



Washington State Department of
Labor & Industries

Insurance Services Division

*2016 Joint Legislative Audit & Review
Committee (JLARC) Implementation Plan*

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Executive Summary

INTRODUCTION

In Washington, employers must provide workers’ compensation coverage for their employees by paying premiums to cover claims through the State Fund or by qualifying to self-insure. The Department of Labor and Industries (L&I) directly manages claims in the State Fund, and oversees claims management by employers for self-insured claims. Both State Fund and self-insured employers pay L&I’s administrative costs.

Workers’ compensation insurance protects workers and employers when injuries or illnesses happen on the job. With few exceptions, employers in Washington must provide this coverage to all their workers. Washington has over 170,000 employers, 269 million workers, and the Department of Labor and Industries collects around \$2 billion in workers’ compensation premiums annually.

Between 2010 and 2013, an average of 125,000 claims were accepted each year. Of these, L&I directly managed an average of 87,000 claims (State Fund claims). Self-insured employers managed another 38,000 claims with L&I oversight.

In 2011, the Legislature directed the Joint Legislative Audit & Review Committee (JLARC) to conduct a performance audit of workers’ compensation claims management at L&I. JLARC staff hired a consulting firm with expertise evaluating workers’ compensation programs to assist with the audit. The consultants’ review focused largely on claims management between 2010 and 2013.

RECOMMENDATIONS

The legislative audit found that L&I can improve its efforts to help workers return to work promptly and safely, and made two recommendations to the agency and one to the Legislature. The 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.

During 2015 and 2016, L&I made progress in implementing the auditor’s first two recommendations.

#1. Recommendations for new claim management standards	Improvement Initiatives (Completion Dates)
Early phone contact	<ul style="list-style-type: none"> • Conduct first call analytics to determine who account managers will contact (August 2016) • Hire additional account managers to increase capacity for making calls to employers (July 2016) <ul style="list-style-type: none"> ○ Complete early contact training for new account managers (November 2016) • Increase claims management staff to increase capacity for making calls to workers (Beginning July 2017)
Claim management planning and clear documentation	<ul style="list-style-type: none"> • Hired claim processors to complete administrative tasks for the claim managers (May 2014)

	<ul style="list-style-type: none"> • Implemented new claim processing system– Early Claims Solutions (February 2015) • Implemented new claim review template (April 2015) • Established an ICD Coding Unit (May 2015) • Implemented a new return-to-work progress report (June 2015) • Made improvements to the claim manager action plan tool (March 2016) • Develop strategic claims management training for claims staff (to be determined) • Implement improvements to the claims management quality assurance review (to be determined)
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#2. Recommendations for enhancements to claims management support systems with a focus on return to work	Improvement Initiatives (Completion Dates)
Implement return-to-work programs as standard operating practice rather than pilot programs.	<ul style="list-style-type: none"> • Added re-employment specialists to the claims floor (August 2015) • Implemented return-to-work predictive analytics - “RTW score” (October 2015) • Launched a new early ability-to-work assessment (December 2015) • Establish early return-to-work field best practices (March 2017) • Enhance the private sector vocational services provided to injured workers (June 2017)
Develop a plan to integrate predictive analytics into claims management processes.	<ul style="list-style-type: none"> • Improved the claims auto-adjudication process using predictive analytics for appropriate claims selection (December 2014) • Develop predictive analytics for early case reserving (September 2016)
Connect return-to-work goals, performance measures and training.	<ul style="list-style-type: none"> • Integrate more of claims operations with return-to-work strategies (August 2016) • Determine return-to-work customer experience goals (to be determined) • Establish return-to-work performance measures (to be determined) • Establish disability management training (ongoing)
Design a new technology system to support data analytics, claim management planning and documentation and internal information sharing.	<ul style="list-style-type: none"> • Implemented a new online claims reference system with resources such as policies, procedures, and guidelines (April 2015) • Launched a correspondence system that sends electronic documents to injured workers, employers, and medical providers (June 2015) • Complete the conversion of LINIIS into a web-based system (November 2016) • L&I business transformation project (ongoing)

This report provides updated information about process improvements since the period of time reviewed by the consultant and those that are underway for each recommendation.

2016 Implementation Plan Update

This section describes L&I's progress in implementing the auditor's recommendations.

RECOMMENDATION # 1

The auditor recommended that L&I institute standards for:

- 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.
- Claim management planning and clear documentation - Institute claim management planning and standardize claim-file documentation.

Early phone contact

Initiatives underway

- **Conduct Employer Services first call analytics (August 2016)**

L&I recognizes the importance of reaching out to workers and employers within the first few days following receipt of the claim. The information needs of the worker and employer can be quite different, depending on the severity of the injury and the relationship of the parties. For claims where limited time-loss benefits are likely, the calls may first go to the employer from those who service employer accounts to ensure they are aware of the impact the claim may have on their claim-free discount (if they have one), the availability of light-duty job cost reimbursements through the Washington Stay at Work Program, and our offers of assistance to develop a light-duty job consistent with the workers' restrictions. L&I received approval from the Legislature for a data scientist to develop the necessary analytics so we can identify claims appropriate for account manager calls to employers – claims with time-loss but that are likely to resolve prior to long-term disability.

- **Hire additional account managers (July 2016)**

As part of the same budget package approved by the Legislature, L&I received approval for additional account managers to increase capacity for first calls to employers and provide more loss control support. We anticipate these new staff to be trained on using the predictive analytics model and using phone calls to identify situations at risk of long-term disability by December 2016.

- **Increase claims management staff (beginning July 2017)**

For claims at risk of long-term disability, it is critical that the claim manager develop relationships with the worker and the employer. While initial conversations can be resource-intensive, when done correctly, they provide useful insights into the views of both parties with regard to return to work; for example, does the worker have fears about reinjury or

whether the employer will have a job available; is the employer concerned about their capacity for light-duty work. The claims management program is currently under-resourced, with each claim manager having an average caseload of 252, or 112 higher than the number recommended by a group of experts included in the JLARC consultant's report. Using predictive analytics to develop estimates of the number of claims requiring phone contact by the claim manager with both the employer and worker, L&I will submit a request to the Legislature for additional claims management staff to increase capacity for these initial claim calls.

Claim management planning and clear documentation

Initiatives completed since the period for claim reviews ending 2013

- **Claim processor services (May 2014)**

To assist claim managers with their high caseloads, “claim processors” we have added (one per unit) to perform administrative tasks, allowing 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.
- **Early Claims Solutions (ECS) (February 2015)**

Implemented a new claims 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.
- **Claim review template (April 2015)**

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.
- **Established ICD Coding Unit (May 2015)**

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 us to be able to build future business rules for claim manager action (e.g., triggering alerts for CMs based on certain codes).
- **Return-to-work progress report (June 2015)**

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 as they are updated.

- **Improvements to the claim manager action plan (March 2016)**

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.

Initiatives beginning now or underway

- **Strategic training for claims staff (to be determined)**

Claims Administration management is identifying gaps in claims training curriculum and resources with regard to 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. Following the resource review, a plan will be developed for upgrading training curriculum and providing more robust resource documents and material to claim managers and experts who support them such as vocational services specialists and occupational nurse consultants.

- **Claims management quality assurance review (to be determined)**

We will make improvements to our quality assurance processes to:

- Measure improvement in the frequency and quality of first calls,
- Develop return-to-work action plans,
- Standardize claim documentation, and
- Improve claims management generally.

Technology solutions for claims documentation and planning is in progress and will be discussed in the next section.

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:

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

Implement return-to-work programs as standard operating practice rather than pilot programs

Initiatives completed

- **Re-employment specialists (August 2015)**

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.

- **Return-to-work score: (October 2015)**

A high percentage of claims resolve quickly with limited intervention from claim managers. These include medical-only cases and those with short duration time-loss benefits. Workers' compensation data generally shows, however, 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. Based on an analysis of L&I claim data, our Research and Data Services staff confirmed that a number of these long-term claims are evident at about 40 days from when the claim was received and that there are certain characteristics that are repeated among these claims. These characteristics include opioid use, working for a small employer, working in the construction industry, having pre-existing conditions, and so on.

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. Work is currently underway to develop best practice interventions that will be used by these staff and monitored for effectiveness (see below).

- **Early ability-to-work assessments (December 2015)**

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.

Initiatives beginning now or underway

- **Early return-to-work field staff best practices (March 2017)**

Our Return-to-Work Partnerships program, in collaboration with our regional return-to-work staff and Claims Administration, has started an effort to enhance field services to:

- Return the injured worker to work with the employer of injury,
- Increase the likelihood for future return to work with any employer,
- Reduce the chance of long-term disability, and
- Build demand for the Washington Stay at Work (WSAW) program.

Details include initial intake conversations with injured workers to identify fears and barriers to return to work, engaging the employer so that return-to-work options are fully explored, and appropriate services are consistently provided based on information gained from these conversations. More information about this effort will be provided in future implementation plan reports.

- **Engaging private vocational community (June 2017)**

There is benefit for vocational referrals to be made early in claims before the employer/employee relationship has dissolved and worker motivation and skills are lost. A small group of counselors are working with us to identify and test appropriate services for workers and employers early in claims to increase the likelihood of return to work.

Develop a plan to integrate predictive analytics into claims management processes

Initiatives completed

- **Improve claims auto-adjudication (December 2014)**

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 the 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 be automatically processed at minimal risk of the case needing hands-on analysis (predictive analytics). The new auto-adjudication rate has increased about 3-10% (with the monthly average at about 3%).

Going forward, the approach will also be used to better determine the complexity of incoming claims and to project early on those that are suited for specific interventions.

Initiatives underway

- **Early case reserving (September 2016)**

Using the same predictive analytics methodology, we will be implementing an automated calculation for claim case reserves (case reserves are an estimate of the ultimate costs of claim). This earlier automated calculation will increase accuracy of these estimates, improving predictions of the State Fund's reserve requirements and projected liabilities of future claims.

Connect return-to-work goals, performance measurement and training

Initiatives underway

- **Claim operations integration with return to work strategies (August 2016)**

Claims Administration and Return-to-Work Partnerships are developing strategies for integrating return-to-work services and claim management processes to ensure consistent handling across the claims book of business and to create greater visibility of staff work to ultimate return-to-work goals and outcomes.

- **Return to work customer experience goals (to be determined)**

Working to ensure expectations for claim managers, early return-to-work staff and central office vocational specialists are connected to L&I's return-to-work and customer-experience goals.

- **Visibility of return-to-work performance measures (to be determined)**

L&I has a number of leading indicators and measures of whether our various initiatives and services are impacting return-to-work outcomes and claim trends generally. Greater visibility through messaging and visual-management tools will be done to ensure staff at all levels clearly understand how day-to-day work and management expectations contribute to our success.

- **Disability management training (ongoing)**

All claims and support staff (vocational specialists, occupational nurse consultants) have received high quality disability-management training. More is needed to ensure disability management is part of the changing culture at L&I, that includes mentoring and coaching of senior staff to serve as ongoing resources.

Design a new technology system to support data analytics, claim management planning and documentation and internal information sharing

Initiatives completed

- **Ask L&I (April 2015)**

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.

- **E-Correspondence (June 2015)**

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.

Initiatives underway

- **LINIIS migration (to be determined)**

A transformative upgrade: LINIIS has served as L&I's primary mainframe system for almost 30 years. Multiple factors play into the necessity for a migration, including:

- The original programming language is becoming obsolete and the software licensing costs are very expensive.
- The increasing sophistication of front-end programs and limited back-end technologies makes new development difficult.
- Migration allows L&I to move the complete system from outdated to modern technology.

- **Business Transformation (ongoing)**

The people who live and work in Washington depend on us to keep them safe and working. And those people are changing. Who they are, the lives they lead, the work they do, how they do it are all changing, and changing rapidly. In order to meet our changing customer expectations, we will need to significantly enhance the processes, systems, and technology we use to deliver our programs and serve our customers. Business Transformation is an opportunity for L&I to structure our processes and systems so they are customer-focused, collaborate across programs, provide agency-wide efficiencies, and allow us to pursue innovative strategies that will improve performance.

To achieve our aspirations, we must do three things extraordinarily well:

- We must **prevent** those things that threaten the lives and livelihoods of the people who live and work in Washington from ever happening, and
- We must assure **recovery** when they do – striving to make individuals, workplaces, and communities whole again, and
- We must provide **support** for the employees who enable prevention and recovery functions.

The first step of the transformation is developing a ten-year roadmap. In the summer of 2016, the agency will have a roadmap that will help us significantly enhance the processes, systems, and technology we use to deliver our programs and serve our customers.