Insurance Services Division

Joint Legislative Audit & Review Committee (JLARC) Implementation Plan Update

October 19, 2016

Table of Contents

Introduction

The Joint Legislative Audit and Review Committee (JLARC) studied the state of Washington's workers' compensation system from 2010 to 2013. The audit highlighted the need for the Department of Labor & Industries (L&I) to make additional progress on expanding and enforcing use of best practices for claims management and return-to-work programs.

L&I prepared a "2016 Joint Legislative Audit & Review Committee (JLARC) Implementation Plan" describing how the department will address the recommendations. This report provides updates on initiatives since the April 2016 publication of the implementation plan.

RECOMMENDATIONS

The legislative audit found that L&I can improve efforts to help injured workers return to work promptly and safely, and made two recommendations to the agency and one to the legislature. JLARC's recommendations to L&I are intended to improve return-to-work outcomes for the state fund. Prompt return to work benefits both employers and workers, and is a goal set forth in Washington's workers' compensation statutes.

Recommendation #1: The auditor recommended that L&I institute standards for:

A. Early phone contact - For claims that will likely involve more than three days away from work institute a standard for claim managers to make phone contact with the injured worker and the employer within one to two business days after receiving the claim.
B. Claim management planning and clear documentation - Institute claim management planning and standardize claim-file documentation.

Recommendation #2: The auditor recommended that L&I expand its pilot programs and enhance its claims management support systems (training, performance measures, and technology) with a focus on return to work. To accomplish this, L&I should:

A. Implement return-to-work programs as standard operating practice rather than pilot programs.
B. Develop a plan to integrate predictive analytics into claims management processes.
C. Connect return-to-work goals, performance measures, and training.
D. Design a new technology system to support data analytics, claim management planning and documentation, and internal information sharing.

RESULTS

L&I is working across programs and divisions to respond to the JLARC recommendations by implementing initiatives that standardize claim processes and increase return-to-work outcomes. (See Recommendation #2 (A) "Implement return-to-work programs as standard operating practice rather than pilot programs" on page 9; "Engaging private vocational community" on page 10; and Initiatives Completed, "Early ability-to-work assessments" on page 13.)

One initiative begins return-to-work support for injured workers much earlier in the claim by referring them to private sector vocational rehabilitation counselors at 60-90 days of time-loss. The charts below show some of the results of this initiative, currently known as the "Early Ability-to-Work Assessment" or EAWA effort.

Results of L&I's efforts to engage vocational services earlier

Figure 1: Median time-loss days paid at first AWA referral

In 2013, before the pilot, L&I's median days of time-loss at the first AWA referral stood at 250. By July 2016, the median has dropped to 89 days. The shift to earlier referrals is saving an average of about 160 days of time-loss, even if outcomes are the same. However, the emphasis on earlier AWAs is generating great results in more injured workers returning to work.
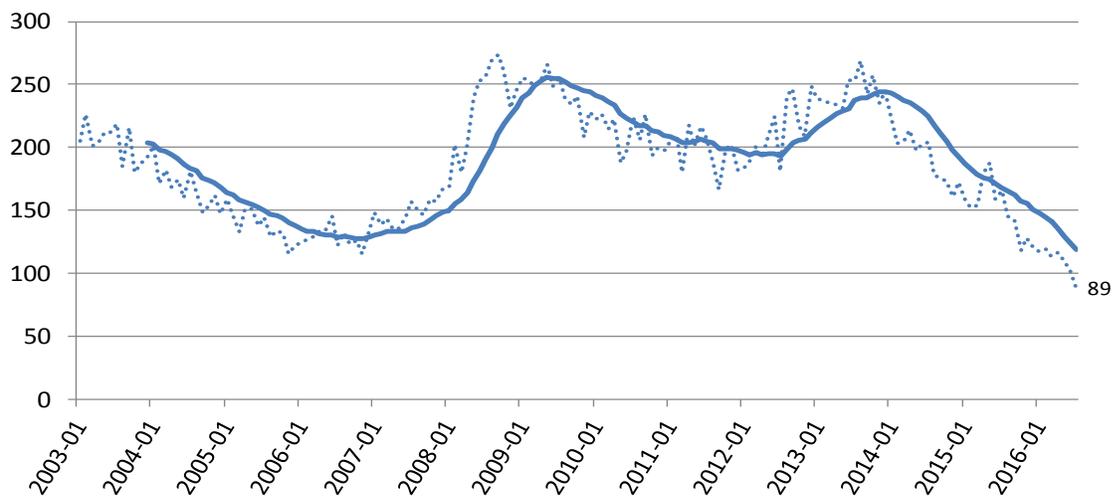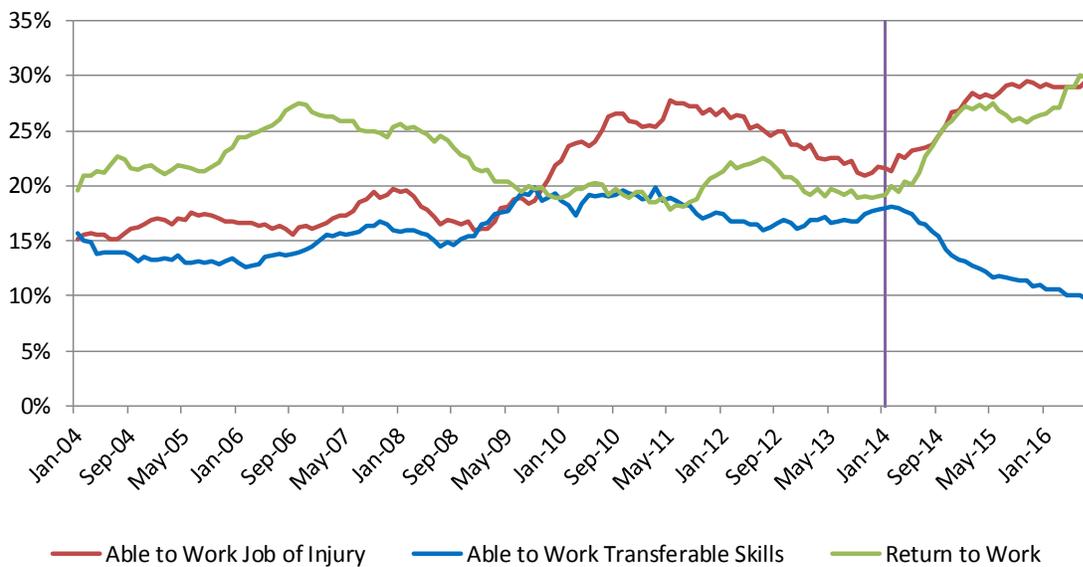
Figure 2: Outcome when AWA referral is made with less than 90 days of time-loss

The outcome data above for referrals made in less than 90 days, shows both improved return-to-work outcomes and an increase in the percentage of workers found able to work at their job of injury. This means that, even when a return-to-work outcome isn't achieved, a greater proportion of workers have retained their pre-injury skills, making them good candidates for employment. Finally, workers who are able to work with transferable skills, the most contentious outcome in a workers' compensation system, have significantly dropped.

The data for combined return-to-work and able-to-work outcomes and the transferable skills outcomes are reaching never-before-seen results.

Funding and resourcing initiatives in response to JLARC recommendations

L&I's goal is to fully implement the recommendations of JLARC to ensure the best health and return-to-work outcomes for injured workers, thereby reducing workers' compensation costs.

To reach this goal, L&I must reduce claims caseloads and improve training to help claim managers strategically recognize, triage, and resolve claims that are at high risk of long-term disability. L&I proposes to add three new claim units over three years, beginning in July 2018 (the second and third units will add in the 2019-21 biennium), and to develop new training curriculum. Funding is also requested to install first call and work checking technology to simplify efforts to monitor and track accuracy of claim decisions by apprentice claim managers.

Figure 3: Resource request

Policy: Enhance workers' compensation claim management	
Lines of business: Recovery and Support	
FTEs	11.1 (8.1 permanent, 3 project)
Accident Fund	$1,752,000
Medical Aid Fund	$2,057,000
Total Funds	**$3,809,000**

This requested funding and staff will:

- Reduce caseload sizes,
- Create a new learning culture of strategic thinking, and
- Establish new skill sets that will ensure every claim at risk of long-term disability includes a return-to-work or vocational recovery plan, medical management plan, and claim resolution plan.

Implementation Plan Update

(April – September 2016)

> **Recommendation #1:** The auditor recommended that L&I institute standards for:
> A. Early phone contact - For claims that will likely involve more than three days away from work; institute a standard for claim managers to make phone contact with the injured worker and the employer within one to two business days after receiving the claim.
> B. Claim management planning and clear documentation - Institute claim management planning and standardize claim-file documentation.

Initiative	Update
First Calls Project: • Develop analytics for selecting the right candidates for first calls • Instill first calls into our culture • Continue to build on the disability prevention and management project that is in progress (identification of return-to-work barriers) • Design and implement technology to track and report on first calls processes	The project manager for the first calls project has been assigned. The scope is being defined and chartering has begun. The project has two work streams: • Claims Administration early contact team • Employer Services early contact team One objective of the Claims Administration early contact team is to work on making first calls a stronger focus and clear priority for the program. The Employer Services early contact team is working to create predictive analytics and develop phone scripts for first-contact calls with employers and low complexity claims. Discussions are underway with the contracted disability management specialist about designing training for employer first contact calls. As part of our efforts to build skills and capacity, L&I claim manager coaches are training with the specialist to take over the debrief calls. Eventually the leads will be trained to also debrief with claims managers who are no longer in training.
Hire additional account managers: Hire additional account managers to create capacity for first calls to employers. The new staff will be trained on first calls that were identified by predictive analytics meant to identify lower complexity claims at risk of long-term disability.	The first group of newly authorized account managers began work on September 16, 2016. This group will create standardized work processes to help employers understand their role in early return to work and what it can mean to their bottom line. The standard processes will ensure that employers are given tools to mitigate costs, access incentives, and connect with experts.

Increase claim management staff: The claims management program is under-resourced, with each claim manager having an average caseload of 252 (as of April 2016), or 111 claims higher than the number recommended by a group of experts discussed in the JLARC report.	A decision package requesting funding for additional staff in a phased approach was submitted to the Governor's office for consideration. If approved, Claims Administration will plan for a phased recruitment to begin reducing caseload sizes. The project work stream is dependent on funding from the Legislature. Work is expected to begin in Spring 2017.
Strategic training for claims staff: Identify gaps in claims training curriculum and resources in strategic claims management. The goal is to ensure every claim at risk of long-term disability includes a return-to-work or vocational recovery, medical management, and resolution plan. This project also includes mentoring and coaching of senior staff to serve as ongoing resources.	The charter is being drafted. Goals and objectives have been defined, scope is still being clarified. The decision package mentioned above includes funding for consultants to help renovate the claims training and coaching curriculum. The revised training will focus on developing strategic thinking and analytical skills, relationship-building and customer experience skills. Work stream teams for the remaining biennium and the next biennium are being identified. Initial deliverables between now and June 30, 2017 are being defined.

Claims management quality assurance review: Develop changes to our quality-assurance process to monitor the frequency and quality of first calls to employers and workers, claim management, return-to-work action plans and standardized claim documentation.	The Insurance Services management team continued defining project objectives (see below) – scheduled launch in January 2017:
	• Develop changes to our quality-assurance process to monitor:
	  o Frequency and quality of first calls to employers and workers.
	  o Claims management new strategic theory, process, and training.
	  o Strategies and application of tools for disability prevention and management.
	  o Early return to work best practices and referral processes.
	• Develop and implement metrics and reporting structures for new quality assurance processes.
	• Enhance work-checking technology (contingent on approval of the decision package).
	• Ensure that the performance appraisal criteria for Claims, Employer Services, and vocational staff align with JLARC recommendations and goals.

Recommendation #2: The auditor recommended that L&I expand its pilot programs and enhance its claims management support systems (training, performance measures, and technology) with a focus on return to work. To accomplish this, L&I should:
- A. Implement return-to-work programs as standard operating practice rather than pilot programs.
- B. Develop a plan to integrate predictive analytics into claims management processes.
- C. Connect return-to-work goals, performance measures, and training.
- D. Design a new technology system to support data analytics, claim management planning and documentation, and internal information sharing.

Initiative	Update
Early Return to Work Best Practices: Once the early return-to-work referral process was in place the next step is to focus on best practices. The purpose is to build a partnership between early return to work staff in the field (ERTW) and Claims Administration to enhance standard services that: • Return the injured worker to work with the employer of injury whenever possible • Increase the likelihood of future return-to-work with any employer • Reduce the chance of long-term disability • Build demand for the Washington Stay at Work (WSAW) program	The project team identified six key business processes once a referral from claims has been made: • Robust intake with the injured worker and employer • Exit interviews with the injured worker and employer • Appropriate reporting to the claim file • Smooth handoffs to other resources • WorkSource co-located vocational staff standard work • Service delivery during the referral Best practices for the key business processes were established using focus groups made up of various claims and return to work program experts. Pilots are underway throughout the state to test robust intake, exit interview, and smooth handoffs before fully operationalizing them. Internal and external vocational conferences are providing updates and training on services and processes.

Engaging private vocational community: In 2015 we implemented early ability-to-work assessments, prompting claim managers to make referrals when a worker was still receiving time-loss for 60-70 days. Making vocational referrals early in claims before the employer/employee relationship has dissolved and worker motivation and skills are lost benefits all parties. This work falls under a project currently known as Enhanced Vocational Services. A small group of counselors is working with L&I to identify and test appropriate services for workers and employers early in claims to increase the likelihood of return to work.	The claim managers on this project have made 200 referrals for enhanced services (from 9/2015 – 9/2016) and have exceeded 100 enhanced services referral closures. The next step is to review the data and compare the enhanced services outcomes to the outcomes of other referrals (with standard services) made in the same time period. The project team is also reviewing academic literature and gathering feedback from vocational rehabilitation counselors (VRCs) to identify evidence-based best practices for the first steps in the vocational process, which is the VRC preparing for and conducting the intake interview with the worker.
Disability Prevention and Management: This project will establish and organize disability prevention and management tools and best practices for Claims Administration, Employer Services, early return to work staff (i.e., field occupational nurse consultants and vocational service specialists), Return to Work Partnerships, and external parties and providers. It will also develop disability prevention and management, training (internal and external) based on the new tools and develop resources for claims to identify and address psychosocial barriers.	The project team is drafting the project's vision, goals, scope, and objectives and developing a structure for the project's teams and governance.
Predictive Analytic Solutions: Explore uses for predictive analytics so that limited resources are applied to cases where they are likely to have the greatest effect. Predictive data continues to be perfected in order to achieve the greatest results.	The early case-reserving project designed an actuarial predictive analytics model starting at the inception of the claim and updating monthly on open claims for up to 8 months. After 8 months, open claims will be reviewed by a case reserve specialist. The new model is being tested with the customer base most impacted by potential changes. Change management and communication planning are underway. The tentative release date for early case reserve is April 2017.

Return to Work performance measures: Develop messaging and visual-management tools to ensure staff at all levels clearly understand how day-to-day work and expectations contribute to improved return-to-work outcomes.	**The Insurance Services management team continues to define project objectives (see below) – scheduled launch in January 2017**
	• Ensure return-to-work performance measures are promoting the right staff behaviors and claim outcomes.
	    • *Example:* How are our measures leading to better outcomes and, ultimately contributing to lower caseloads?
	• Identify staff roles in return-to-work (RTW) outcomes
	    • *Example:* Claim managers contribute to RTW outcomes during their first calls.
	• Align metrics with the daily operations of all staff.
	• Design and establish a dashboard where staff can track and quickly identify their contributions to RTW outcomes.
	• Establish measurable accountability through alignment of RTW outcomes and internal staff performance evaluations.

Return to Work customer experience goals: Work to ensure expectations for claim managers, Early Return to Work staff and vocational specialists are connected to L&I's return-to-work and customer-experience goals.	**The Insurance Services management team continued defining project objectives (see below) – scheduled launch in June 2017** • Ensure customer experience survey questions align with established return-to-work performance measure goals. • Measure the value and success of first calls and return-to-work services using the customer's perspective.

Initiatives Completed

Recommendation #1: The auditor recommended that L&I institute standards for: A. Early phone contact - For claims that will likely involve more than three days away from work, institute a standard for claim managers to make phone contact with the injured worker and the employer within one to two business days after receiving the claim. B. Claim management planning and clear documentation - Institute claim management planning and standardize claim-file documentation.	
Initiative	**Completed**
Launched claim processor services: To help claim managers with their high caseloads we added a claim processors to each unit to perform administrative tasks. This allows claim managers time to engage injured workers and employers in return-to-work efforts, work through complex claim barriers, and ensure other services are provided, as appropriate.	May 2014
Early Claims Solutions (ECS): Implemented a new claim processing system that manages new worker's compensation claims from receipt to claim allowance. The tool has built-in best practices to assist with quick and accurate claim decisions. When releasing a claim from the application, there is a checklist to show that all required actions are taken such as authorizations, allowance decision, claim remarks, action, and plan. This increases the efficiency and quality of claim initiation and planning.	February 2015
Claim review template: A claim review template was implemented for claim managers to support consistent information on specific claim issues such as protests, reopening applications, newly contended conditions, and historical review. The claim review assists claim managers in identifying and tracking red flags and unresolved issues.	April 2015
Established ICD Coding Unit: The coding unit improves the accuracy of diagnosis codes assigned to claims, particularly considering the national transition from ICD9 to ICD10. Accurate diagnostic coding is critical to early predictive analytics, timely authorization of treatment, and identifying service needs to help workers heal and return to work. It also helps us improve the accuracy of our bill payment and sets a foundation for L&I to be able to build future business rules for claim manager action (e.g., triggering alerts based on certain codes).	May 2015
Return-to-work progress report: A new online progress report for regional early return-to-work services improves the timing and consistency of communications these professionals have with claims staff and standardizes the documentation process. The reports are available to claim managers in real time.	June 2015

Improvements to the claim manager action plan: While significant work is needed to fully implement improvements in strategic claim management action plans, the on-line tool for these plans has been updated and now supports a problem-solving model that reflects issues, action, plan, and history.	March 2016

Recommendation #2: The auditor recommended that L&I expand its pilot programs and enhance its claims management support systems (training, performance measures, and technology) with a focus on return to work. To accomplish this, L&I should:
  A. Implement return-to-work programs as standard operating practice rather than pilot programs.
  B. Develop a plan to integrate predictive analytics into claims management processes.
  C. Connect return-to-work goals, performance measures and training.
  D. Design a new technology system to support data analytics, claim management planning and documentation and internal information sharing

Initiative	Completed
Re-employment specialists: Re-employment specialists from the Employment Security Department (ESD) work with claim managers and vocational specialists to get injured workers job-ready and to improve return-to-work outcomes. These services are now thoroughly imbedded in L&I's training and culture. Contracts with ESD for up to four re-employment specialists have been extended to June 30, 2018.	August 2015
Development of the return-to-work score: Workers' compensation data generally shows that a small portion of claims account for a high percentage of costs. Whether in Washington's system or any other, these are the cases where early identification and appropriate resources are critical to improving return-to-work outcomes, reducing long-term disability, and related costs. A number of these long-term claims are evident at about 40 days from when the claim is received because of specific characteristics. These characteristics include opioid use, working for a small employer, working in the construction industry, and having pre-existing conditions. Using this data, a return-to-work score based on the risk of long-term disability is now created for all claims where time-loss is paid 40 days after claim receipt. This score is used by claim managers to refer injured workers to vocational and other professionals in our regional offices to provide return-to-work services.	October 2015
Early ability-to-work assessments: When an injured worker is still receiving time-loss for 60-90 days even though a return-to-work score referral was made, or the worker was not at high risk based on the scoring system, the claim manager is prompted to make a referral to a private sector vocational counselor for an early ability-to-work assessment.	December 2015

Improve claims auto-adjudication: L&I has used auto-adjudication since the late 1980s to allow and close simple medical only claims without claim manager intervention, freeing time for staff to focus on more complex claims involving time-loss. However, the system had not been updated until recently. The new model is much more sophisticated, taking into account hundreds of elements of historic claims in order to determine which new claims can automatically be processed at minimal risk of the case needing hands-on analysis (predictive analytics). The new auto-adjudication rate has increased about 5% (with 31% of claims auto adjudicating).	December 2014
Ask L&I: A new online reference system, "Ask L&I," gives claims staff modern search capabilities and improved electronic access to resources such as policies, procedures, and guidelines.	April 2015
E-Correspondence: L&I now offers an online service that allows injured workers, employers, and medical providers to receive and manage claim-related mail electronically. This eliminates the need to manually open and process large volumes of mail, which are primarily copies of letters and legal notices required by law. The most recent upgrade to our online communication system in February 2016 allows parties on a claim to correspond electronically in real time with the claim manager.	June 2015

Conclusion

L&I's goal is to fully implement the recommendations of JLARC to ensure the best health and return-to-work outcomes for injured workers, thereby reducing workers' compensation costs. The department is working across programs and divisions to respond to the JLARC recommendations by implementing initiatives that standardize claim processes and increase return-to-work outcomes.

L&I has made the following progress in accomplishing this goal:

- Hired additional account managers to increase capacity for first calls to employers and provide more loss control support
- Added "claim processor" services to provide claim managers more time to work directly with injured workers
- Created a new claim processing system that manages new worker's compensation claims from receipt to claim allowance
- Established a separate unit for diagnostic coding to improve the accuracy of diagnosis codes assigned to claims
- Implemented a new online progress report to improve communication on early return-to-work services
- Updated the claim manager action plan
- Partnered with the Employment Security Department to have re-employment specialists work with L&I claim managers and vocational specialists to improve return-to-work outcomes
- Developed a "return-to-work score" used by claim managers to refer injured workers to return-to-work services
- Updated the auto-adjudication system to enable automatic processing of new claims
- Added a new online reference system to assist injured workers
- Implemented an online service that allows injured workers, employers and medical providers to receive and manage claim-related mail electronically and in real time