Workers' Compensation Advisory Committee (WCAC) Meeting
Labor and Industries, Tumwater, WA
Meeting Notes
May 9, 2019

<u>Business Representatives:</u>
Richard Clyne for Mike Roozen, Washington State Farm Bureau
Sheri Sundstrom, Washington Self-Insurers Associations
Christine Brewer (Board of Public Affairs) for Bob Battles, Association of Washington Business
Tammie Hetrick, Washington Retail Association (*via phone bridge*)

<u>Labor Representatives:</u>
Neil Hartman for Mark Riker, Washington State Building and Construction Trades Council

<u>Labor and Industries:</u>
Joel Sacks, Director
Randi Warick, Deputy Director
Vickie Kennedy, Assistant Director for Insurance Services

<u>Board of Industrial Insurance Appeals (BIIA):</u>
Linda Williams, Chair

<u>Court Reporter:</u>
Milton Vance, Excel Court Reporting

<u>Recorder:</u>
Tara Osuna (*present*)

<u>Guests:</u> Bill Vasek, Casey Tozzi, Cheri Ward, Coreen Urrutia, Jessica Nau, Kari D'Aboy, Kris Tefft, Mark Phillips, Veronica Shakotko, Jennifer Jellison, Kim Wallace, Megan Bjornberg, Lily Smith, Viona Latschaw, Matt Perkins, Lisann Rolle, Ilana Lehmann, Amanda Fisher, Donna Egeland, Dave Frederick, BJ Bard, Mike Williams, Scott Dilley, Andrea Tasek, Irina Razvina.

<u>Welcome & General Updates:</u> Joel Sacks, Vickie Kennedy, and Mike Ratko

Meeting started with introductions of the committee members and the audience. Jenifer Jellison, Education Outreach Program Specialist in Division of Occupational Safety & Health (DOSH) (L&I), presented the safety message.

Mr. Sacks – Budget/Legislation/Rule-Making
Talked through slides 7-12

Mr. Ratko – WCAC Finance Committee – Reinsurance Update
Talked through slides 13-17

<u>Insurance Services Dashboard – Help Injured Workers Heal and Return to Work:</u> Vickie Kennedy
Ms. Kennedy stated she would briefly talked through each slide of the dashboard. Talked through slides 18-31

Data trends continue to move in the right direction. As you can see in this summary of key measures, results are overwhelmingly positive.

Dashboard Summary

Measure	Change from 2012 (unless otherwise noted)		Highlights
Long Term Disability – share that received a TL payment in the 12 month post injury	Down 23.2 %	↓	Lowest since 2002
Persistency – Ratio: claims with a TL payment in the 6th month to those with payment in the 3rd month	Down 3.4%	↓	
Resolution rate - time-loss claims at 6 months	Up 4.1%	↑	
Auto adjudication of claims	Up 82.7% from 2014	↑	Highest since 2002*
High risk claims – share return to work at 12 months	Up 8.0%	↑	
Median time-loss days paid at first vocational service	Down 70%	↓	Lowest since 2002*
% RTW outcomes - all first vocational service referrals	Up 143%	↑	
WSAW participation	Steady utilization	↔	
COHE utilization	Up 81.2%	↑	

* Earliest year for which measurement is available

Long term disability pensions, total disability pension rate, is the lowest since 2001 as well: 25% drop in frequency from 2012. We are now at a point where we're beginning to see the impact of more effective return to work initiatives, operational efficiencies, and lower opioid use. The data will be added to the dashboard going forward.

<u>Joint Legislative Audit and Review Committee (JLARC) Update:</u> Vickie Kennedy & Ryan Guppy
Talked through slides 32-55

JLARC Recommendation #1
1A. For the subset of 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 1-two business days after receiving the claim.

- Based on research supporting the importance of making phone contact within one to two business days, L&I should implement strategies for separating claims based on the level of contact needed: one level for claims that can be easily and swiftly resolved; and a more proactive level of contact for those with a higher risk of extended time away from work.
- Contacting the employer immediately may not be necessary if the accident report and contact with the worker indicate that prompt return to work is likely.

1B. Institute claim management planning and standardize claim file documentation.

- The initial phone call and claim information should provide the basis for a claim management plan that includes an individual return-to-work plan, timing of planned interventions, targeted outcomes, and planned dates to evaluate progress.
- Claim managers should document the actions taken to advance the claim toward the desired outcomes.

Early Contact Calls

L&I has implemented early contact calls to employers and workers. An automated process was put in place to identify all potential time-loss claims and route them for expedited phone contact.

Account managers are expected to call employers on all lost-time claims within two business days of claim receipt. Between September 2017 and August 2018, they made contact with 48% (reaching 9,732 employers out of 20,475 called). Staff send an email to employers they couldn't reach to remind them to file the employer Report of Accident (ROA) and provide helpful links to information about available services, Washington Stay at Work (WSAW), Preferred Worker Program (PWP) incentives, etc. An independent customer service survey of 100 employers showed a 96% approval rating of good/very good for information provided during the call.

CMs are expected to make early contact calls to workers within two business days of claim receipt for all lost-time, Including Kept on Salary (KOS) and potential time-loss claims. Best practice is to call until a connection is made, because the first contact call is the start of a continued conversation about the importance of Return to Work (RTW). Current expectation is that 80% of first calls are made/documented. Between September 2017 and August 2018, CMs made timely first calls to (82%) 15,003 out of 18,260 workers.

Bi-monthly unit stand-ups reinforce the early contact calls. CMs report out to their unit on recent early contact call claims, highlighting any barriers to RTW and how they overcame those barriers. The unit assists with ideas for resolution from their experiences on past claims.

L&I is concluding requirements gathering for an application to track and measure successful connections to workers. The goal is to collect data regarding actual phone contact vs. attempted contacts to both employers and workers. Application should be in place this month (June 2019).

Claims Strategic Training

Current training is process-focused. In part, to teach newly hired CMs how to work around and with antiquated technology. The new training approach helps prep for our future where we have modernized technology in place by separating strategic training from process and technology use. Videos and presentations have been created with the training staff as learning opportunities for them as they develop skills to support a new training approach.

Video #1: Workers' Compensation in Washington State (4.5 min)

- Target audience: legislators, legislative aids, AGO, OFM, Governor's Office
- Actual feedback rec'd from workers & employers
- What is workers' compensation?
- Brief history of workers' compensation in Washington

Video #2: How the Department of Labor & Industries Keeps Washington Safe and Working (4 min)

- L&I is rich with resources to help injured workers return to work (claim managers, support staff, vocational services specialists, occupational nurse consultants, etc.)
- Workers' compensation journey overview, Focus on worker-centric approach & return to work

Video #3: So You Want to Be a Claim Manager? (1 hour interactive online learning module)

- Target Audience: Newly hired apprentices, Individuals interested in applying to become an apprentice

Describes the important, challenging, and strategic role that claim managers play in helping injured workers heal and return to work, thereby preventing long-term disability. Serves as a "realistic job preview" and may be used as part of the apprentice application and/or when apprentices are hired.

Claim Manager Apprentice/Trainee Work Checking

<u>Status</u>

- Technology application went live February 25, 2019
- Cloud based solution
- Post implementation bugs resolved
- Knowledge transfer ongoing

<u>Next steps</u>

- Lessons learned
- Celebration
- Project closeout

JLARC Recommendation #2

2A. Implement return-to-work programs as standard operating practice rather than pilot programs.

- Employing vocational services to achieve return to work as quickly and safely as possible is a principle that L&I recognizes. L&I has made positive steps with its pilot programs for the use of score-based referrals.
- L&I should make return-to-work programs like these standard practice for all claims involving time away from work, while continuing to measure outcomes and adjust procedures.

2B. L&I should develop a plan to integrate predictive analytics into claims management processes.

- Other workers' compensation systems use mathematical and statistical models (data analytics) to help identify claims that could have a long duration and high costs. If these claims are identified early, claim managers can focus their efforts and interventions to improve outcomes on the more challenging claims.
- L&I has started to use data analytics for early return-to-work referrals, but it should expand its use to improve outcomes, balance caseload, and plan interventions.

2C. Connect return-to-work goals, performance measurement, and training.

- Return to work is one of L&I's strategic goals. Both the agency and executive managers have performance measures that are designed to assess the department's progress toward improving return-to-work outcomes.
- Units responsible for claims management have a multitude of measures and reports, but these do not clearly relate to return-to-work goals. The return-to-work performance measures should

extend to work units and individual claim managers so that it is clear how standard work practices contribute to the agency's return -to- work goal.
- Claim managers should receive ongoing training in activities that will lead to better claim outcomes (e.g., communication techniques and claims management skills). L&I has recently implemented a training program for claim managers that appears well-designed for this purpose. This training should become standardized across all claim units and follow-up training should be conducted.

Tools to Prevent and Reduce Work Disability

Developed the "Disability Prevention and Management" resource for CMs

Project goals
- Ensure consistent management of psychosocial barriers versus contended mental health (MH) diagnoses by internal staff
- Ensure employers and worker representatives have a consistent understanding of psychosocial barriers versus contended MH diagnoses
    - Developed scenarios and an FAQ for staff to use
- Through this project we
    - Established and organized disability prevention and management tools, resources, and best practices for staff with a focus on preventing unnecessary disability
    - Aligned w/ the Psychosocial Determinants Influencing Recovery (PDIR) which is a resource for providers.

Developed training for staff

Connecting Staff Contributions to Return to Work Outcomes
The CM expectations are categorized into six buckets and promote return to work:
1. Customer experience
    - Timely and clear communication reduces confusion, fear, and delay by helping customers understand the claim process, next steps, and what is expected of all parties.
    - Open communication facilitates the opportunity to explore return-to-work possibilities as soon as medically appropriate. Establishing rapport encourages both the worker and employer to participate in healing and returning to work.
    - Maintaining the employer and employee relationship helps to reduce long-term financial impacts for both workers and employers.
    - During the first contact call, CM initiates a return to work conversation and develops a relationship with the worker and the employer. They ask the worker why it is important for them to return to work and what concerns them the most about returning to work. This conversation helps identify motivations and barriers to returning to work.
2. Workload organization
    - Being proactive helps prevent unnecessary delays, reduces long-term disability, and keeps the claim moving towards resolution. It also focuses all parties on return to work.
    - Being organized helps CMs make timely and informed adjudicative decisions which increases customer satisfaction and reduces possible anxiety for workers and employers.

- Detailed documentation helps keep the focus on workers healing in order to return to work. It also increases the quality of our communications because customers see what is happening in their own claims in real time.
- Keeping commitments increases trust and encourages our customers to meet their commitments.

3. Benefit decisions
   - Timely adjudication of benefits reduces anxiety about the process and increases the focus on returning to work.
   - Keeping commitments increases trust and encourages our customers to meet their commitments.
   - During the first contact call, CM initiates a return to work conversation and develops a relationship with the worker and the employer. They ask the worker why it's important for them to return to work and what concerns them the most about returning to work. This conversation helps identify motivations and barriers to returning to work.
4. Ethics and teamwork
   - Maintaining confidentiality increases trust, builds rapport, assists with maintaining a professional relationship, and helps support a return-to-work expectation.
   - Timely and effective coverage helps make sure that actions are taken on the claim appropriately. Productive conversations should be connected to helping each other move claims forward and help reinforce return-to-work goals.
   - By being a leader, CM is encouraging everyone to be their best and work collaboratively to improve return to work outcomes.
5. Quality
   - Taking timely and quality action leads to appropriate claim outcomes and builds stronger relationships with our customers.
   - Customers are more likely to trust us and the system when decisions are well thought out and explained.
   - Resolving protests timely can prevent workers from developing a sense of injustice which contributes to psychosocial barriers, delay of benefits, and long-term disability.
6. Vocational services
   - Focusing on return-to-work improves worker outcomes and prevents long-term disability, thereby reducing costs.
   - Timely services help workers and employers trust the system, reducing the likelihood of disputes.
   - Vocational providers can help identify and resolve psychosocial barriers, increasing the chance of return-to-work.

Vocational Recovery Project

With Vocational Recovery the focus is on making it easy for the worker to decide to RTW - this is the path of least resistance and underscores the importance of a worker centric approach focusing on motivations, engagement, and activation…

Return to work is a personal decision by the worker…this is one of the primary reasons why a worker centric approach to work disability prevention is the primary evidence-based best practice and why vocational recovery is the model that will usher in this quantum leap in our service delivery model versus the process driven AWA.

<u>Objectives</u>

Focus on reducing long term disability by-

- Forming strong working relationships between CMs and vocational providers
- Developing evidence based RTW best practices by reviewing academic studies, documenting what is working for project VRCs and CMs, testing new approaches to determine what will work best for our system
- Enhancing training and incentives for the vocational provider community

<u>Progress Made</u>

Project VRCs and CM have-

- Learned more about what each other needs to successfully resolve claim and vocational issues
- Cultivated open communication and formed positive, trusting working relationships
- Completed 4 comprehensive "What's Working/What's Not Working" exercises over a 6 month period and drafted 18 RTW Best Practices based on the team's experiences working nearly 200 referrals over a 10 month period.

1,500 VR referrals made since 02/01/18.
Outcomes (excluding administrative closures):
RTW - 336 48%
ATW1 - 205 29%
Moving to assessment (AWA) - 130 19%:
Of those 130 claims moving to AWA, 11 have been found eligible for retraining. Each of those spent less than a year in vocational services – the average was 9 months. For comparison, our historic time spent in assessment before a first plan development had consistently been about 3 years.
Testing work disability prevention tools to reduce:

- Unnecessary delays
- Confusing process
- Unnecessary duration
- Unclear return to work expectations or plans

All first referrals will be Vocational Recovery referrals by the end of the year.

Predictive Analytic Solutions

Past Predictive Analytics:

- **Improvements to 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 the more complex claims. 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 identify those most appropriate for automated processing. The new auto-adjudication rate has increased by about 10-12% (with the monthly average at about 46% of non-compensable claims).

First Calls:

Work with Research and Data Services to identify time-loss claims appropriate for calls to workers and employers.

- For Account Managers - Identify claims with short-term time-loss likely to resolve with the correct employer intervention.
- For Claim Managers - Identify a way to track and focus on claims at risk for long term disability.

Ensure that Account Managers and Claim Managers coordinate any calls to the same employer.

Early Case Reserve (Implemented April 18, 2019):
The Early Case Reserve is an automated calculation for claim case reserves that runs each month starting at around the 30th day and reserved monthly for 18 months. Calculating early case reserves is a standard best practice in the insurance industry. Early case reserves provides insight that enables employers to proactively manage claims and improve return-to-work outcomes for workers.

Claims Complexity:
Some work has begun on the claim complexity component as well but it's in the early stages. The object is to improve the assignment of claims to an adjudicator based on the complexity of the claim.

Board of Industrial Insurance Appeals (BIIA) Update: Linda Williams
Ms. Williams talked through slides 57-63.

We're cognizant that the large Washington Industrial Safety and Health Act (WISHA) cases are likely skewing our numbers. We're going to look into it further to determine if they truly are and let you know for sure (Sheri Sundstrom asked if it was possible to look into further).

Frank Fennerty's retirement is coming up, three (3) names have been submitted to the Governor's office. Hope to have a labor member in time for Frank's term to end. Chief judge is retiring, we're working with the Governor's office on that recruitment since the incumbent is a part of the executive management team.

Business Transformation: Workers' Compensation Systems Modernization Procurement Strategy: Randi Warick

Ms. Warick talked through slides 64-66

Spans a 7 year time period
Start date on July 1, 2019, to its estimated end date in 2026. It is interesting to note that although we look at this at a July 1, 2019 start date, we have been prep work on this 2017.

PREPATORY WORK (Examples)

- Refine Governance Model and Project Processes

The past few months we established a governance model and decision model that help us be more efficient as we move into the foundational work. We hired a dedicated Project Director who is keeping us on track to implement project processes, everything from where project documents live to how we manage risk and issues.

- Resource and Readiness Assessment

We have dedicated workstreams focused on preparing teams around L&I for the changes ahead.

- Change Management
    - When embedded early, helps identify risks and mitigate issues when they are less costly to solve.
    - We have dedicated internal change managers and vendor partners embedded now.
    - A relatively small investment in change management services from the outset will help to shape and gain support for the changes that are coming at L&I, protect the agency's substantial investments in technology and transformation efforts, and make the transitions go smoother along the way.
- Project Management
    - Dedicated project managers and workstream leads for each of our five project workstreams.
    - Manage scope of project.
    - Track and report progress.
    - Communicate to stakeholders regularly.
    - Align with change managers
    - Assess, manage and mitigate risks.
- Communication Planning
    - Focused on internal communication. Strategic, consistent communication to all levels to build awareness and understanding of changes to come.
    - We'll plan on future communication to external audiences at a later date.
- Employee Engagement and Resistance Management
    - L&I will train managers and supervisors to serve as coaches and mentors for employees who are resisting change or need to develop skills to effectively move through transition. This type of human-focused investment will build positive and concrete change in individuals; support training and development efforts; and help to maximize return on investment.
- Skills Analysis
    - Measures the difference between the skills required to meet the agency's objectives and the current inventory of skills offered by employees. A skills-development or procurement plan is the strategy for filling the skills gaps before changes are implemented.
- Training Strategy
    - L&I's training strategy will have components focused on training more than 2,000 employees at all 23 locations on how to use the new workers' compensation computer system.
    - As you'll see here shortly, training on the new software will be provided by the selected vendor; however, we need to consider:
        - Develop training tied to each type of job or work unit.
        - Training on user-acceptance testing
        - Training on how to support the new system (programming languages, configuration and system admin support)
        - Customer service training to help customers navigate a new system.
- **All of those work examples, and the work building the procurement strategies for our vendor partners leads us to our Foundational work.**

FOUNDATIONAL WORK

SYSTEMS INTEGRATOR PROCUREMENT

L&I's first procurement was the systems integrator that will assist L&I with several different technical services for the agency's overall business transformation. The purpose of procuring a systems integrator (SI) is to engage a long-term partner to assist with technical services. The systems integrator will be expected to perform a broad array of tasks on the projects, from project management to staff augmentation. Based on L&I's research on comparable projects, a program of this magnitude puts considerable pressure on the IT department. Systems integrators have a deep resource pool from which they can add services to meet specific needs as they arise.

The SI will make sure we are ready so when the system implementer shows up in 2020, we will be ready to go and we will know how our 104 systems are connected.

- Integration
    - Help to design and implement an architecture that enables multiple systems to work together, including designing interfaces for real-time data sharing and integrating business processes across applications.
- Custom Development
    - Some programs and features are unique to Washington and not available in a commercial off-the-shelf product. An SI helps identify, design and deliver custom functions or applications.
- Data Management
    - Work with us to design and implement a data warehouse replacement, including developing databases for generating reports.

Technical Infrastructure Design

- Work with L&I to analyze and size the infrastructure needs and to design the future infrastructure. SI will help support the infrastructure as it's developed, including assisting with configuration management, monitoring, performance troubleshooting, backup, recovery and similar tasks.

COTS PROCUREMENT (COTS-Commercial Off The Shelf)

L&I's second procurement will be for the software. This procurement will contain two components: software and the services to implement that software. We anticipate first securing the product implementer and leaning heavily on their experience and expertise to help select the best commercial off-the-shelf product for us.

We will use a unique procurement strategy to take us through 2020. This includes a detailed discovery period with two finalists. We are going to provide learning opportunities for these potential vendor partners – to learn our processes and learn our business so we can determine the best solution for L&I and our customers.

The new workers' compensation computer system will support L&I's ability to manage employer accounts, injured workers' claims and return-to-work services and benefit payments. The software will provide a broad array of functionality, from financial calculations and transactions to customer contact management.

- **Core Solution:**
    - Design, test and deploy the software
    - Design interfaces
    - Customize software (as needed; will try to avoid wherever possible)
    - Provide help-desk support after go-live
    - Support future enhancements, upgrades and general application support
- **Data Migration**
    - Mapping legacy data to target database
    - Supporting software related to content management, correspondence management, reporting and analytics.
    - Data cleansing processes and applications
    - Develop data-masking methods for personal info.

Migration

- Provide on-site staffing for go-live support
    - Technical readiness support for IT
    - Help-desk support for business area
    - Data cut-over support
- **Training**
    - Oversee a training program for internal and external users.
    - Deliver product documentation
    - Develop knowledge management system for future development.
    - Technical training for L&I IT staff.

Question: Sheri Sundstrom – What happens in two (2) years when you need to request additional money there is potentially a recession or something else that means you don't get the needed funds? Then what happens? **Answer: Mr. Sacks** – That's always a risk with a two (2) year budget. Because we are incredibly transparent the overall cost of the project, the project shouldn't stop unless there is a good business reason to stop. I think the bigger risk is actually with the legislature that has the capacity to say "wait a minute. We're not sure this is going to achieve the outcomes we want. Do we want to continue to fund it?"

<u>Industrial Insurance (State) Fund Financial Overview:</u> **Rob Cotton**
Mr. Cotton talked through slides 67-81.

Great news… We recently learned we have received our ninth consecutive Governmental Financial Officers Award for Excellence in Financial Reporting. Thanks to all that worked really hard toward this. **Mr. Sacks added** – This is so critically important. We can't come to you credibly and say "This is where we are financially, what we're spending on benefits, how much we need to collect in premiums, if you can't trust the numbers." Sharon, Rob, and the entire team have done a tremendous job over the years so that we are in a place where we have a variety of outside validators saying "They're doing it right; you can trust the numbers." So this is incredibly important foundational work. Hats off again for setting such a high bar and standard, then continuing to meet and exceed it.

Closing Comments & Adjourn:

Ms. Kennedy: Next WCAC meeting is scheduled for June 26, 2019. Typically our first and second meetings of the year are not so close together, remember we had to move it as it conflicted with the end of legislative session. Joel and I would like to propose that we cancel the June 26th WCAC and replace it with the WCAC Finance Committee meeting currently set for June 4th, moving it to June 26th.
Mr. Sacks added – We would then open this meeting up to the public as well. We will send an email out to the rest of the committee asking for their input as well.

Director Sacks closed the meeting.

Meeting Adjourned.