

Workers' Compensation Advisory Committee (WCAC) Meeting
Labor and Industries, Tumwater, WA
Meeting Notes
April 11, 2018

Business Representatives:

Mike Roozen, Washington State Farm Bureau
Sheri Sundstrom, Washington Self-Insurers Associations
Bob Battles, Association of Washington Business
Tammie Hetrick, Washington Retail Association

Labor Representatives:

Karen Gude, United Food and Commercial Workers 1439
Joe Kendo, Washington State Labor Council
Brenda Wiest, Teamsters Local 117
Mark Riker, Washington State Building and Construction Trades Council

Labor and Industries:

Joel Sacks, Director
Randi Warick, Deputy Director
Vickie Kennedy, Assistant Director for Insurance Services

Board of Industrial Insurance Appeals (BIIA):

Linda Williams, Chair

Court Reporter:

Milton Vance, Excel Court Reporting

Recorder:

Veronica Berets

Guests: Teresa Andrews, Megan Soria, Lynne Dodson, Yvonne Quijano, Kaithe Long, Coreen Urrutia, Kris Tefft, Mark Phillips, Lloyd Brooks, Logan Bahr, Latausha Carlyle, Debra Hatzialexiou, Patrick Connor, Carolyn Logan, Brenda Heilman, Teena Minning, Viona Latschaw, Cathy Cottingham, Jeff Dally, Tom Kwieciak, Christine Brewer, Karen Jost, Marie Fiore, Scott Dilley, Maria Rohoh

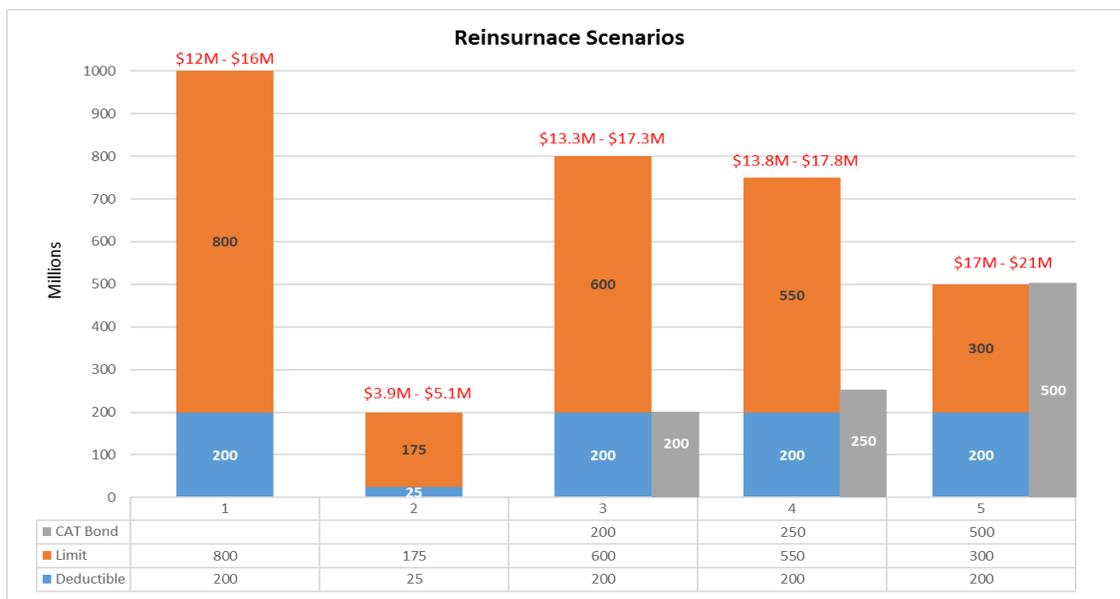
Welcome & General Updates: Randi Warick and Mike Ratko

Meeting started with introductions of the committee members and audience. Ms. Kennedy informed attendees that TVW was filming and broadcasting today's meeting. Following introductions, Jeff Killip with the Division of Occupational Safety and Health (DOSH), presented the safety message.

Ms. Warick explained that the Workers’ Compensation Advisory Committee (WCAC) group meets on a regular basis to talk about finance issues to include investment portfolios and liabilities.

In some of these conversations, the committee has discussed whether or not the department should purchase reinsurance. The group has also discussed the pension discount rate. Ms. Warick introduced Mike Ratko to provide an update on reinsurance.

Mr. Ratko started by stating there was a meeting held last Monday with the finance committee, where they discussed five scenarios that will be taken to the broker for a price quote. What we want to do is to protect about a billion dollars of our contingency reserve should such a situation to occur. *See below for different scenarios.*



These scenarios include a \$200 million deductible.

Ms. Warick moved on to the pension discount rate. As the department is estimating costs for pensions, we discount or reduce estimates by a certain level to take into account the investment of the pension funding.

- Pension discount rate is 6.1% as of April 1, 2018
 - For both state fund and self-insured, reduced from 6.2%
- In Fiscal Year (FY) 2018:
 - SB 6393 passed
 - Allows for dual or differing discount rates for state fund and self-insured.
- For Fiscal Year (FY) 2019:
 - Propose implementing the following Pension Discount Rates:
 - State fund - 4.5%

- Self-Insured - 6.0%

Legislative Updates: Vickie Kennedy

Ms. Kennedy stated that the next update concerns efforts to implement various changes following the recent legislative session.

Mr. Sacks talked about the capital budget that included funding for Labor and Industries and the Department of Agriculture to create a new laboratory. The Division of Occupational Safety and Health will be coordinating this effort, along with our Administrative Services Division.

Our current location is not ideal and in the case of a catastrophe, the odds of the lab surviving would be small. We reached out to another agency with similar needs and we worked together to reduce the overall footprint and overall costs to government by proposing to build a lab to combine both agencies' needs.

Ms. Kennedy reminded the WCAC that one of the comments from the Joint Legislative Audit Review Committee (JLARC) report on claims management practices concerned our claim manager caseloads. The 2017 legislature funded an additional claims management unit in response. This hiring for additional claim managers should be done before July 1, 2018.

Ms. Kennedy continued with other legislative updates.

- **Investment Returns (SB 6393)** - Authorizes L&I to use a different assumption for annual investment returns for the reserve funds for self-insured and state-fund pension claims. (see notes regarding pension discount rate changes.)
- **Change in Social Security Offset (HB 1336)** - Eliminates the Social Security offset for workers who were receiving or had applied for Social Security retirement benefits before being injured.
- **Hanford Claims (SHB 1723)** - Creates a presumption that certain diseases and conditions are occupational diseases for those who worked one 8-hour shift on a Hanford site.
- **Post-Traumatic Stress (SSB 6214)** - Creates a presumption that post-traumatic stress disorders are an occupational disease for law enforcement and firefighters.
- **Interpreter Services (2SSB 6245)** - By September 2020, requires L&I to purchase interpreter services directly from individual language access providers and/or through contracts with service delivery organizations.
- **Increasing Access to Mental Health Services (Rulemaking)** – Legislative request for L&I to collaborate with stakeholders on how to include Masters' level mental health counselors as providers authorized to treat injured workers.
- **Replacing Hearing Aids (Rulemaking)** – Legislative request to convene a group of experts and stakeholders to develop replacement criteria that reflect current technology.

Ms. Kennedy mentioned that another bill, Senate Bill 6399, instructs the telemedicine collaborative, which we've now been added to, to establish a five-year telemedicine payment parity pilot program. We will update as we learn more.

Business Transformation: Workers' Compensation System Replacement Business Case Discussion:

Joel Sacks and Brian Colker (*Linea Solutions*)

Mr. Sacks started by introducing Brian Colker with Linea Solutions and the Business Transformation update topics.

- **Workers' Compensation System Review**- A project to assess the current business processes and systems. This project also includes a feasibility study to review and recommend technology solutions.
- **Credentialing Replacement** – This project is partnering with Health Care Authority (HCA) to implement Labor and Industries' medical provider network requirements into HCA's existing Provider One application.
- **Enterprise Data Strategy** – A holistic review of Labor and Industries' current data and records management. This project will recommend a future state that will support a large-scale system transformation and increased opportunities to link and use data across platforms.
- **Technology Assessment & Readiness Plan** – This effort will review the current IT services and give recommendations for improvements including technology solutions.
- **Website Redesign** – A project to assess, create and implement a new lni.wa.gov website. The emphasis for the project is to create a modern website that is simple for the customer to use and easier for the department to manage.

Mr. Colker reviewed the business case part of Business Transformation. The business case will contain detailed considerations, estimates, and explanations to support the related decision package. It will address each significant aspect of a major transformation project and will show how we are addressing each one.

Purpose	Hardware, Software, & Cloud Req's
Executive Summary	Impact to L&I
Guiding Principles	Impact to External Stakeholders
Project Goals & Objectives	Organizational & Operational Change Mgmt.
Other Options Considered	Risks & Mitigation
Release Strategy & Timelines	Exceptions to OCIO Policies or Technical Standards
Itemized Cost Estimates	Issues to be Addressed Prior to Implementation
Estimation Methodology	Project Management Best Practices
Comparable Projects Investigated	The Future Organization
Procurement Strategy & Approach	Detailed Cost & Staffing Workbook
Staffing Requirements	Detailed Migration of WC Systems & Tables
Data & System Architecture	

The department looked at two similar projects one in Ohio and one in Ontario, both done very differently.

	Ohio	Ontario	L&I
Number of employees	1,800	3,600	2,800
Number of locations/offices	13	13	19
Number of employers	249,000	313,000	177,000
Premiums	\$1.5b	\$5b CAD	\$2.1b
Benefits paid	\$1.5b	\$3b CAD	\$1.9b

Mr. Colker continued to discuss some of the differences and similarities of L&I and these other organizations.

Integration means making systems work together – systems can share data and business processes can start in one system and finish in another. L&I is different from Ontario and Ohio because the organization does a lot more things – licensing, permitting, crime victims’ compensation, etc. Many of L&I’s other systems are intertwined with the workers’ compensation system, and as we replace it, we have to make sure that those other systems work with the new solution.

The department has had many discussions with Ohio and Ontario. For costs, they did not officially disclose the overall spend for the projects. However, we can share that these were very large projects, with hundred of millions in costs to implement. We are also reasonably certain that L&I’s project will be more expensive, because of two major factors – integration and resource needs. Both Ohio and Ontario put a very large number of people on the projects. L&I

is currently developing a resource strategy, but it is likely that L&I will need to supplement staff with outside resources more than these other two organizations.

	Ohio	Ontario	Similar at L&I?	Explanation
Project Scope	Claims, Employer, Financial, Data Warehouse, Web Portals	Claims, Employer, Billing, Data Warehouse	✓	L&I's scope is similar; L&I has more systems to integrate with
Duration	4 years	4 years	✓	L&I may need more time due to the integration, but 4 yrs is good estimate
Est. Cost	\$100m+ (est.)	\$100m+ (est.)	?	Cost data was not fully disclosed; L&I's costs will be higher due to resource costs and integration complexity
FTEs on Project	150+	150+	?	L&I will need to supplement staff for project

Mr. Colker reviewed each success, challenge, and key takeaway for L&I – *shown in slide deck.*

-15 minute break-

Improving the customer experience: Building partnerships with the vocational provider community: Ryan Guppy and Kari D’Aboy (*VRC and owner of Career Horizons*)

Mr. Guppy started by stating that the goal is to raise awareness around the power of a positive return-to-work experience and the benefits not just for the injured worker and the employer, but for all the other stakeholders as well, going back to the people and the process component of Business Transformation.

A shifting culture has improved return-to-work outcomes by reducing delays for vocational services. Mr. Guppy reviewed the Ability-to-Work Assessment (AWA) model currently used to initiate vocational services. Our positive outcomes have stabilized, signaling the capacity of the current model’s ability to produce return-to-work outcomes for workers and employers.

Mr. Guppy introduced the Vocational Recovery Project (VRP) - Creating a culture focused on vocational recovery that engages all parties in preventing work disability while improving return-to-work outcomes; a collaborative approach aimed at shifting our model to that of a worker centric approach benefiting injured workers and employers

Vocational Recovery Project Goals:

- Identify best practices and guidelines that support worker engagement and return to work focus.

- Educate all parties on best practices.
- Analyze our existing partnership with vocational providers and incorporate changes to ensure that it is collaborative, transparent, supports innovation and improves services quality.

Ms. D' Aboy is a vocational firm owner who talked about how the conversations over the past four to five years have shifted from compliance based, process driven, defensible outcomes to enhancing vocational service delivery by slowly replacing the process with evidence based/informed strategies to prevent and/or manage work disability.

Mr. Guppy stated that the future holds areas of opportunities that were collaboratively identified, and will enable us to accomplish our goals.

We plan to:

- Identify evidence based/evidence informed work disability prevention best practices, provide training and guidelines to vocational providers, so that we more effectively meet the needs of our customers by connecting a vocational provider who adheres to our guidelines
- Identify additional criteria for becoming a VRC or vocational firm in our system and what it takes to continue to do business with us.
- Ensure our vocational provider performance and evaluation are aligned with our agency mission, goals, and the prevention of work disability so that we can more effectively make referrals based on quality and effectiveness
- Evaluate non-financial and financial incentives to drive the desired interventions, service delivery, and behaviors
- Pilot referrals specifically aimed at RTW as the goal vs. relying on referrals that perpetuate process and assessments
- Reimagine what the handling of vocational complaints and audits (performance vs. compliance) looks like so that we can more effectively drive desired behaviors, reward those providers and firms who are doing the right thing while eliminating those do not

Insurance Services Dashboard – Help Injured Workers Heal and Return to Work: Vickie Kennedy

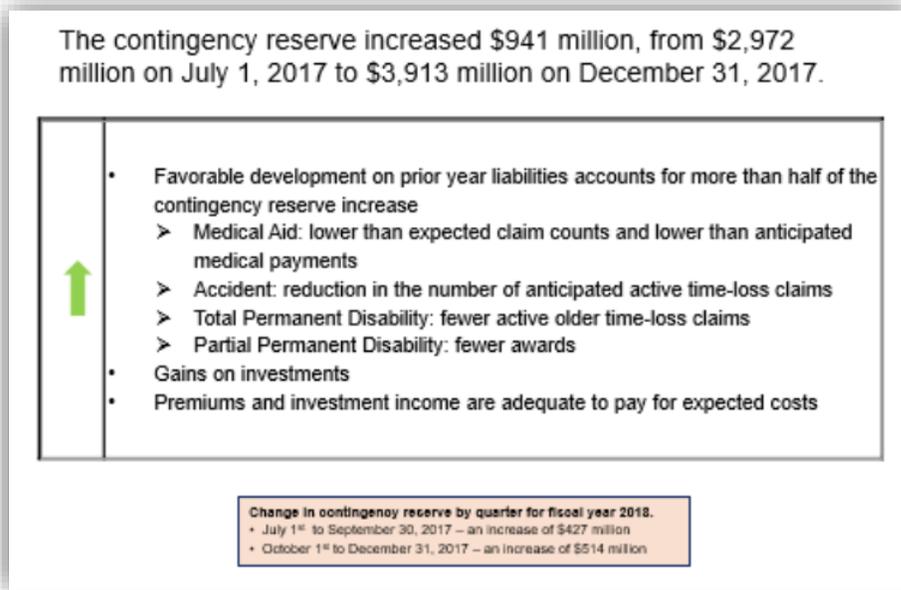
Ms. Kennedy stated that she would skip this part of the presentation to provide Mr. Cotton enough time to provide the financial overview. *(See slide deck pages 37-51)*

Industrial Insurance (State) Fund Financial Overview: Rob Cotton

Rob Cotton, Workers' Compensation Account Manager for Financial Services, presented a financial update for the first six months of financial year 2018. Fiscal year July 1, 2017 through December 31, 2017.

Mr. Cotton went to slide 54 – Significant Financial Highlights. He stated that this is the only slide he would be reviewing today. *(See slide deck pages 52 through 75 for additional information)*

Mr. Cotton started by stating we've had a phenomenal first six months. He explained that this slide shows the reasons why there was an increase in the contingency reserve.



This concluded Mr. Cotton's presentation and he welcomed the audience to contact him if there were additional questions after reviewing the presentation.

Board of Industrial Insurance Appeals (BIIA) Update: Linda Williams

Ms. Kennedy stated this portion of the presentation would be skipped as well, but the presentation is posted on L&I's website found below.

<https://www.lni.wa.gov/ClaimsIns/Insurance/Learn/Wcac/WcacMtgMin/Default.asp>

Closing Comments & Adjourn:

Director Sacks closed the meeting.

Meeting Adjourned.