likely to owe premiums.

Figure 3: Premium assessments, FY 2020



Source: L&I Field Audit

Field audits

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

Auditors located in offices throughout Washington conduct field audits. After completing an audit, L&I performs a closing conference with the employer, either by phone or in person, in which auditors supply educational materials and explain how to improve record-keeping. This post-audit conference is required for every audit to help employers understand their reporting obligations. 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. This process of withholding contract payments is also used to pay any wages owing; however, that information is not included in this workers' compensation-focused report.

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 2020, L&I reviewed over 4,500 public works contracts, valued at nearly \$6.9 billion. L&I found over \$2,276,000 million in debt owed for work on public projects during the year.

L&I works with contractors to resolve unintentional reporting discrepancies. Contractors may voluntarily amend their company's workers' compensation reports and make the required payments. However, as not all cases are resolved voluntarily, a small number require an audit. In FY 2020, more than 34,250 account reviews were completed; 47 of those have been audited as of the writing of this report.

CRIMINAL AND CIVIL CASES

Criminal cases

A criminal case may be filed against an employer for the most egregious actions. Vital support for these cases comes from two assistant attorneys general who help develop cases related to employer workers' compensation abuse for criminal prosecution.

In FY 2020, L&I forwarded six of the 13 completed cases of employer fraud investigations to the Attorney General's Office. Of these six cases referred for prosecution, and three criminal filings for employer fraud were made during FY 2020.

Civil cases

Civil misrepresentation penalties occur when employers intentionally misclassify or underreport employees for workers' compensation insurance. In FY 2020, L&I assessed 13 misrepresentation penalties, totaling over \$662,600. This was in addition to workers' compensation premiums owed.

Provider Fraud Investigations

OVERVIEW

In 2000, the Provider Fraud Unit was established to address allegations of fraud among those who care for injured workers. This includes medical or therapeutic care, vocational training, and language interpretation in worker compensation claims. Most of these providers ensure the needs of the injured worker 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. Examples include medical billing in excess of the services provided and “upcoding” (for example, billing for an electric wheelchair but providing a manual wheelchair). L&I has one employee dedicated to completing a preliminary review to validate referrals.

Figure 4 shows eight common types of provider fraud, in no particular order. Any of these fraud types may be represented in the cases described below.

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 procedures (includes unbundling and upcoding)
Overutilization of services
Corruption (kickbacks and bribery)
False or unnecessary issuance of durable medical equipment (DME)

Source: L&I Investigations

DETECTION

L&I receives referrals that help detect provider fraud from both internal and external sources, including injured workers, medical providers, other agencies, claim managers and staff responsible for paying bills related to the treatment of injured workers. In FY 2020, L&I reviewed 99 referrals of suspected provider fraud, involving 196 providers.

L&I’s has one person as the sole statewide resource dedicated to detecting improper billing and fraud by medical providers. In FY 2020, after reviewing all 196 providers referred for suspected fraud, Provider Fraud identified 12 possible cases totaling more than \$3 million in estimated improper payments. - These 12 cases were forwarded to fraud investigators for further action.

CRIMINAL AND CIVIL CASES

Criminal cases

In FY 2020, L&I referred two health care provider cases to prosecutors for potential criminal charges. To date, these are under review by the Office of the Attorney General.

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 and improper billing during FY2020.

Private sector rehabilitation services

At L&I, the Private Sector Rehabilitation Services (PSRS) is responsible for ensuring that Washington's injured workers receive high quality vocational rehabilitation services that comply with applicable state laws and regulations, as well as L&I policies. PSRS does this by investigating complaints received about vocational providers and monitoring and auditing how providers deliver their services, what the services are, and how providers bill for their services.

In FY 2020, PSRS completed 19 complaint-based investigations. Eighty-nine percent of complaints investigated were resolved through consultation with the vocational provider and the vocational provider's firm manager. This success can be attributed to the continuation of the new audit approach focusing on education first, using escalation strategies if necessary. PSRS assessed minimal recoupment amounts and no penalties were assessed due to this new approach.

Provider quality and compliance

L&I's Provider Quality and Compliance (PQC) unit audits medical bills that were received 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 2020, the unit completed a total of 84 medical provider reviews and assessed nearly \$439,000 for improper billing.

Provider investigations

In FY 2020, L&I issued three orders and notices of violation for overpayments to medical providers, assessing a total of nearly \$169,000, including \$142,000 in overpayments and the remainder in penalties and interest. These efforts helped avoid an estimated \$1.6 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.

L&I and the 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 373 DOC claims in FY 2020, and investigated 11 of them. Of those 11 claims, L&I issued overpayments on two cases, totaling more than \$1,558.

Coordinated Enforcement Pilot Project

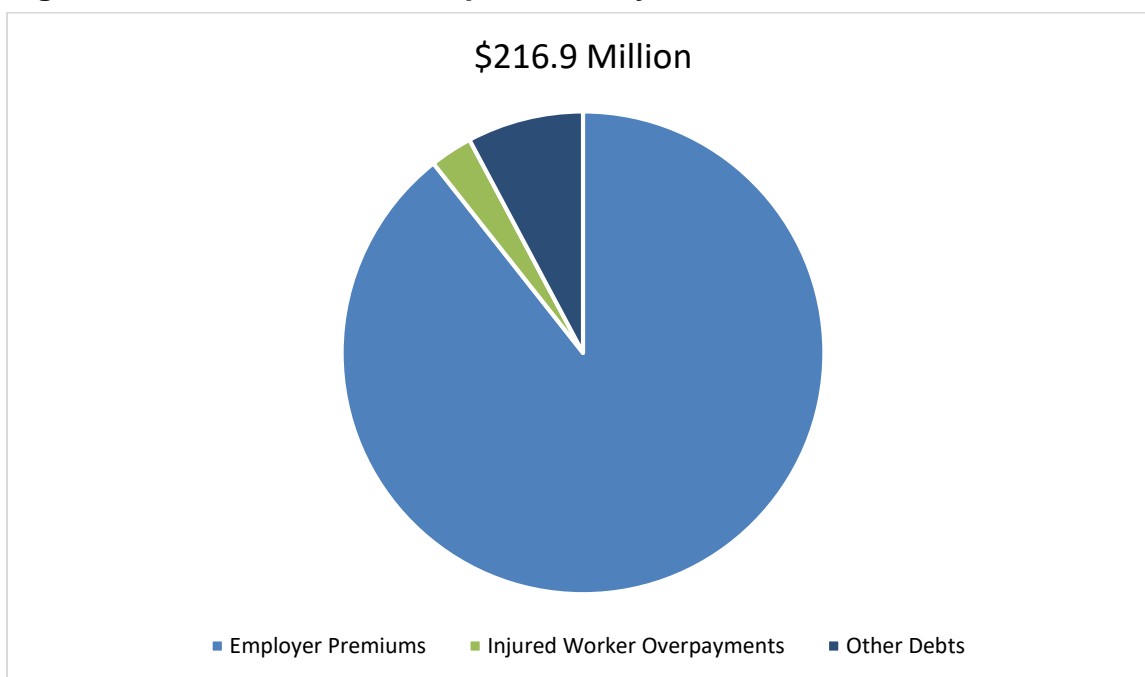
In 2016, the Coordinated Enforcement Pilot Project (CEPP) was begun to improve coordination of enforcement efforts between L&I divisions and regional offices across the state and the Office of the Attorney General. The goal of the pilot was to take significant actions against the worst violators of all the laws L&I enforces. This project has concluded and the Special Investigations Unit has been fully integrated into L&I's on-going efforts. L&I continues to use the specialized tools that were part of the pilot to look for computer forensics (seizing and analyzing computer hardware) and auditing resources, to include forensic analysis.

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. The program is also responsible for collecting other types of debt on behalf of other L&I programs; however, this report only addresses workers’ compensation-related collections.

Figure 5 shows the sources of the money collected. Employer premiums account for the vast majority of collections, more than \$199.5 million of the total \$216.9 million collected in FY 2020.

Figure 5: Distribution of delinquent money collected, FY 2020

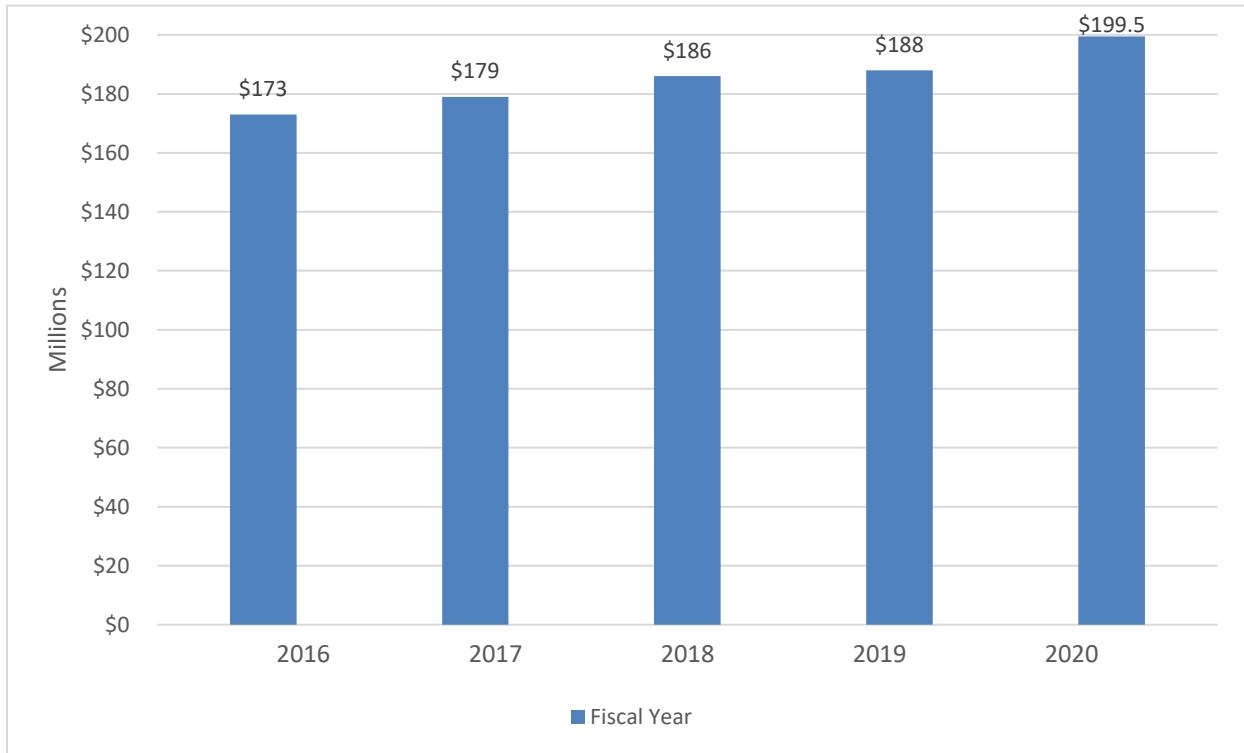


Source: L&I Collections

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

Figure 6 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. Amounts collected in FY 2020 increased by 14% even with coronavirus impacts.

Figure 6: Delinquent premiums collected, FY 2016-2020



Source: L&I Collections

Education and Outreach

L&I is proactively helping employers avoid making costly mistakes 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

Historically, L&I offered new employer reviews in the form of instructional audits, but only a small percentage of businesses took advantage of the opportunity. Currently, education and outreach is done by contacting employers via phone and/or e-mail at the time they open a new industrial insurance account. This gives L&I an opportunity to bring new accounts on board and ensure that employers sufficiently understand requirements to maintain compliance. For established accounts that are out of compliance, L&I notifies them and provides opportunities for self-correction. If that is unsuccessful, they are referred to audit.

Contractor training

L&I invests considerable effort in helping all businesses, including construction contractors, understand their legal obligations. Five in-person Contractor Training Day events were held in FY 2020 and attended by over 800 people. These person events were held prior to February 2020. At these events, which are highly rated by participants, the department and select guest speakers provide training on a variety of subjects, including properly reporting and paying workers' compensation insurance, keeping a safe workplace, marketing their business, writing 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.

Workers' compensation coverage determination

The Workers' Compensation Coverage Determination unit was created in response to a request from the employer community to get guidance about coverage requirements without fear of an assessment. This unit allows an employer or business to request assistance from L&I for guidance related to whether a worker would be considered an independent contractor or covered for workers' compensation purposes.

The unit makes it easier to do business with L&I by combining the education of individual employers, which both benefits the employers and provides consistency in the education employers receive. In addition, it helps bring businesses into compliance before any reporting errors are found during an audit.

Employer outreach

L&I continued to prioritize outreach to the employer community as a proactive method to help employers avoid reporting mistakes. The following are several examples of this outreach. They include:

L&I Essentials for Business workshops: L&I offers employers and their representatives an “Intro to L&I” workshop. The workshops provide a quick but comprehensive view of L&I requirements, resources, and services. They are promoted through customer service locations, Small Business News (see paragraph below), L&I's website and social media, tradeshow and other events and through email to new

workers' compensation account holders. In FY 2020, the department offered 19 in-person workshops in English and three in Spanish before COVID-19 ended the in-person option. Webinar versions were offered throughout the fiscal year, with 6 offered in English and two in Spanish. A total of 550 employers attended these workshops.

Small Business News: L&I's Small Business Liaison Office publishes a quarterly e-newsletter, "News for Small Business." The newsletter provides information about upcoming trainings, new L&I resources and tools, new laws or changes in laws, rules and policies and a variety of other information of benefit to small businesses.

Small Business Outreach Contracts: In FY 2020, L&I launched the Small Business Outreach Contracts program. Through this new program, L&I contracts with employer-trusted groups to deliver important messaging to small businesses and nonprofits, significantly expanding the number of employers that learn about L&I requirements, resources and services. L&I awarded contracts to 12 organizations for the period April 1, 2020 through June 30, 2021, including industry associations, ethnic and cultural groups, entrepreneurial training and advising organizations, chambers of commerce and others. With just three months of contractor activity in FY 2020, these partners reached literally thousands of employers the agency would not have otherwise reached, and provided critical information and training.

Multi-Agency Small Business Requirements & Resources (SBRR) Workshops: L&I has partnered with other state agencies to offer SBRR workshops, in which L&I presents basic information regarding requirements and provides resources and referral for more in-depth information. In-person workshops were presented in five cities around the state prior to COVID-19 closures, including a Spanish version in Yakima. A total of nearly 300 people attended. In response to the COVID pandemic, the multi-agency group launched SBRR webinars, which included COVID-related impacts and resources. Ten webinars were offered in FY 2020, with a total attendance of more than 440.

Provider outreach

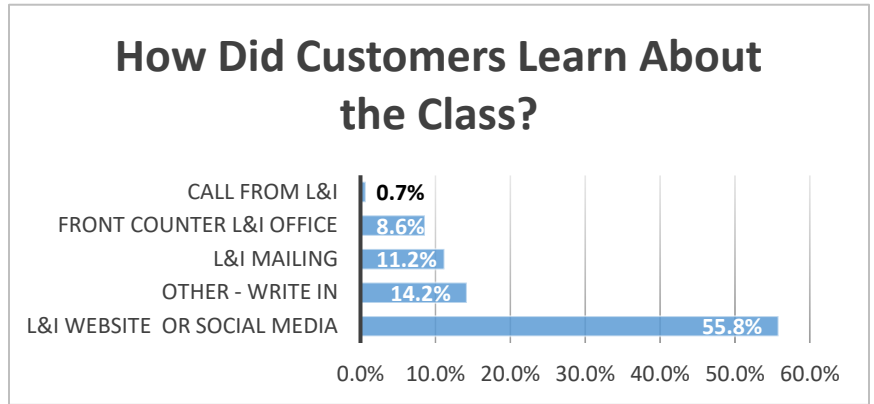
L&I offers workshops and other assistance to help providers understand the department's billing and documentation requirements and the Medical Provider Network for injured workers. Step-by-step instructions and examples are provided, such as when to send a corrected claim or when to adjust a bill. Outreach staff provide hands-on demonstrations of how to use L&I resources and, most important, 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.

L&I offers employers and/or their representatives an "Employer's Introduction to L&I" workshop at most of L&I's regional offices across the state and via webinar. In FY 2020, the department offered 27 in-person workshops in English, seven in Spanish and four webinar versions. A total of almost 580 employers attended these workshops.

Out of the total workshop attendees, more than 280 responded to provide valuable evaluation data:

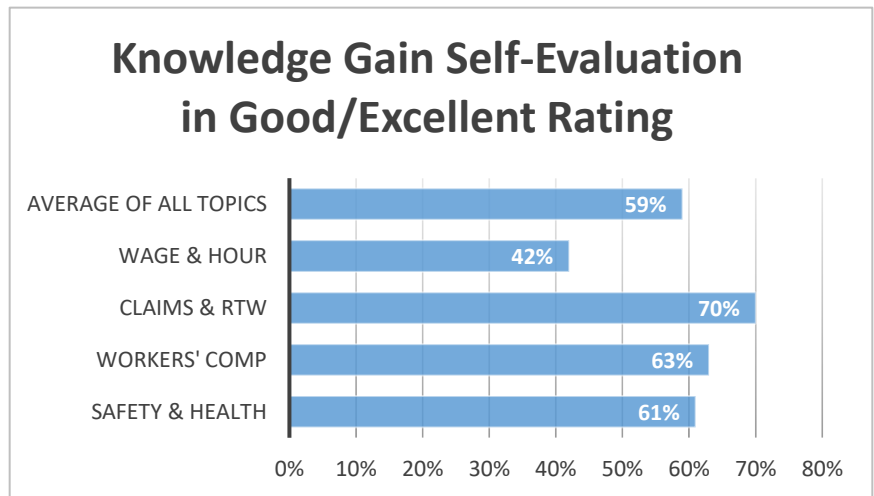
Marketing efforts:

- L&I’s website is the top way in which attendees learned about this workshop. L&I anticipates even better marketing effectiveness through an L&I website update designed to improve search optimization. This website redesign project was funded in the 2018 budget and the new site was launched in November 2019.



Workshop effectiveness:

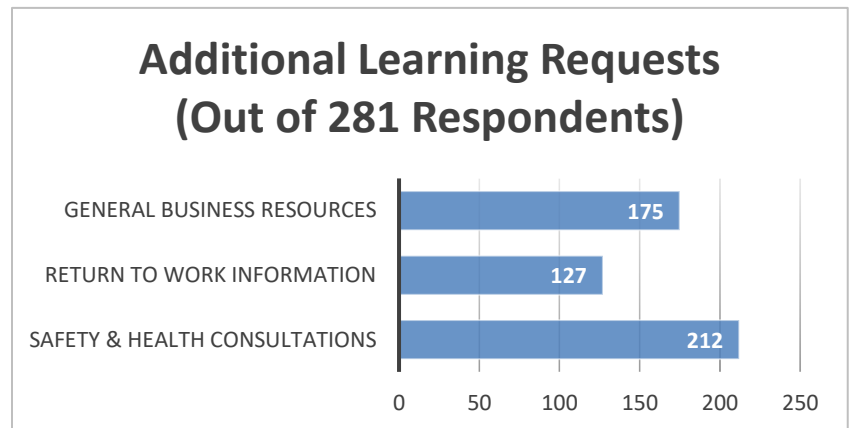
- Attendees provide a self-evaluation of their knowledge gain from the workshop. Below is the percent who rated their knowledge gain in the good/excellent categories on the four main topics shown:
 - 70 percent gained in knowledge about Claims Management and Return to Work Partnerships
 - 63 percent gained in knowledge about Workers’ Compensation
 - 51 percent gained in knowledge about safety and health requirements
 - 42 percent gained in knowledge about wage and hour requirements



An average of 59 percent claimed knowledge gain on all four topics.

Future learning interest and use of free resources:

- Many attendees request a follow-up contact following the workshop for additional resources and services.
 - 175 requests for general business resources offered
 - 127 requests for additional Return to Work information or visits to learn more
 - 212 safety and health consultation requests



FUTURE INITIATIVES

L&I will continue to educate employers, workers and providers first but will also aggressively pursue fraud in the workers' compensation system. In FY 2021, the department will continue several strategies from FY 2020 and add more collaboration on suspected violations. Goals for 2021 include:

- Apply the lessons learned of how virtual formats can be used to reach more employers and providers for future training, small business assistance and compliance actions.
- Increase contracts with business entities to further expand the employers who receive educational materials.
- Transform data collection gathering tools to be incorporated into the Workers' Compensation replacement system. This will enable more efficient identification of fraudulent activity.
- Build upon coordinated enforcement concepts that have been embedded into the standard operating procedures of L&I's Fraud Prevention and Labor Standards programs.
- Continue to expand the use of escalation strategies to other business areas. This will ensure that the agency response is appropriate to the employer's action, and that there is a consistent application of consequences.
- Continue to look for computer forensics (seizing and analyzing computer hardware) and auditing resources, to include forensic analysis to incorporate into the Special Investigations Unit in the Investigations program.
- Collaborate with employers, retrospective rating groups, advocates, trade associations, and others on how to identify, deter, and report suspected violations by claimants, businesses, and providers.
- Create and implement new company-wide investigations targeted to wage and hour violations, which includes developing, implementing, and creating standard work; and collaborating with partners.

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 continues to focus on a range of initiatives – including increased innovation, regulatory actions, and collective resources – to bolster the fight against fraud while producing measurable results.

In FY 2020, L&I employed about 265 FTEs to detect, investigate, and take enforcement action on workers' compensation errors and fraud. For every dollar spent on these efforts, L&I returned \$8.87 in debt owed.

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 L&I detect workers' compensation fraud by workers. Report newly hired workers at www.dshs.wa.gov/newhire. The information will be shared with L&I to ensure employed workers aren't also 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.