

# Workers' Compensation Advisory Committee (WCAC)

*December 11, 2023*



This meeting will be streamed by TVW

## Workers' Compensation Advisory Committee (WCAC)

### Quarterly Meeting

Monday, December 11, 2023

Tumwater Headquarters and ZOOM

[9am] – [12:00pm]

]

Time	Topic	Presenter(s)
9:00 am – 9:10 am	<b>Welcome</b> <ul style="list-style-type: none"><li>• Introductions</li><li>• Motion to approve minutes</li><li>• Safety Message</li></ul>	Joel Sacks Mike Ratko Cari Anderson
9:10 am – 9:30 am	<b>General Updates</b> <ul style="list-style-type: none"><li>• Covid-19</li><li>• WCSM</li><li>• Rulemaking</li><li>• IME Recordings</li></ul>	Mike Ratko Liz Smith Brenda Heilman/ Joel Sacks Brenda Heilman
9:30 am – 9:55 am	<b>PTSD Deep Dive</b>	Brenda Heilman
9:55 – 10:10 am	<b>Operational Health Dashboard</b>	Mike Ratko
10:10 am – 10:35am	<b>Industries and Risk Classifications Eligible for Ergonomic Rulemaking</b>	Dr. Jennifer Marcum
10:35 am – 10:45 am	<b>Break</b>	All
10:45 am – 11:05 am	<b>Program Spotlight - Return to Work Partnerships</b>	Kirsta Glenn
11:05 am – 11:25 am	<b>Industrial Insurance State Fund Financial Overview</b>	Kim Hurley
11:25 am – 11:45 am	<b>Board of Industrial Insurance (BIIA) Update</b>	Holly Kessler
11:45 am – 12:00 pm	<b>Closing Comments &amp; Adjourn</b>	Mike Ratko Joel Sacks

# Safety Message

*Cari Anderson, Deputy Assistant Director  
DOSH*





|

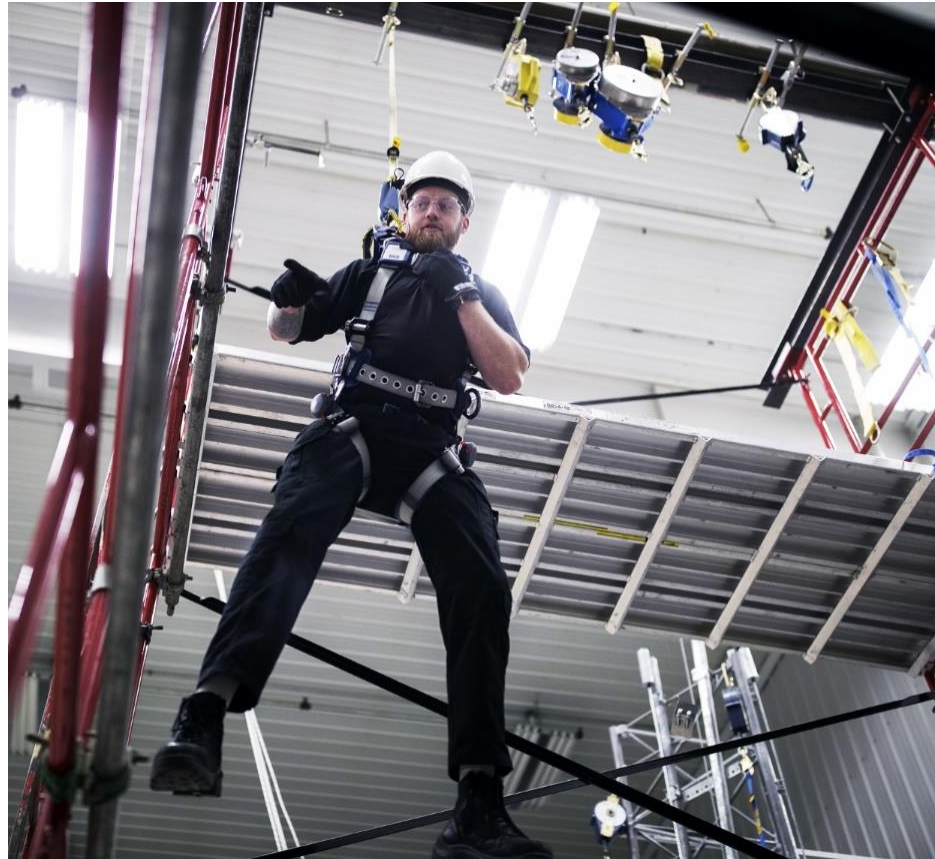
















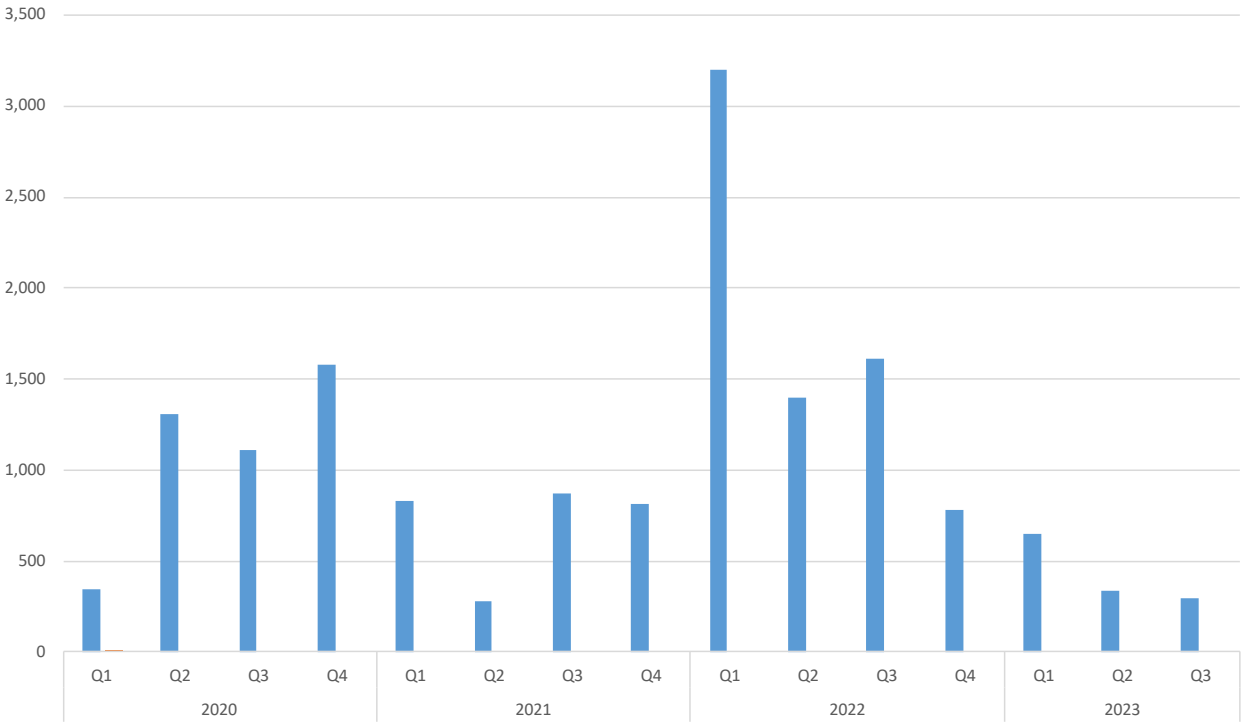


# General Updates

- Covid-19
- WCSM
- Rulemaking
- IME Recordings



# Covid impact on incoming claims



# COVID Claims – received through 10/31/23

	State Fund	Self-Insured	Total
<b>Accepted total</b>	<b>12,883</b>	<b>10,027</b>	<b>22,910</b>
<i>Open</i>	94	306	400
<i>Closed</i>	12,789	9,721	22,510
<b>Rejected</b>	<b>2,577</b>	<b>960</b>	<b>3,537</b>
<b>Pending</b>	<b>68</b>	<b>11</b>	<b>79</b>
Total	15,528	10,998	26,526

## Fatal Claims

State Fund	38
Self-Insured	15
Total	53

Accepted Claims	State Fund	Self-Insured	Total
Time-loss	11,124	9,738	20,862
Medical	806	186	992
KOS	953	103	1,056
Total	12,883	10,027	22,910

	State Fund	Self-Insured	Total
Healthcare related	7,411	5,107	12,518
First responders	2,345	1,648	3,993
Miscellaneous Servic	1,831	62	1,893
Government	543	969	1,512
Misc. Professional an	235	1,102	1,337
Schools	91	951	1,042
Stores	142	27	169
Transportation and V	62	64	126
Agriculture	100	11	111
Food Processing and	53	19	72
Miscellaneous Manu	13	31	44
Temporary Help	13	16	29
Trades	16	4	20
Other	28	16	44
Total	12,883	10,027	22,910

# Workers' Compensation Systems Modernization

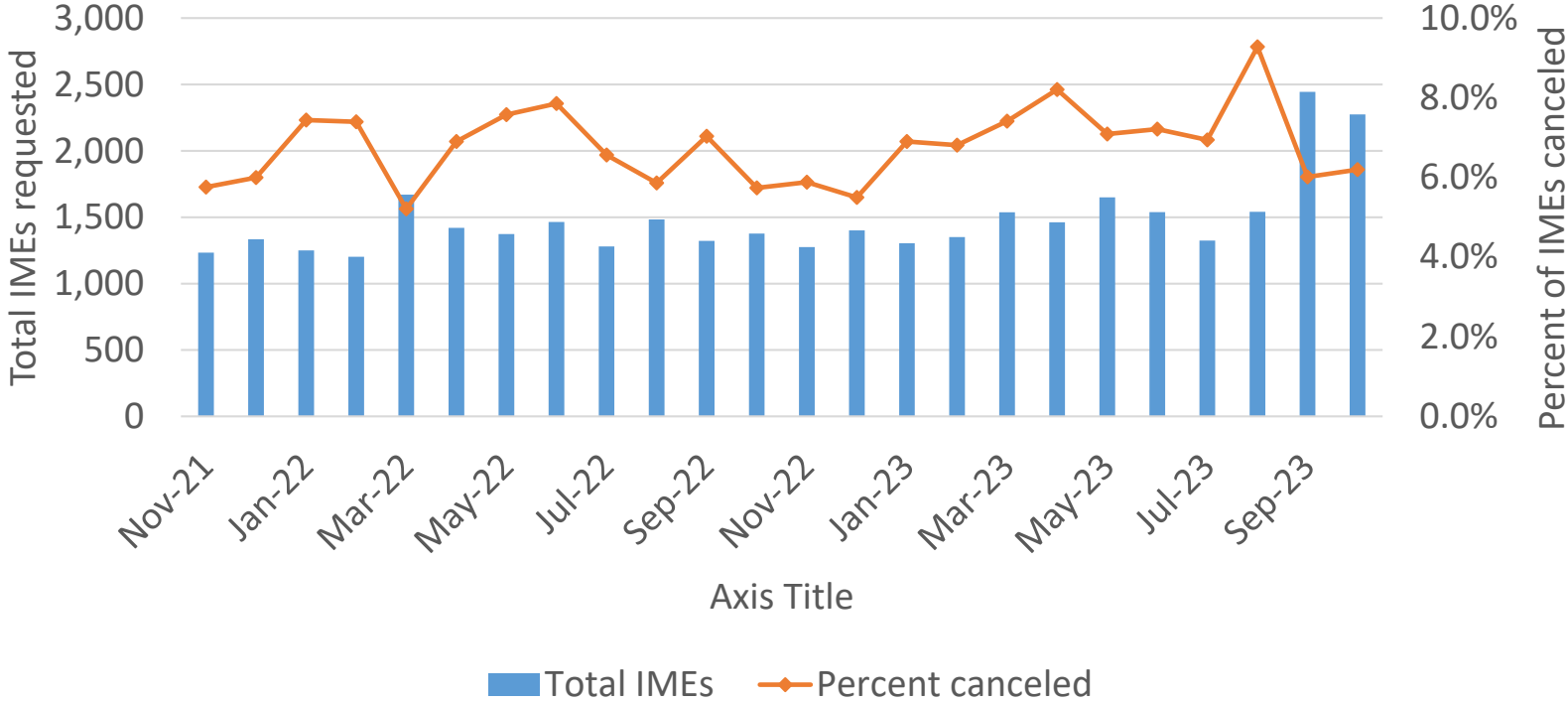
- New project director at the helm.
- Continue to “Measure twice, cut once” with pre-procurement work through August 2024.
- What we're doing between now and then:
  - Finalizing details about how our business areas and technology systems function separately and together.
  - Exploring more how modern technology solutions will work with our existing systems.
  - Figuring out how and when we'll stop using some of our existing systems.
  - Doing even more market analysis to see what's available.
  - Using the results from these efforts to develop our procurement strategy.



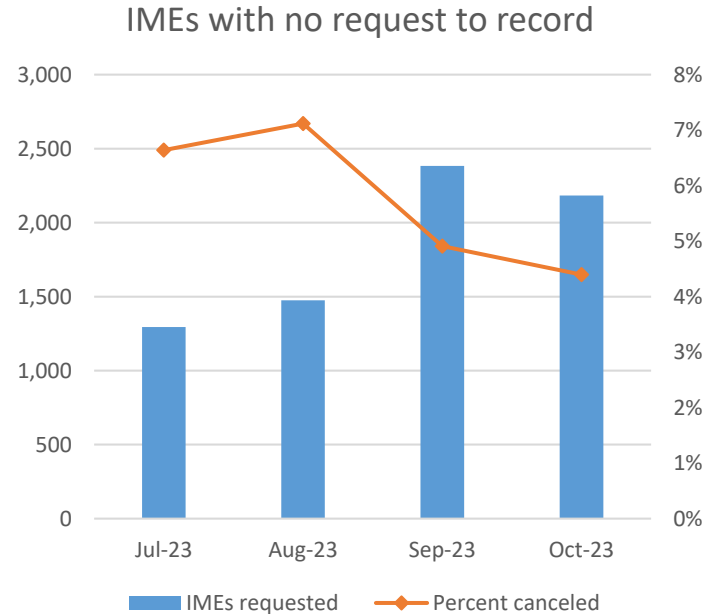
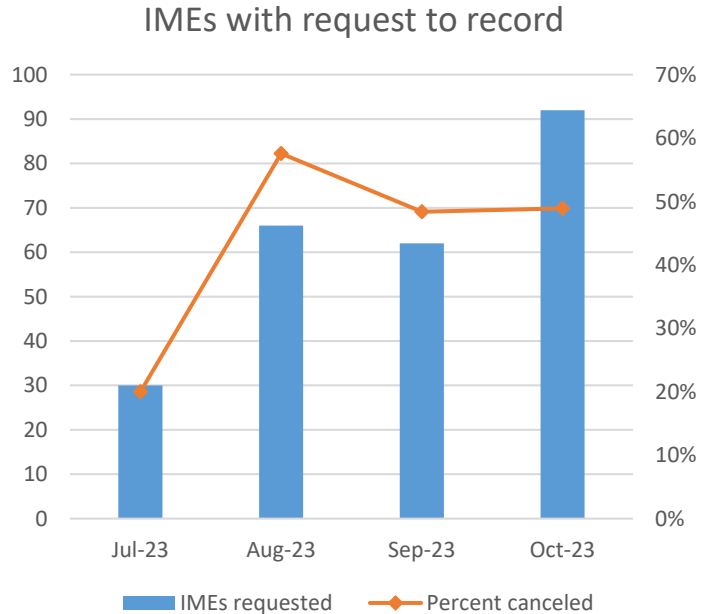
# Talking points

- Four months of data since implementation of recording option
  - Overall, the number of cancelled exams has remained stable and is very low.
  - During the last two months there have been many IMEs without a request to record
- There has only been a very small share of IMEs with a request to record
- Requests to record are highest for psychiatry and hand surgeries
- IMEs with a request to record have a very high cancellation rate (around 50%)
  - Data from Cheri on what happens in these cases will not be available until at least Jan-Feb 2024. Manual file reviews required.

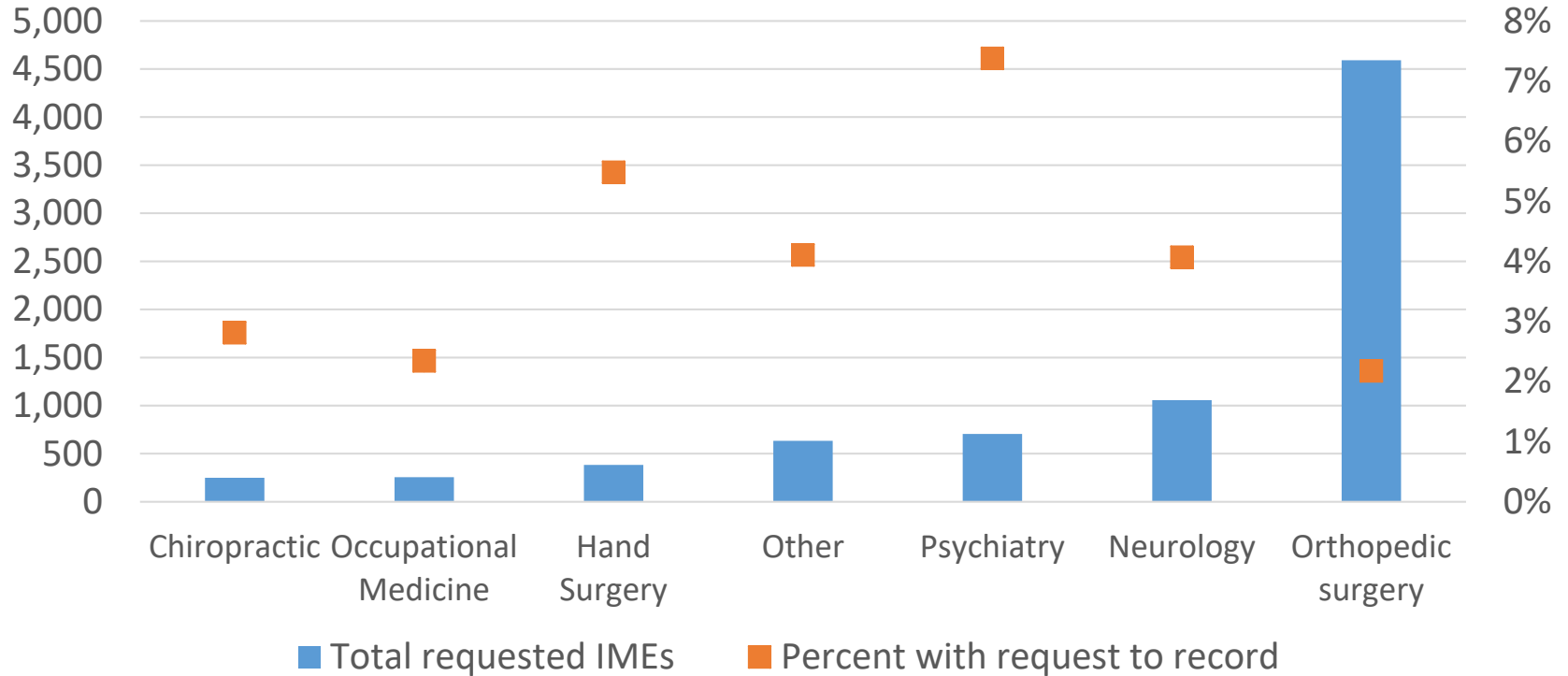
# IMEs Requested and Cancellation Rate



# IMEs with request to record have higher cancelation rates.



# IMEs and cancelation rate by specialty









# Questions




# Operational Health Dashboard

*Mike Ratko, Assistant Director  
Insurance Services*

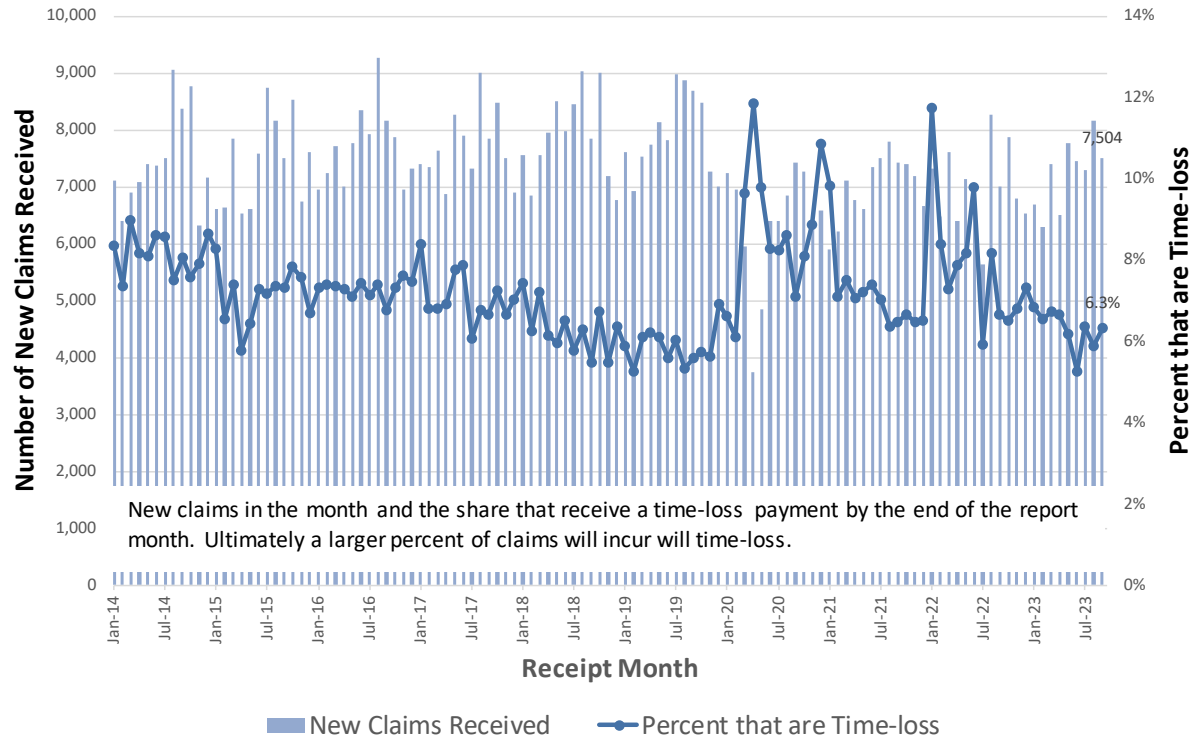


# Operational Health Dashboard

Measure	Trend	Status	Definition
Percent of new claims that are time-loss	declining		Claims new (received) in the month and percent with a time-loss payment by the end of the month – increase in percent that are time-loss indicates a more severe claim mix.
Long-term disability rate	increasing		Percent of all compensable claims with a time-loss payment 12 months post injury – decrease indicates less long-term disability
Pensions funded	steady		Number of pensions funded in the quarter – decrease indicates less permanent total disability
Covered hours and claim rate	steady		Claims received per 100 FTE indicates the rate of claims considering volume of work - increase indicates higher claim frequency.
Medical cost growth	declining		Percent change in medical costs for services performed in the current quarter vs. the same quarter last year – increase means higher costs estimated for the quarter.
Operational efficiency	steady		Percent of operational measures meeting target greater than 80 percent– increase indicates more measures exceeding target.

 Right direction 
  Neutral 
  Wrong direction

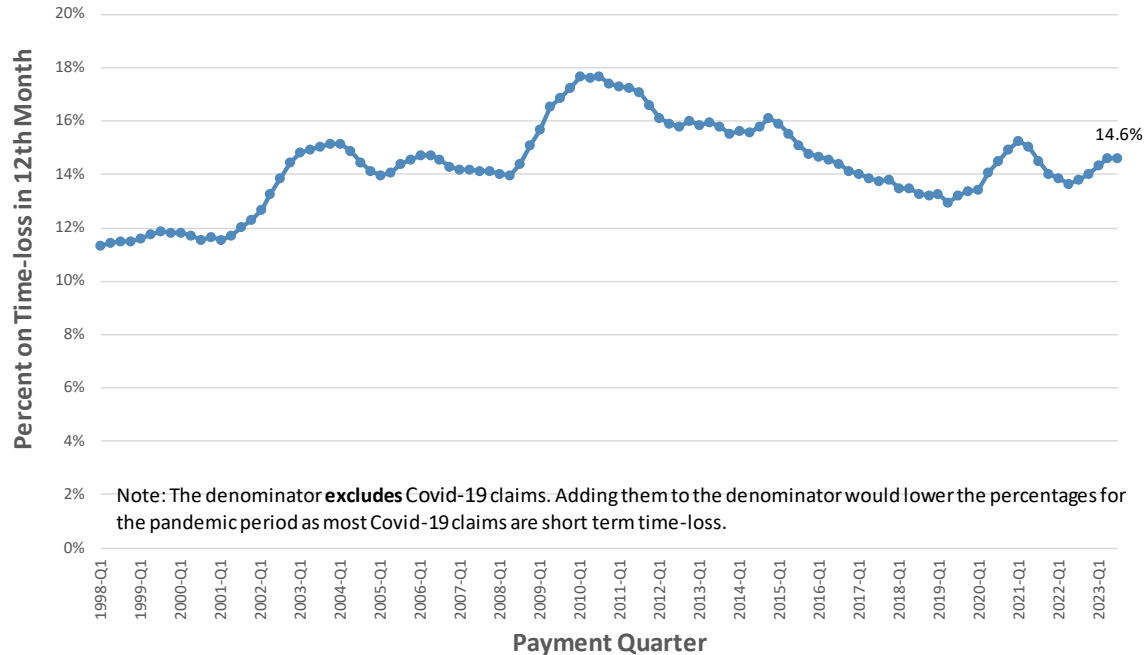
# Number of New State Fund Claims and the Percent that are Time-loss



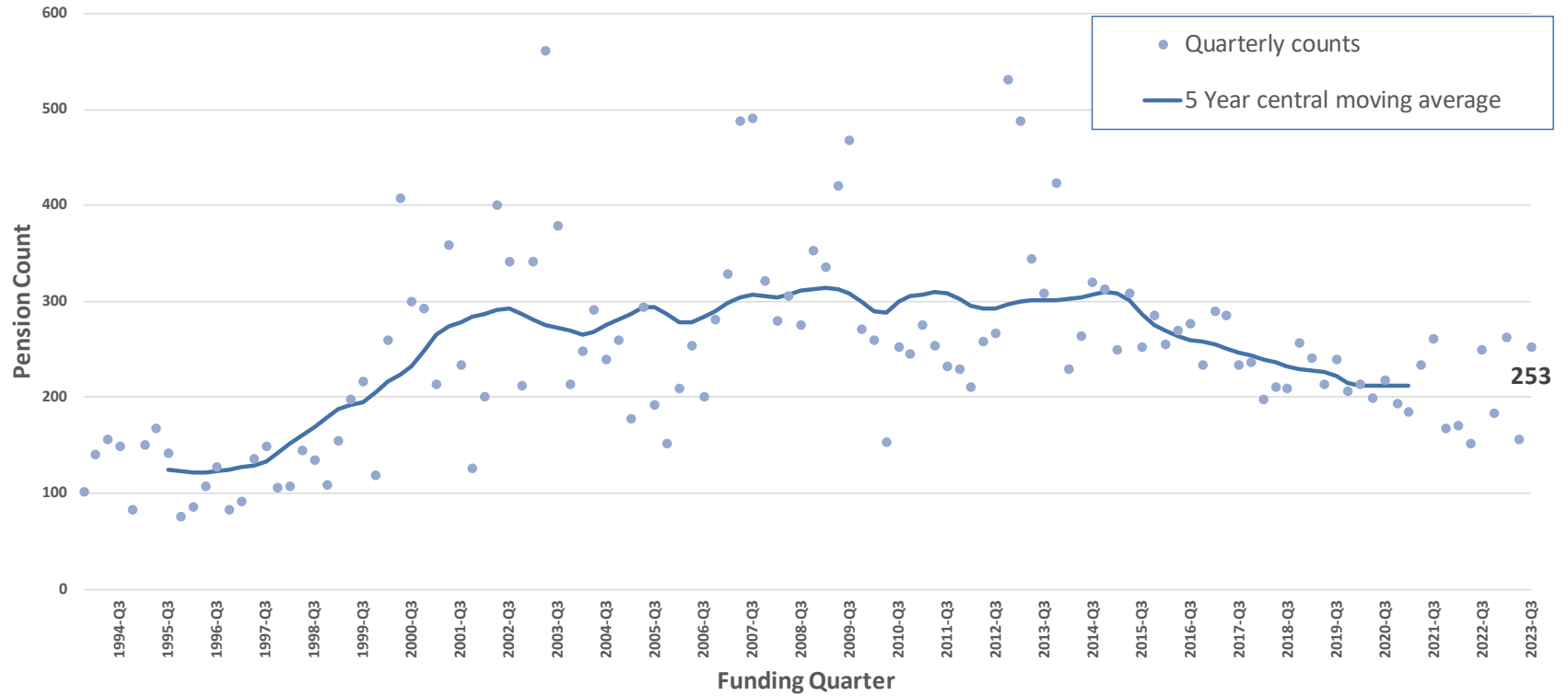


# Long Term Disability Claims

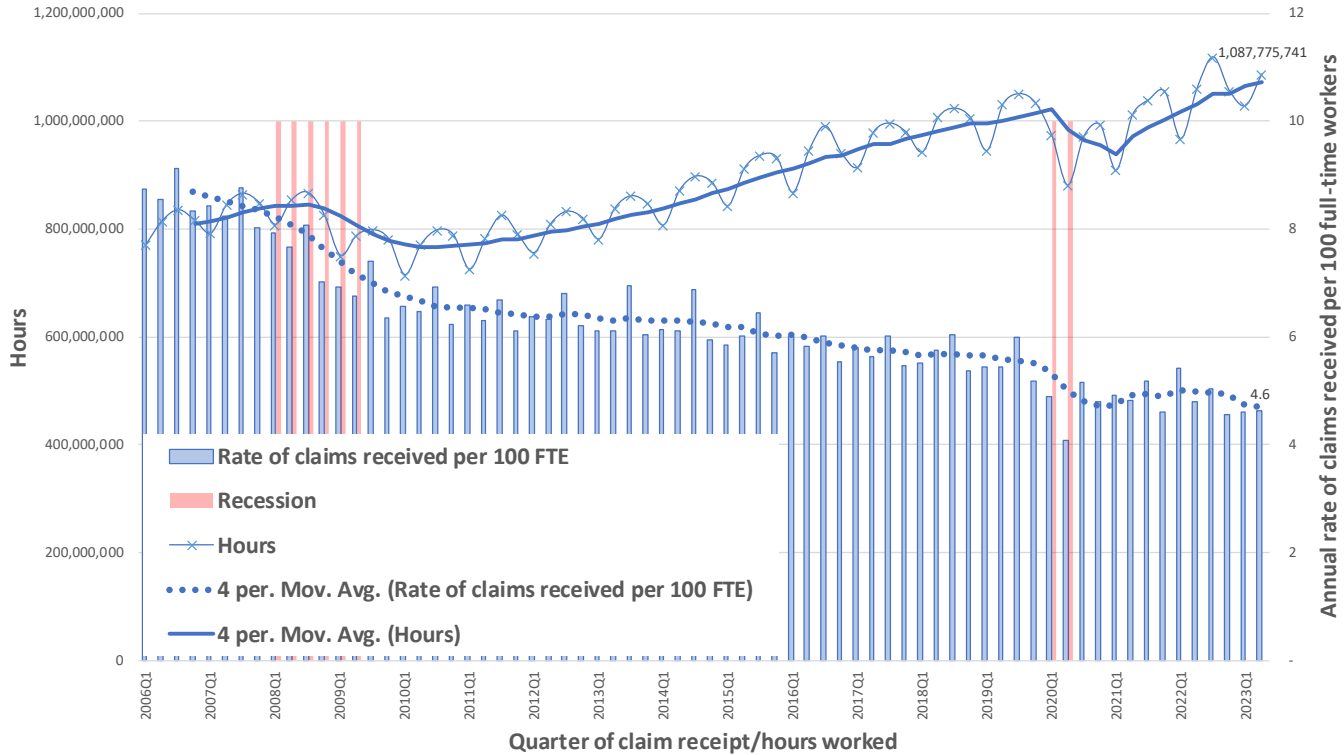
The percent of injured workers with compensable claims that have time-loss paid in the 12th month post injury: *smaller percentage indicates less long-term disability*



# State Fund Total Permanent Disability Pensions Funded per Quarter

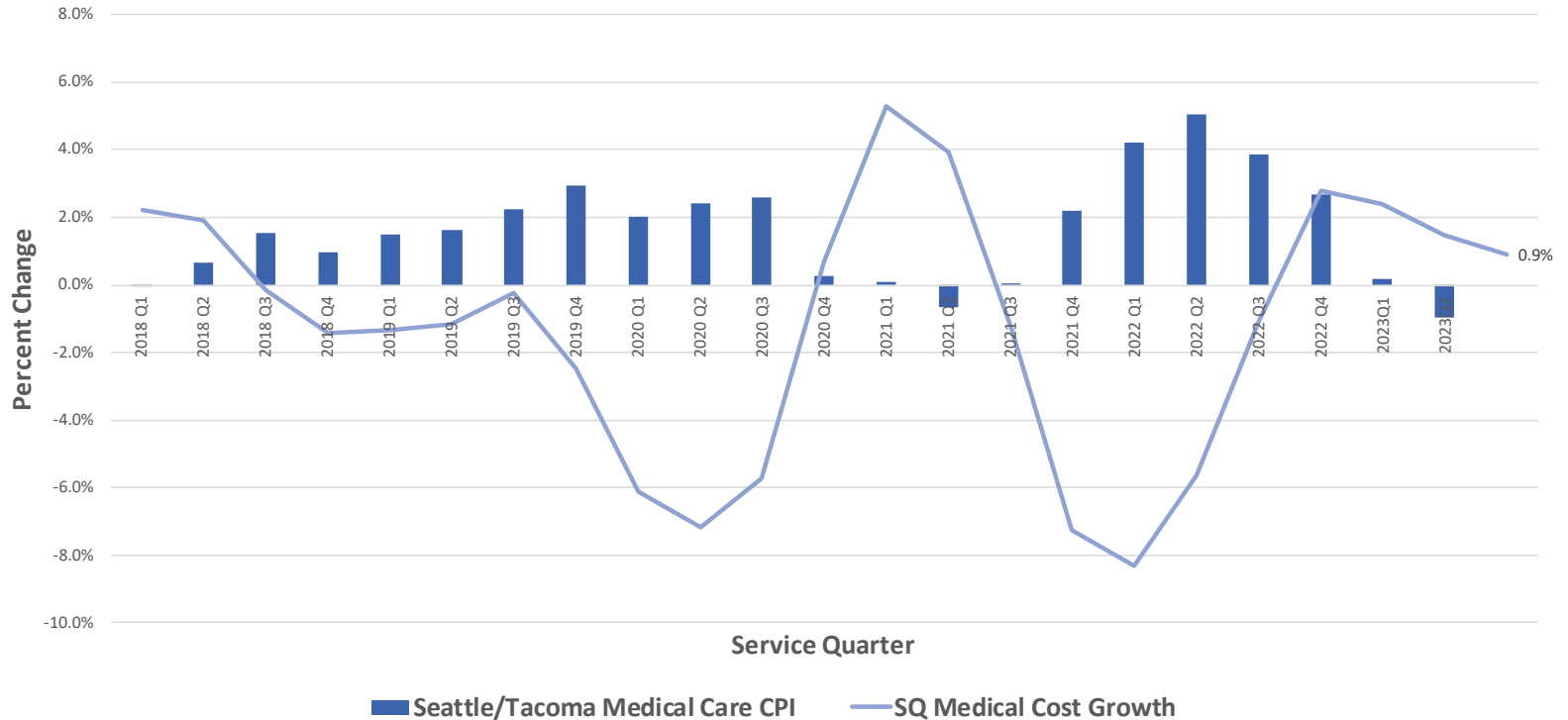


# Covered Hours and the Rate of Claims Received



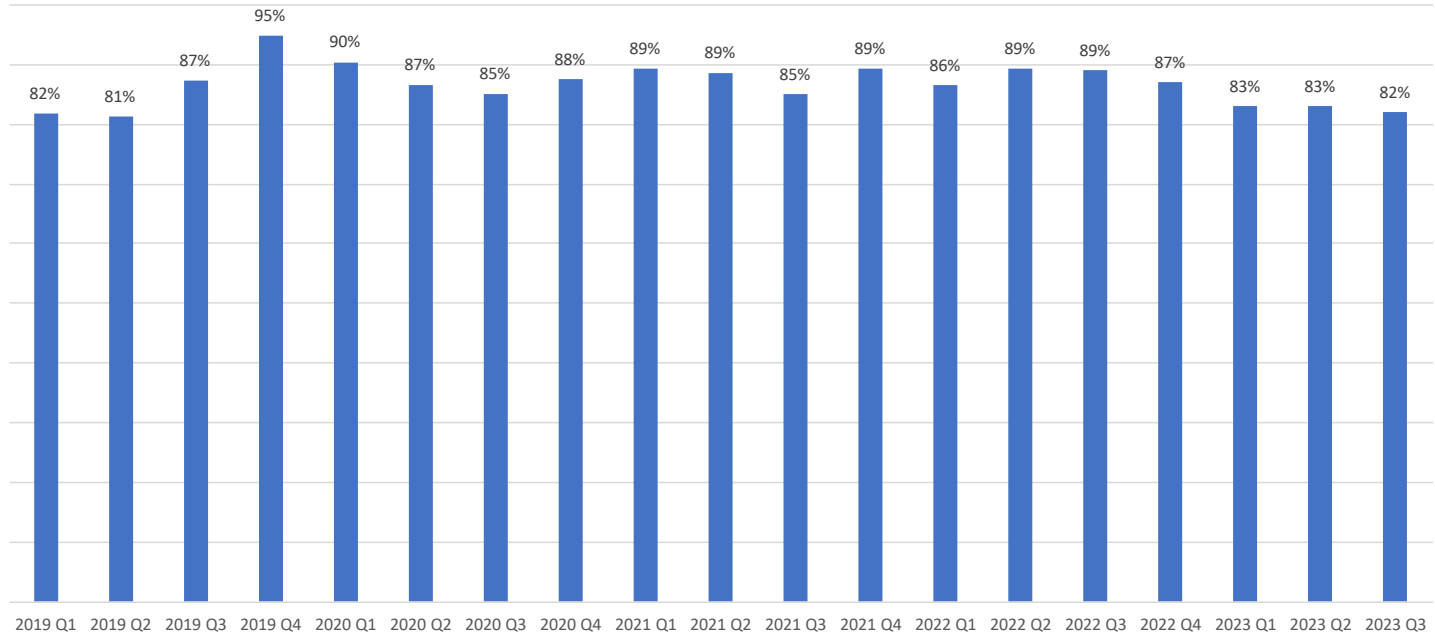
# Annualized Medical Cost Growth

## All Claims Excluding Hearing Loss



# Percent of Workers' Comp Operational Measures Meeting Target

The percent of operational measures that meet operational targets is consistently above 80%.



Currently there are 36 active operational measures in Insurance Services

# PTSD Deep Dive

*Brenda Heilman, Deputy Assistant Director  
Insurance Services*



# Agenda

- Overview
- Claims Data
- Impacts on Rates
- Agency efforts

# PTSD as an injury claim

- All workers can file a claim for PTSD as a result of an injury.
- An injury is a single “sudden and tangible” traumatic event (such as witnessing the death of a co-worker or experiencing a traumatic event).
- Medical opinion must attribute the condition to a work-related event.



# PTSD as an occupational disease

- An **occupational disease** is an illness arising from work-related conditions or exposure.
- It occurs from multiple exposures over a period of time and arises "naturally" and "proximately" from employment.
  - Examples of an occupational illness could include work-related carpal tunnel or hearing loss.

# PTSD as a presumptive claim

- The law establishes a connection between exposure at work and certain illnesses.
  - A **presumption** recognizes work caused the illness.
  - The only medical requirement is proof of condition.
- The burden to rebut the presumption falls to the employer to demonstrate:
  - Factors other than work caused the condition.
  - More likely than not, the condition is not work-related (preponderance).

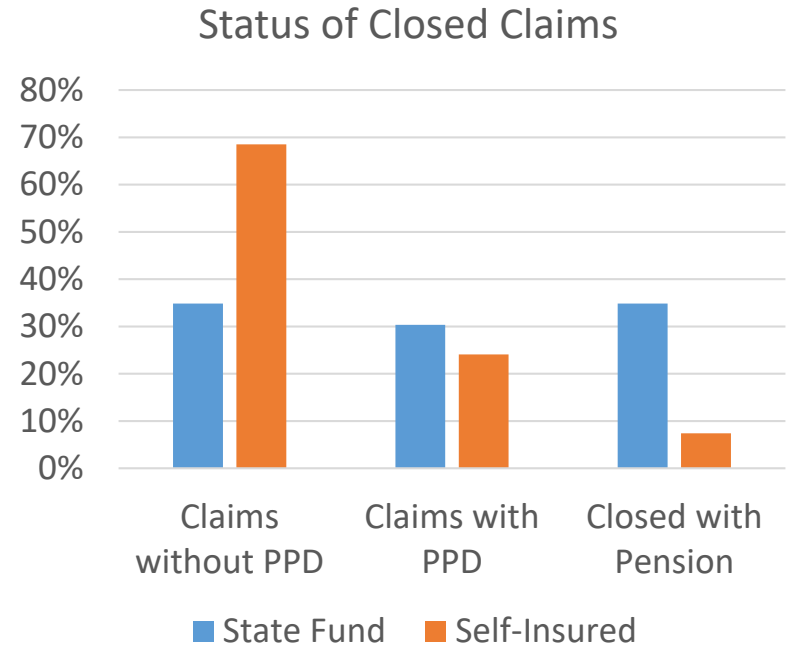
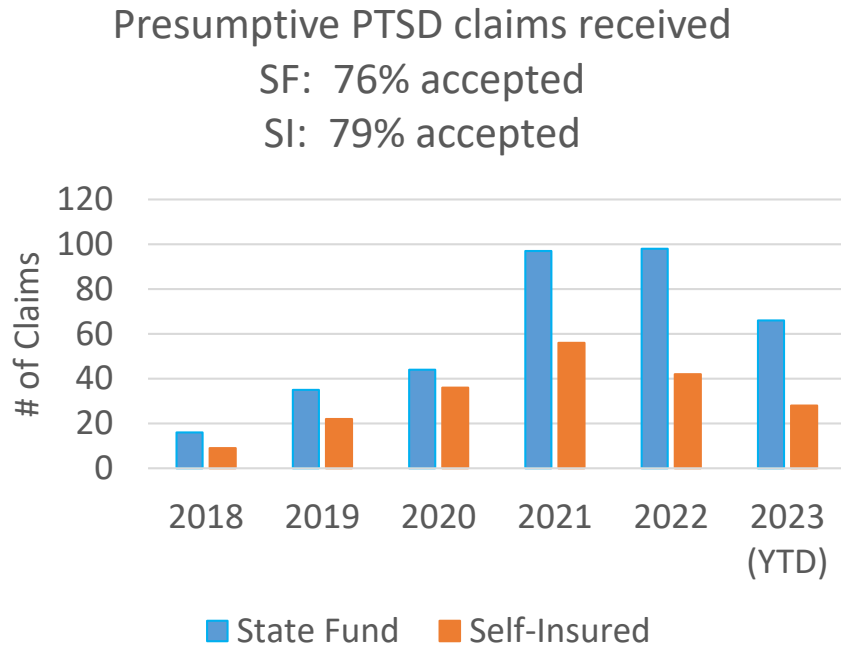
# PTSD Claims – Legislative Action

- 2018: presumption created for PTSD for:
  - Firefighters and Law Enforcement Officers
  - To qualify, must meet ten-year tenure requirement.
- 2019: added EMTs and Fire Investigators
- 2020: Public Safety Telecommunicators permitted to file PTSD claims – w/o presumption
- 2023: Direct Care Registered Nurses added to PTSD presumption
  - 90 days for eligibility

# **Claims Data**

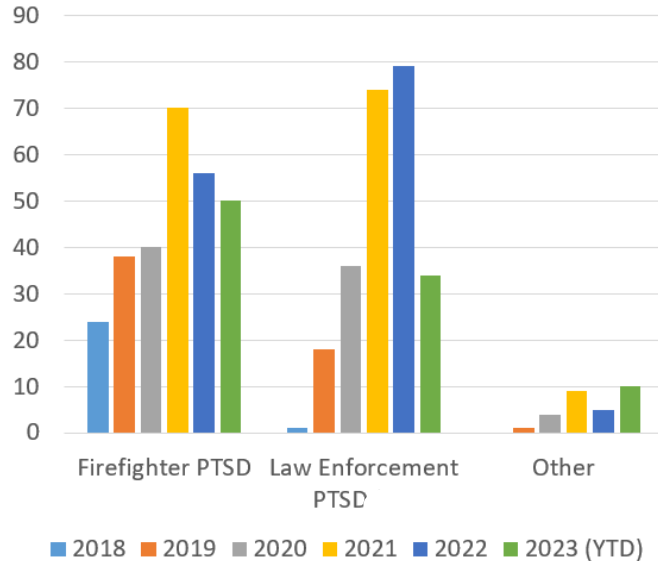
**June 2018 – October 2023**

# PTSD claims received and status of closed claims

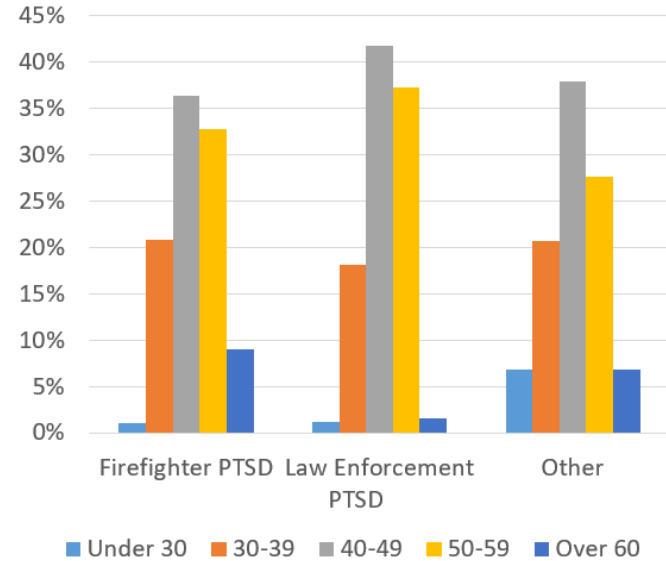


# Presumptive PTSD by Occupation and Age

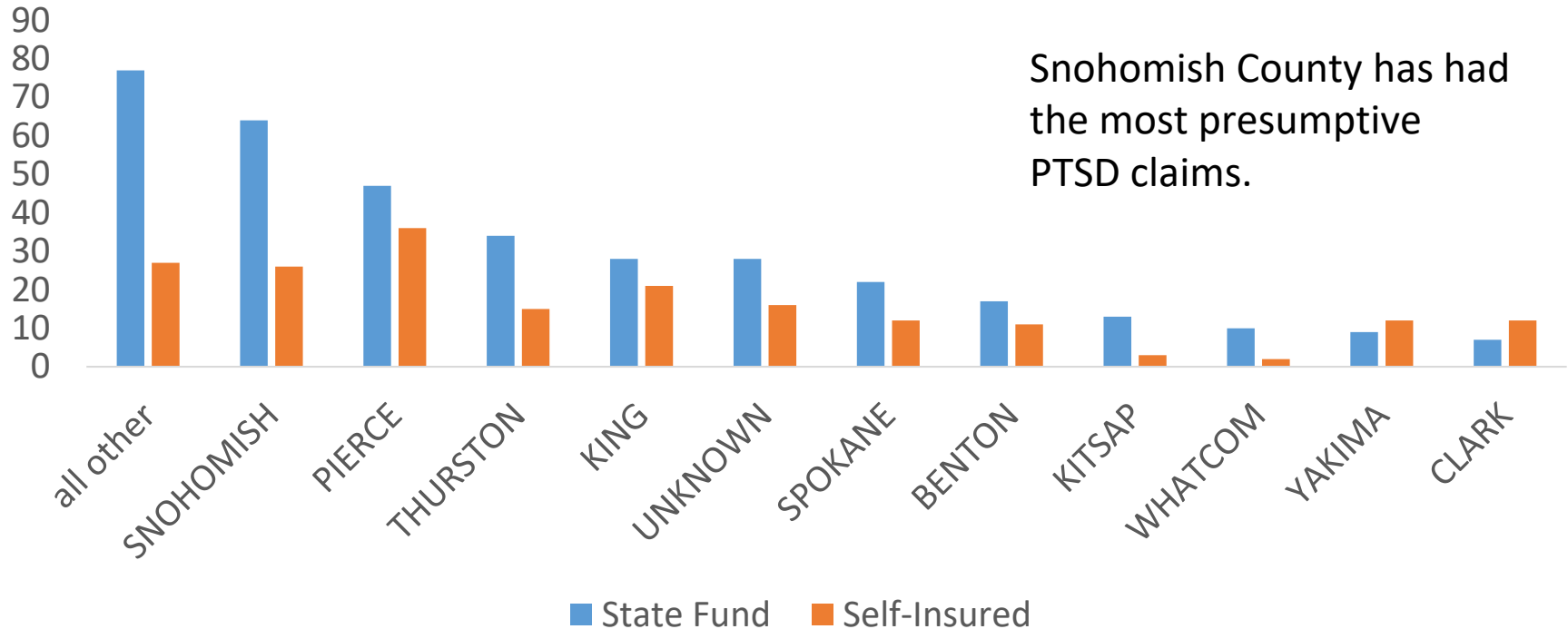
Presumptive PTSD by occupation



Age distribution at time of filing



# Presumptive PTSD claims by \*county



\*Worker's residence

# Influence on Rates

- For each industry, rates rely on a previous five-year window.
- PTSD claims continue to make up a greater portion of total claim costs.

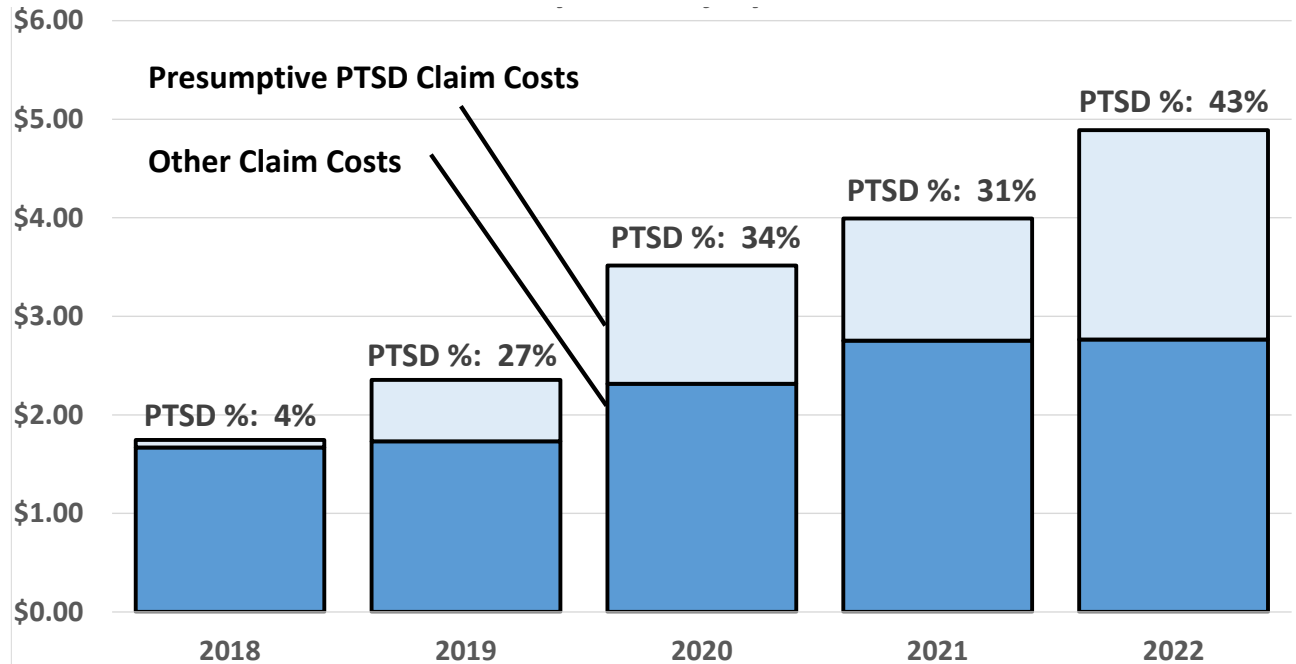


# Firefighter and LEOFF Rate Calculations

Type of Claim	Count	Average Cost
Fatality	6	\$1,096,300
Other Pension	26	\$1,099,900
Other Compensable	126	\$583,200
Non-Compensable	9	\$21,000
<b>Total</b>	<b>167</b>	

- These claims have:
  - Higher average costs.
  - A greater proportion are compensable than in the State Fund overall.
- It's likely that many of the Other Compensable Claims will become Pension claims.

# Increasing Proportion of PTSD Claim Costs



# Rate Impacts – PTSD Claim Costs

- Presumptive PTSD costs made up approximately 34% of total Firefighter and LEOFF claim costs.
  - If these proportions continue, the presumptive PTSD costs will have increased claim costs by approximately 52%.
  - Over-time premium rates will increase in proportion to claim cost increases.
- What to Watch:
  - Will costs stabilize or continue to rise?
  - Factors include dropping the smallest year (2018) for the 2025 rate setting and unknown costs with implementation of direct care registered nurses.

# Internal Efforts

- Budget request for study
- OMD – Associate Medical Director for Psychology hired, begins Jan 16-expert in rehabilitation psychology and return to function
- Project:
  - Develop evidence based treatment guidelines intended to improve quality of care
  - Access to providers
  - Process improvements for claim adjudication and management
  - Data collection and analysis

# WCAC PTSD Subcommittee

# Industries and Risk Classifications Eligible for Ergonomic Rulemaking (RCW 49.17.520)

*Jennifer Marcum, MS DrPH*

*Safety and Health Assessment and Research for Prevention (SHARP)*



# Website

- Search “WA ergonomics rulemaking”
- <https://www.lni.wa.gov/safety-health/safety-rules/rulemaking-stakeholder-information/ergonomics-rulemaking>

# Background: RCW 49.17.520<sup>1</sup>

Authorizes L&I DOSH to adopt rules for work-related musculoskeletal disorder (WMSD) hazards, with constraints:

- Only one rule for an industry or a risk class in a 12-month period
- Industry or risk class must have a compensable WMSD claim rate greater than two times the overall state rate, including all subdivisions
- May not adopt emergency rules
- May not adopt rules for employee home offices

<sup>1</sup> [RCW 49.17.520: Rules related to preventing musculoskeletal injuries. \(wa.gov\)](#)



# Background: RCW 49.17.520<sup>1</sup>

## Requires L&I to annually publish:

- Industries and risk classes eligible for rule making
- “Low priority” industries or risk classes based on decreasing statistical trend
- “High priority” industries or risk classes most likely to be selected for future rule making
- Review of compensable WMSD claims

<sup>1</sup> [RCW 49.17.520: Rules related to preventing musculoskeletal injuries. \(wa.gov\)](#)

## Background: Work-related musculoskeletal disorders (WMSDs)

- Are the leading type of occupational injury in WA– 1/3 of all compensable claims
- Affect the muscles, nerves, tendons, joints, cartilage, spinal disks and other components of the musculoskeletal system
- Are caused by overexertion; repetition; bodily reaction from bending, climbing, crawling, reaching, twisting, sitting, or standing; being jarred by vibration
- Are *not* injuries resulting from impact such as falls, struck by/against events, cuts or motor vehicle crashes

# Background: Industry

## North American Industry Classification System (NAICS)<sup>1</sup>

Number of Digits	NAICS Level	NAICS Code and Description
2	Sector	44 - Retail Trade
3	Subsector	445 - Food and Beverage Stores
4	Industry Group	4451 - Grocery Stores
5	Industry	44511 – Supermarkets and Other Grocery (exc Conv Stores)
6	National Industry	445110 – Supermarkets and Other Grocery (exc Conv Stores)

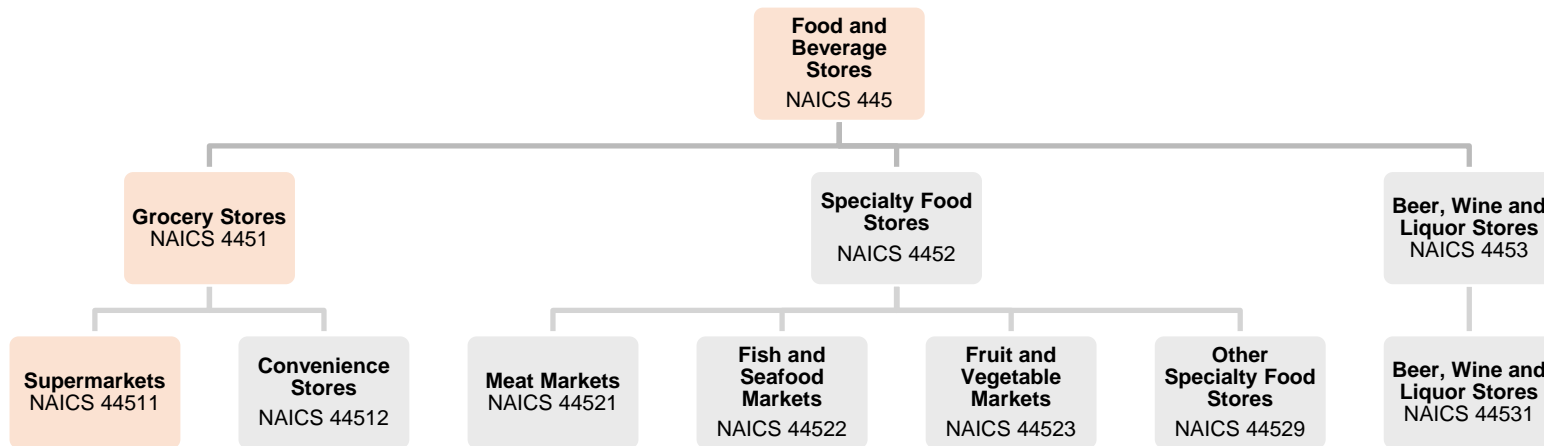
<sup>1</sup> Washington State L&I codes to NAICS version 2007, <https://www.census.gov/naics/?58967?yearbck=2007>



# Background: Industry

3 Digit NAICS  
'Subsector'

4 Digit NAICS  
'Industry Group'

5 Digit NAICS  
'Industry'



 Rate ratio > 2  
 Rate ratio < 2

# Background: Washington State Risk class

<b>Number of Digits</b>	<b>Risk class level</b>	<b>Risk class code and description</b>
4	Main	2002 – Freight Handling
6	Subclass	2002-31 – Loading and Unloading, or Icing Refrigeration Cars and Containers

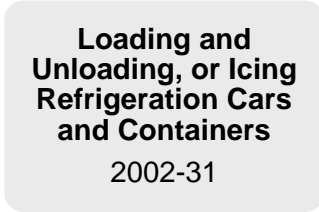
<https://lni.wa.gov/insurance/rates-risk-classes/risk-classes-for-workers-compensation/>



# Washington Risk Classification (WAC 296-17A)

4 Digit  
Risk Classification



6 Digit  
Risk Subclassification



-  Rate ratio > 2
-  Rate ratio < 2

# Background: statistical analysis technical notes

- Compensable claim= claim where medical aid *and* additional expenses are awarded such as time loss, disability, survivor benefits; includes kept on salary claims
- Recent five year period= calendar years 2017 through 2021
- Claim rate= number of claims / number of FTE (1 FTE=2,000 hours)
- Claim rate ratio= comparison of an industry-specific rate to the overall statewide rate  
Example: Industry A rate = 17 per 1,000 FTE  
Overall statewide rate = 4.4 per 1,000 FTE  
Rate ratio =  $17 / 4.4 = \underline{3.9}$
- Statistical trend= direction the claim rate is moving over time [increasing, decreasing, not changing]
- Regression modeling= technique used to identify statistically meaningful “significant” trends, and to estimate future claim rates to determine if the industry or risk class “will have a rate lower than two times the state average in the next three years”.

# Eligible industries and risk classes (rate ratio > 2)

- NAICS subsector (3-digit) = 10 subsectors eligible
- NAICS industry group (4-digit) = 31 industry groups eligible
- NAICS industry (5-digit) = 59 industries eligible
- Risk class (4-digit) = 79 risk classes eligible



# High priority list

Only includes those likely for regulation, list will be updated annually.

- Considerations for high priority list:
  - High compensable WMSD claim rate
  - High counts of WMSD claims
  - Industries/classes with statistically significant downward trend such that rate ratio  $< 2$  in three years were excluded
  - Aimed to include a diversity of industry sectors

# High priority list, NAICS:

NAICS code	NAICS description	WMSD claim rate compared to all statewide (Rate Ratio)	WMSD claim rate per 1,000 FTE	Predicted rate ratio <2 2024	Number of workers' compensation accounts	Average number of compensable WMSD claims per year	Average number of FTE per year
00000	Industry A	2.9	12.9	N	588	22.8	1,762.8

# High priority list, NAICS:

NAICS code	NAICS description	WMSD claim rate compared to all statewide (Rate Ratio)	WMSD claim rate per 1,000 FTE	Predicted rate ratio <2 2024	Number of workers' compensation accounts	Average number of compensable WMSD claims per year	Average number of FTE per year
23814	Masonry Contractors	2.9	12.9	N	588	22.8	1,762.8
31171	Seafood Product Preparation and Packaging	2.3	10.3	N	67	36.2	3,501.4
31181	Bread and Bakery Product Manufacturing	2.3	10.4	N	630	54.4	5,246.5
31211	Soft Drink and Ice Manufacturing	2.5	10.9	N	49	27.2	2,494.9
42441	General Line Grocery Merchant Wholesalers	3.3	14.8	N	179	137.0	9,253.0
42481	Beer and Ale Merchant Wholesalers	2.7	11.8	N	101	36.80	3,126
44413	Hardware Stores	2.4	10.9	N	327	96.60	8,901
44511	Supermarkets and Other Grocery (except Convenience) Stores	2.5	11.2	N	898	424.60	38,062
45291	Warehouse Clubs and Supercenters	2.9	12.8	N	12	364.60	28,452
48111	Scheduled Air Transportation	4.7	21.0	N	49	226.60	10,789
48412	General Freight Trucking, Long-Distance	2.5	10.9	N	1,373	107.40	9,848
48421	Used Household and Office Goods Moving	3.9	17.3	N	399	31.80	1,836
492	Couriers and Messengers	4.2	18.8	N	664	278.4	14,839.3
562*	Waste Management and Remediation Services	2.5	11.0	N	705	105.0	9,584.5
62191	Ambulance Services	4.7	21.0	N	58	49.40	2,354
62321	Residential Intellectual and Developmental Disability Facilities	3.4	15.1	N	22	41.20	2,729
92216	Fire Protection	3.3	14.8	N	281	83.80	5,681

\*Excludes NAICS 5629

# High priority list, risk class:

Risk class (4-digit) code	Risk class (4-digit) description	WMSD claim rate compared to all statewide (Rate Ratio)	WMSD claim rate per 1,000 FTE	Predicted rate ratio <2 2024	Number of workers' compensation accounts	Average number of compensable WMSD claims per year	Average number of FTE per year
0302	Masonry Construction	3.9	17.3	N	1,025	24.4	1,407.3
0507	Roof Work – Construction and Repair	3.2	14.3	N	3,479	55.4	3,872.2
2002	Freight Handling Services	3.2	14.1	N	408	68.6	4,852.0
2103	Fulfillment Centers	10.5	46.5	N	6	306.2	6,580.0
3403	Aircraft Manufacturing	2.3	10.2	N	31	523.0	51,256.3
3906	Bakeries, Cracker, Pasta, Confection-Manufacturing/Wholesale, NOC	2.9	12.9	N	299	59.8	4,619.5
6105	Hospitals, NOC	2.3	10.0	N	81	858.2	85,789.4
6108	Nursing and Convalescent Homes	2.2	9.6	N	355	173.2	18,126.4
6402	Supermarkets	2.6	11.5	N	475	436.2	37,998.1
6407	Wholesale Stores, NOC incl. wholesale/retail combination	2.8	12.5	N	1,851	252.0	20,145.1
6801	Scheduled Airlines - Flight Crew	3.0	13.3	N	22	60.6	4,545.2
6802	Scheduled Airlines - Ground Crew	10.6	47.0	N	37	167.4	3,558.5
6904	County and City Fire fighters - Salaried	4.9	21.8	N	247	206.4	9,456.3
7201	State Patient and Health Care Personnel, NOC	4.5	19.9	N	44	69.6	3,495.1

## WMSD claim review

- Reviewed details of the nature of the injury and event leading to injury for all WMSD claims in report
- All claims used in calculations were consistent with the WMSD definition specified in RCW 49.17.520
- The majority (72%) of claims were sprains, strain or tears of musculoskeletal system caused by overexertion or repetitive motion

# Next steps

- One industry or risk classification from “high priority” list will be selected for rulemaking in spring 2024
  - File CR-101
  - Assemble advisory committee to develop proposed rule language
  - Seek input from stakeholders
- DOSH consultation services will be available for technical assistance
- Continue to review data and publish annual lists of those “eligible for rule-making” and “high priority”

# Break Time



# Return to Work Partnerships

*Kirsta Glenn*

*Chief Return to Work Partnerships, Insurance Services*

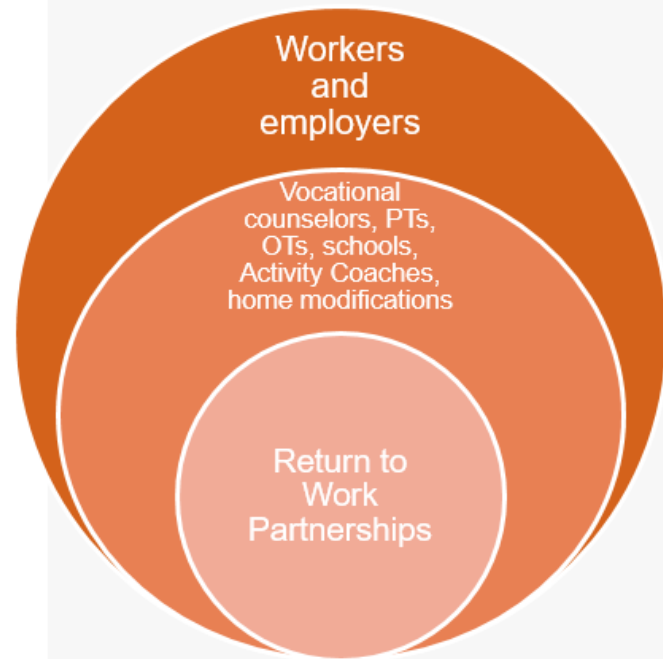




---

# Return to Work Partnerships

- **What we do:** purchase professional return to work services to help every worker safely return to work.
- **Why:** Because any injured worker who misses more than a couple of days of work is at risk of developing work disability.
- **How:**
  - Promoting of best practices
  - Carrying out reasonable, effective, and consistent oversight
  - Improving processes
  - Building strong partnerships with return-to-work professionals
  - Creating teams of highly engaged dedicated, and skilled employees

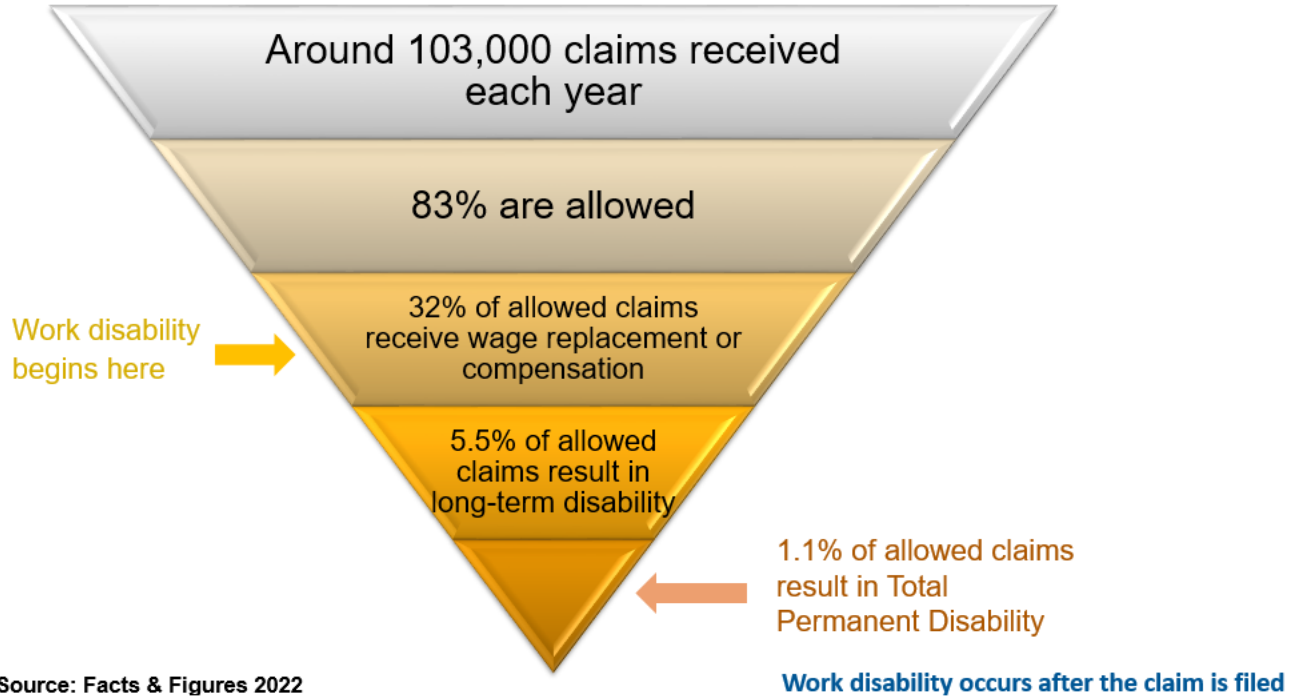




## What is work disability?

- Work disability occurs when a worker is unable to stay at work or return to work because of personal, workplace, societal, compensation and healthcare determinants.
- System impacts contributing to work disability include
  - Duration of time off work
  - Delays
  - Confusion
  - Unclear return-to-work goals

# Workers who miss time from work are at risk of work disability.



# The cost of work disability is far greater than the system cost.

Average cost of a short-term compensable claim (less than 12 months of time-loss)

•23,000 (27% of allowed claims), \$12,200

Average cost of a long-term disability claim (more than 12 months of time-loss)

•4,700 (5.5% of allowed claims), \$432,000

Average cost of a total permanent disability claim

•900 (1.1% of allowed claims), \$1,492,000

## Additional costs to worker

- Loss of career
- Less self-agency
- Lower lifetime earnings
- Lower feelings of well-being
- Negative impact on family/friends
- Long-term health complications

## Additional costs to employer/society

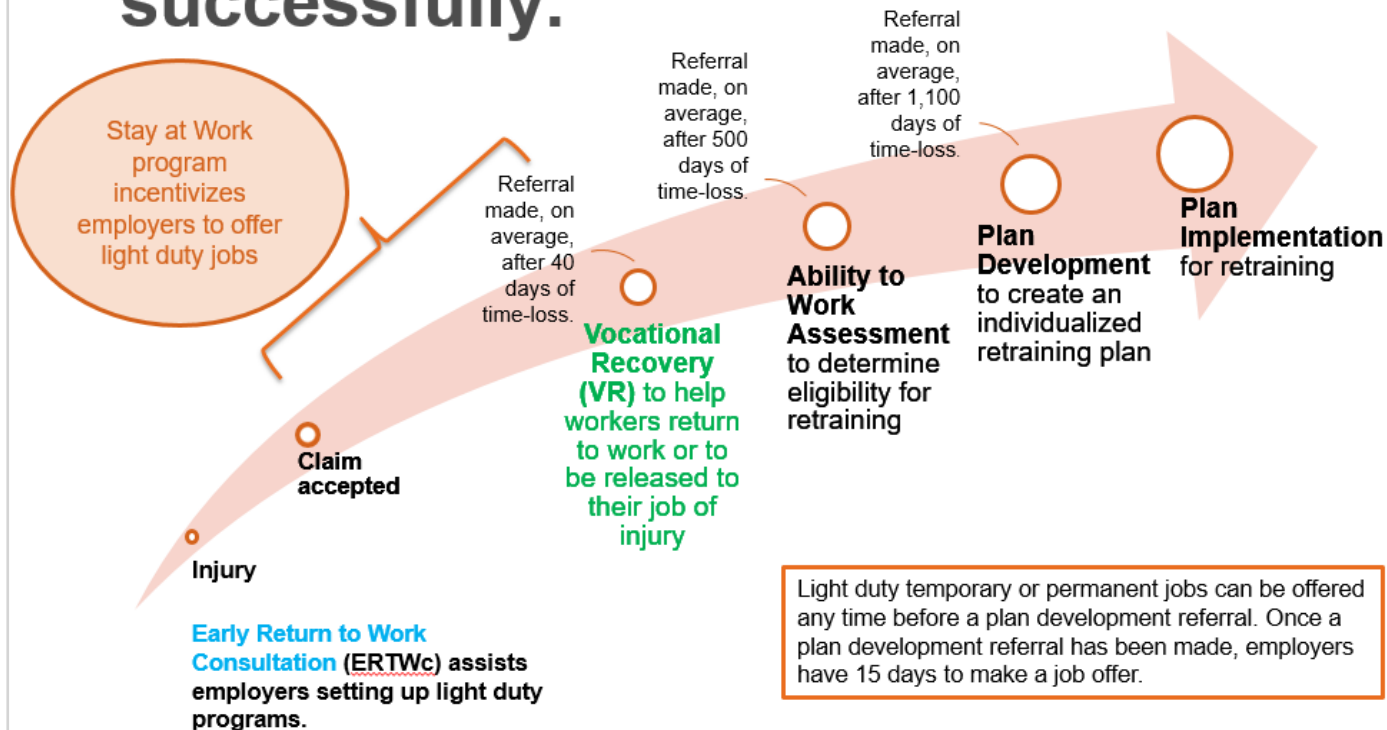
- Negative impact on morale
- Need to hire and train new staff
- Loss of productivity and creativity
- Strain on social services
- Use of medical services



Source: Facts & Figures fiscal year 2022

The cost of work disability goes far beyond system cost

# Some workers require additional services to return to work successfully.



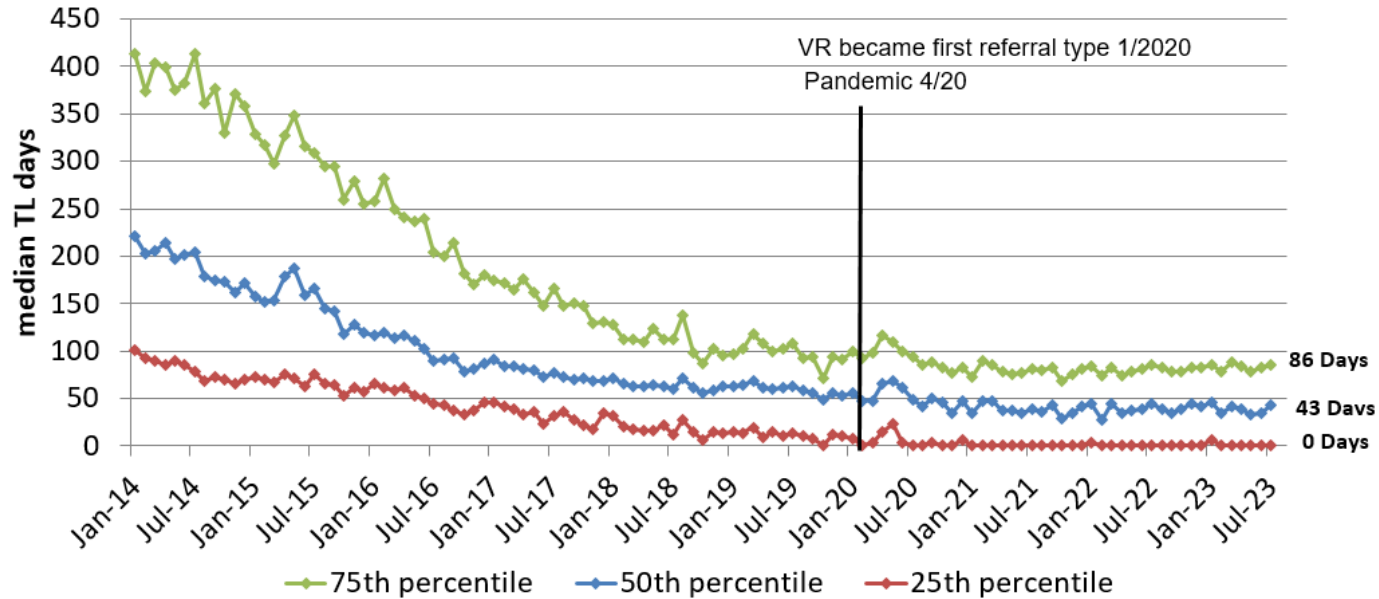
# Vocational Recovery Referral introduced January 2020.

- First referral
- Focused on return to work or full release to job of injury
- Focused on helping worker to take an active role in their return to work
- Not process driven
- Not contentious



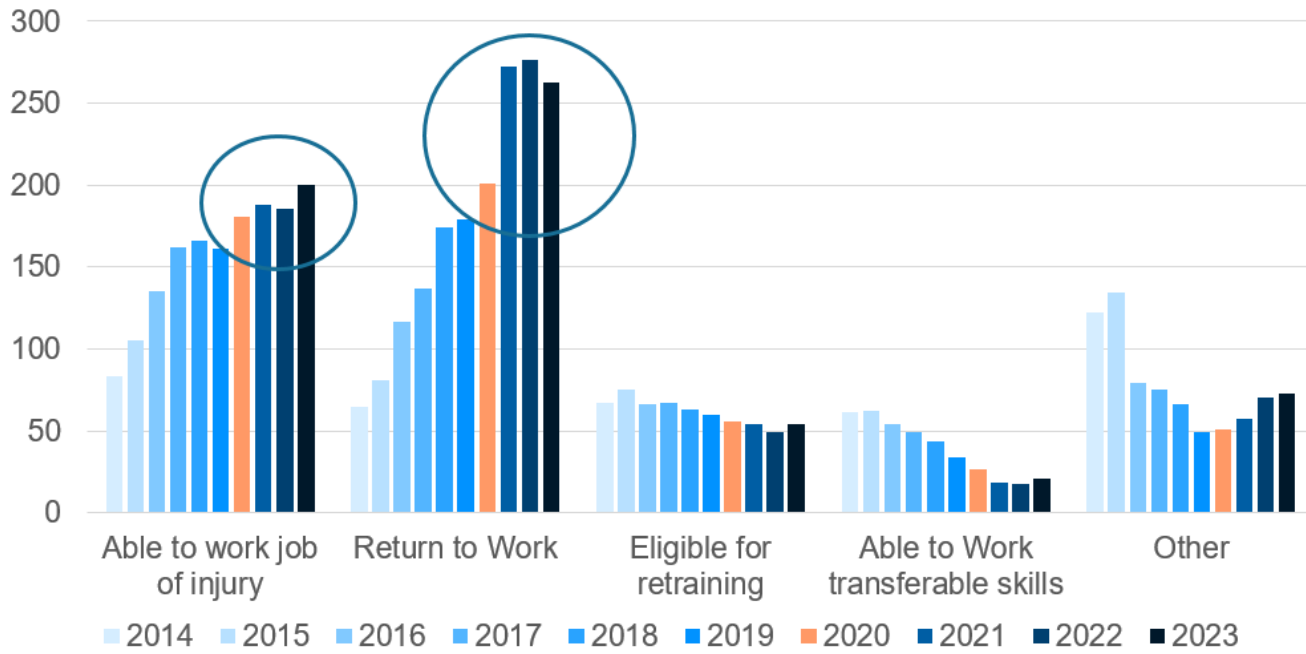
# The time until the first vocational referral (AWA or VR) fell dramatically between 2014 and 2018.

Time-loss days paid at first VR/AWA  
25th, 50th, 75th percentiles



# Vocational recovery referrals are associated with more workers returning to work and being released to their job of injury.

Average monthly outcomes for first vocational referrals

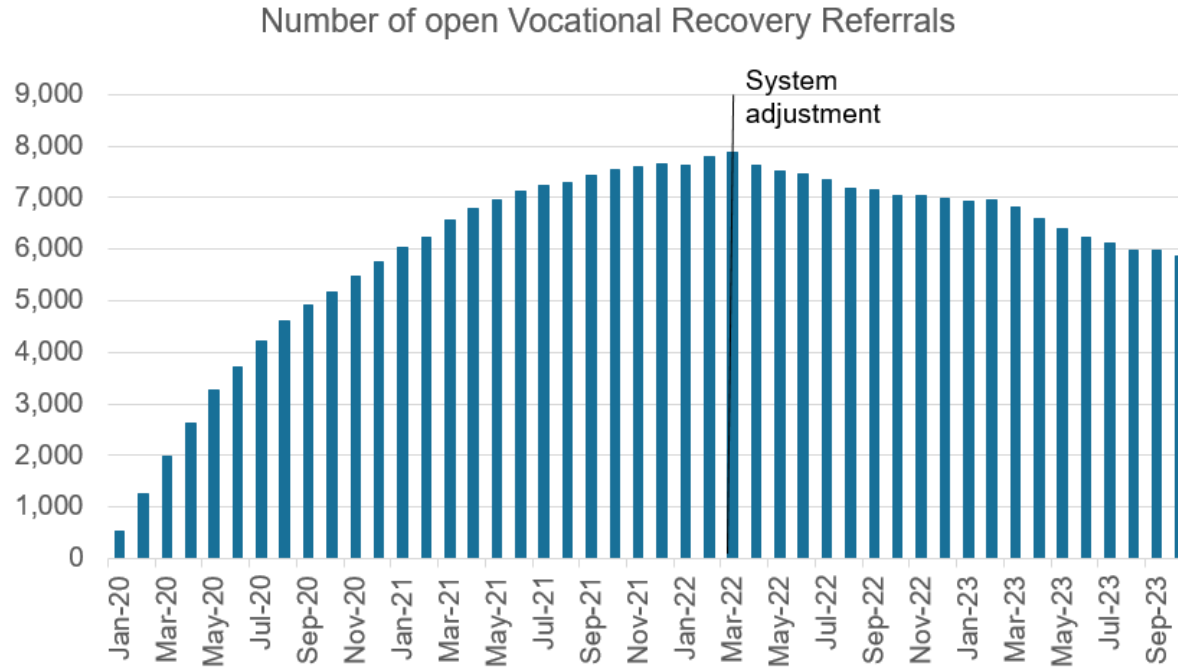




# System monitoring and adjustments

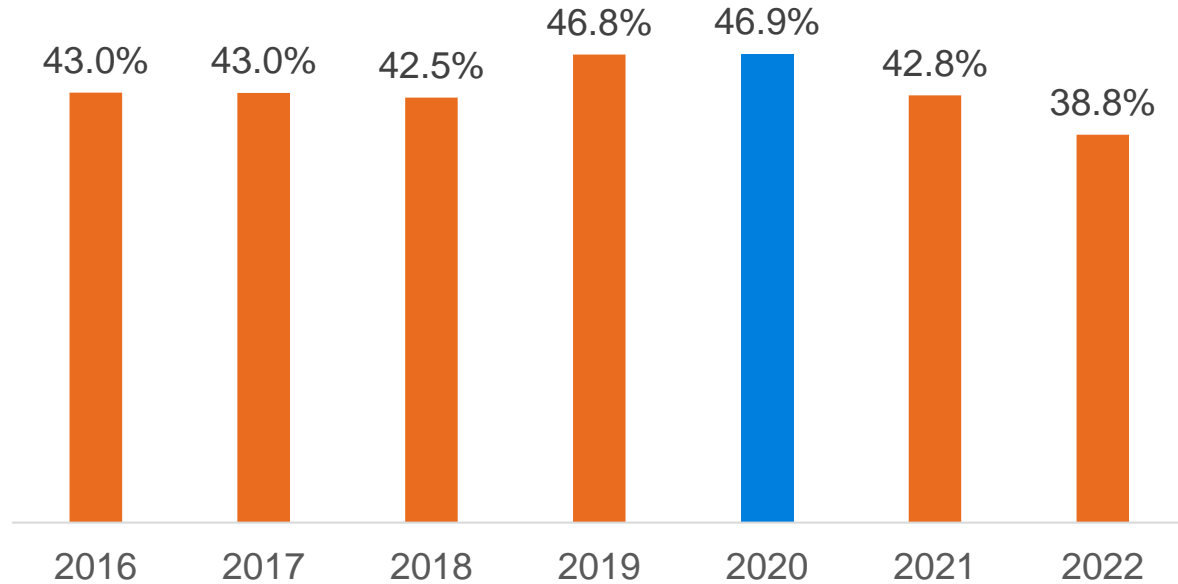
- Vocational Recovery referral fully implemented summer 2020
- **Pandemic coincided with new referral type**
- System assessment summer 2021
  - Some vocational recovery referrals open longer than expected
  - Vocational firms reviewed sample of older referrals – medical complications most common reason
- System change
  - Clarified guidance on moving to assessment

# Clarification on transition to assessment produced results.

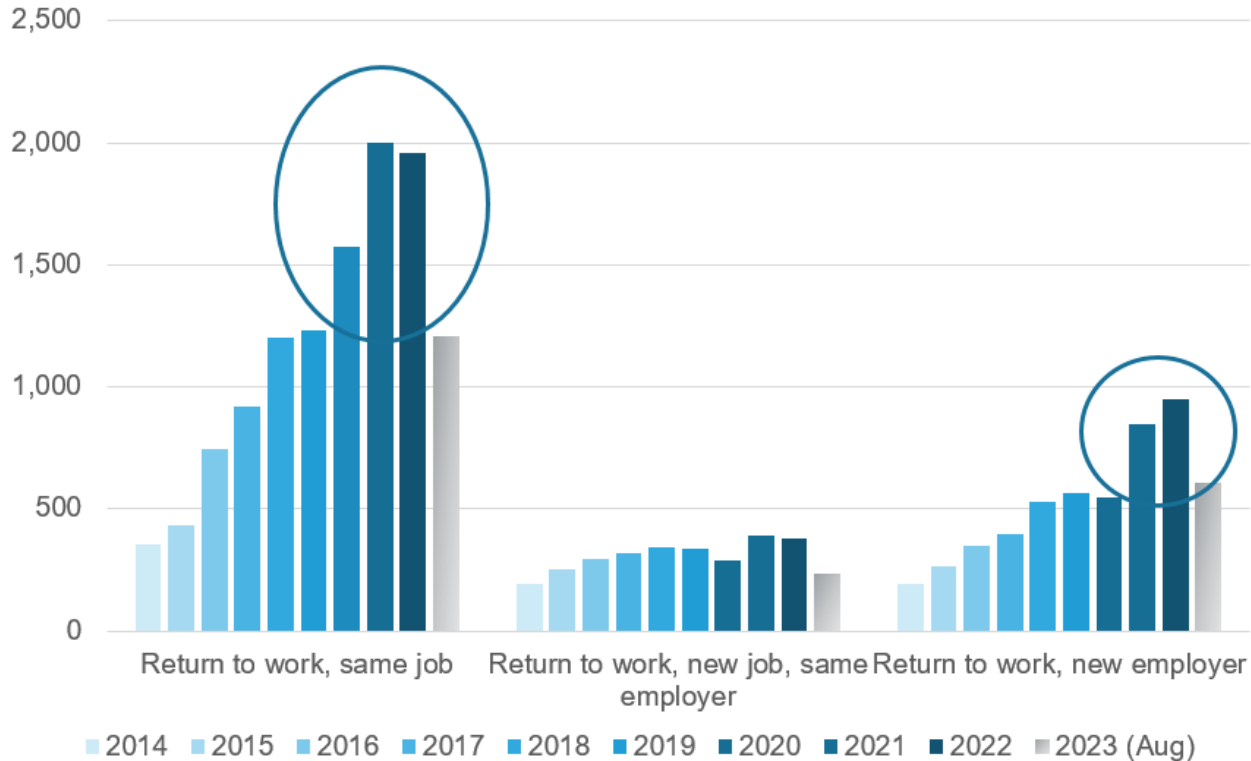


# We are not seeing evidence that VR causes delays in vocational services

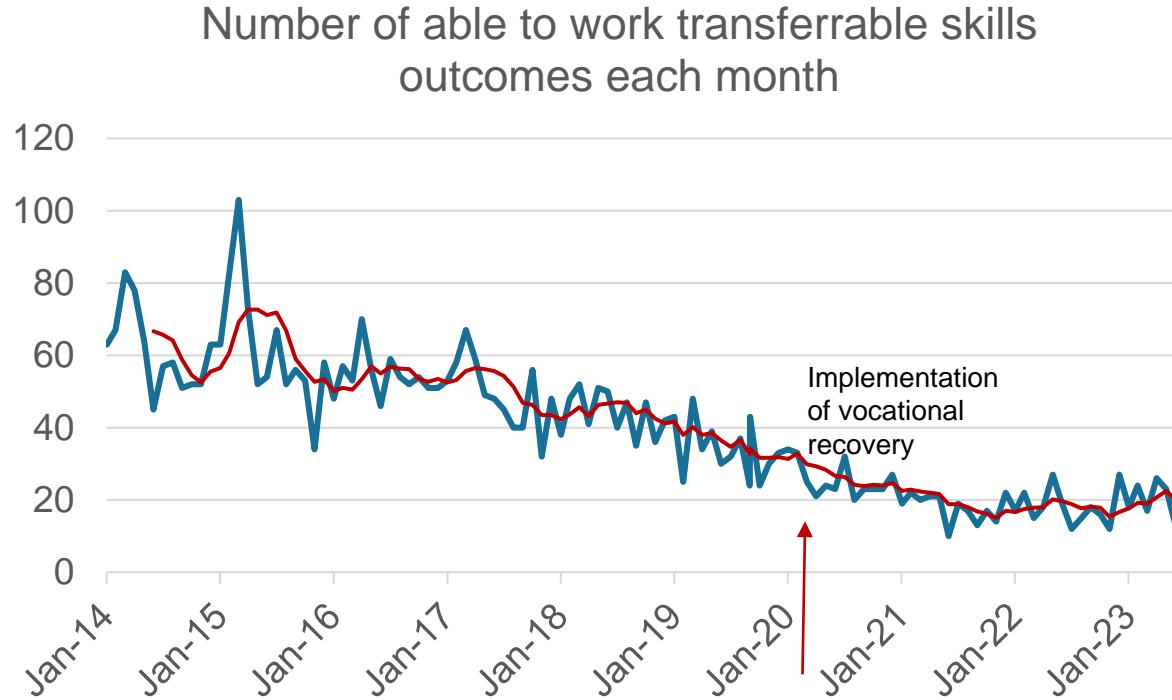
Percent of first referrals still in voc after one year



# There has been an increase in return to work with a new employer.

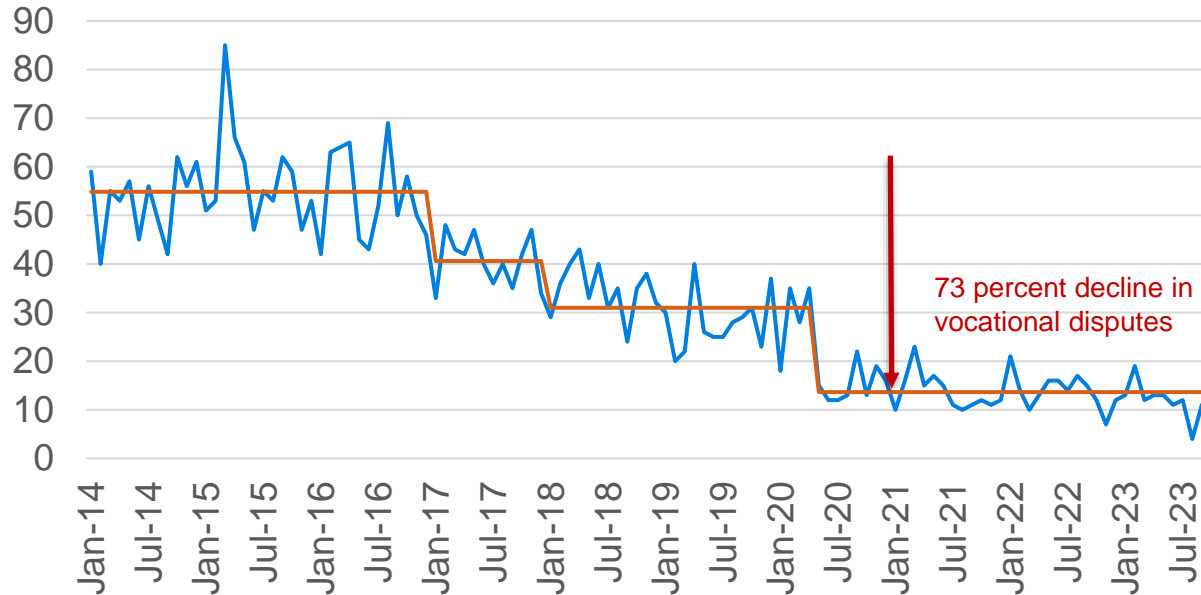


# Able to Work, transferrable skills outcomes have declined.



# Disputes to vocational outcomes have also declined.

Number of disputes to vocational outcomes received each month



## Current initiatives

- Promotion of best practices
  - Graduated RTW toolkit
  - Vocational Rehabilitation Guidelines
- Reasonable, efficient, and consistent oversight
  - Updated firm agreements
  - Review of schools
- Process improvements
  - Provider One implementation
  - Better serving workers who move out-of-state
- Strong partnerships with return-to-work professionals
  - Advisory Committee
  - Partners in Education

## Risks and Opportunities

- Pandemic delayed return to work for many workers
- Aging technology limits innovation and flexibility
- Light duty jobs are often not available
- Some workers lack basic skills to enter a training plan or to find a new job
- L&I incentive programs are not consistently used



# Contacts

Kirsta Glenn, Chief Return to Work Partnerships

Insurance Services

[kirsta.glenn@lni.wa.gov](mailto:kirsta.glenn@lni.wa.gov)

Brenda Heilman, Deputy Assistant Director

Insurance Services

[brenda.heilman@lni.wa.gov](mailto:brenda.heilman@lni.wa.gov)

# Industrial Insurance (State) Fund Financial Overview

**Statutory Financial Information**  
**Fiscal Year 2023**  
**July 2023 – September 2023**

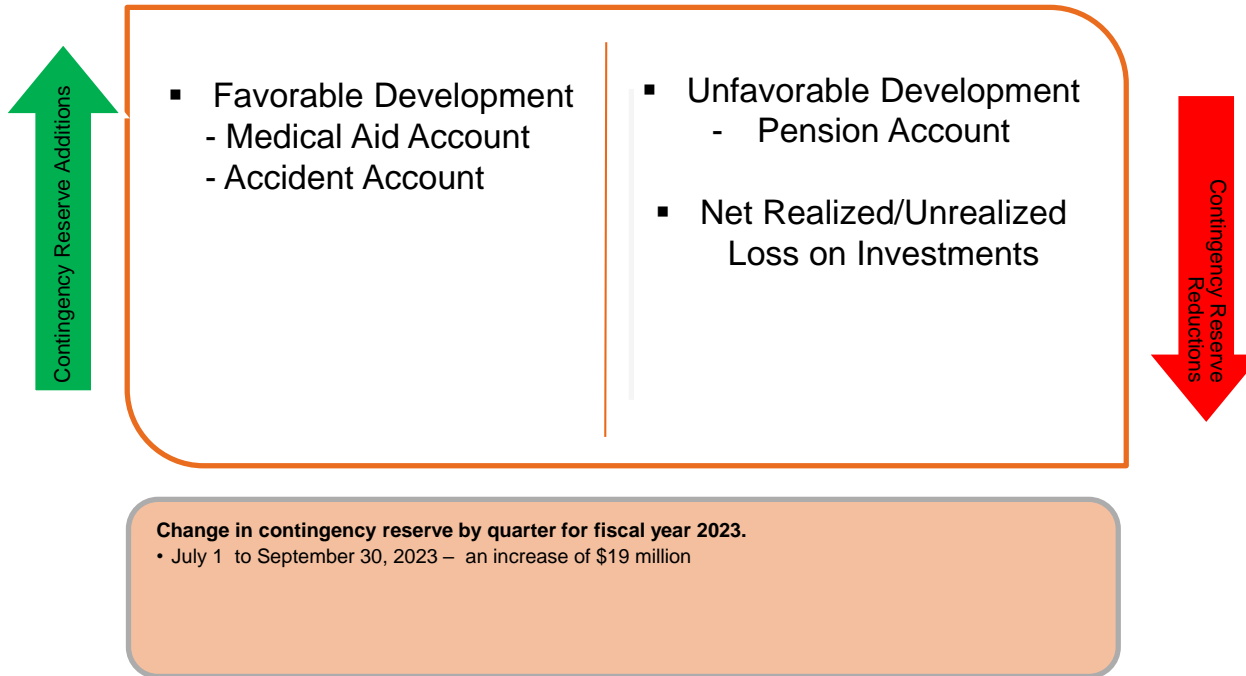
*Kim Hurley, Interim Chief Accounting Officer*



# Significant Financial Highlights

July 2023 through September 2023

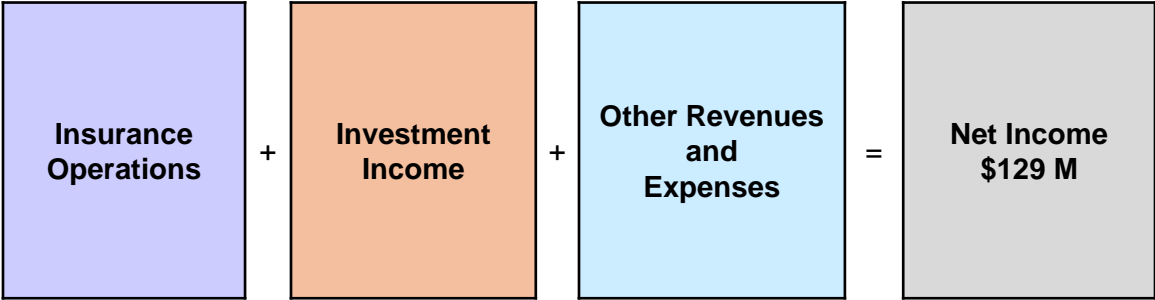
The contingency reserve increased **\$19 million**, from \$4,699 million on July 1, 2023 to \$4,718 million on September 30, 2023.



# State Fund Results

“Net Income”

July 2023 through September 2023



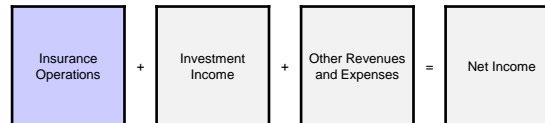
# Insurance Operations

July through September 2023  
(in millions)

Three Months Ended

		September 30, 2023	September 30, 2022
We took in (Premiums Earned)	+	\$ 566	\$ 511
We spent (Expenses Incurred)			
Benefits Incurred		481	513
Claim Administrative Expenses		58	51
Other Insurance Expenses		26	25
Total Expenses Incurred	-	565	589
Net Income (Loss) from Insurance Operations	=	\$ 1	\$ (78)

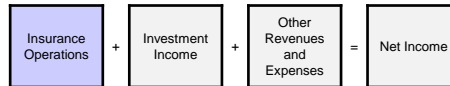
Net loss from insurance operations is normal for workers compensation insurers who routinely rely on investment income to cover a portion of benefit payments.



# Premiums Earned

July through September 2023  
(in millions)

	Three Months Ended		Difference
	September 30, 2023	September 30, 2022	
Standard Premiums Collected	\$561	\$519	
Less Retrospective Rating Adjustments	(15)	(12)	
Less Ceded Reinsurance Premiums	(8)	(4)	
Net Premiums Collected	538	503	
Changes in future Premium Amounts To Be Collected	55	(10)	
Changes in future Retrospective Rating Adjustment Refunds	(27)	18	
Net Premiums Earned	\$ 566	\$ 511	\$ 55

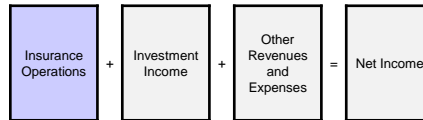


# Benefits Incurred

July through September 2023  
(in millions)

## Three Months Ended

	September 30, 2023	September 30, 2022	Difference
Benefits Paid	\$ 428	\$ 418	\$ 10
Change in Benefit Liabilities	53	95	(42)
<b>Total Benefits Incurred</b>	<b>\$ 481</b>	<b>\$ 513</b>	<b>\$ (32)</b>



# Investment Income

July through September 2023  
(in millions)

## Three Months Ended

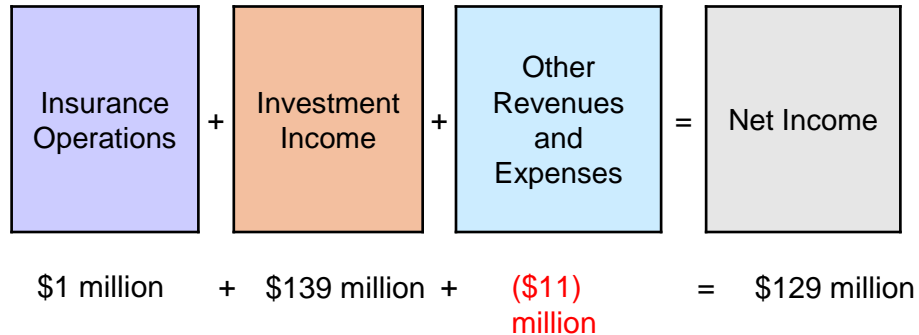
		September 30, 2023	September 30, 2022
Investment Income Earned from Interest on bonds	+	\$ 140	\$ 119
Realized Gain/(Loss) from Fixed Income Investments Sold	+	(1)	(3)
Realized Gains from Stocks (Equity Investments) Sold	+	0	0
<b>Total Investment Income</b>	<b>=</b>	<b>\$ 139</b>	<b>\$ 116</b>





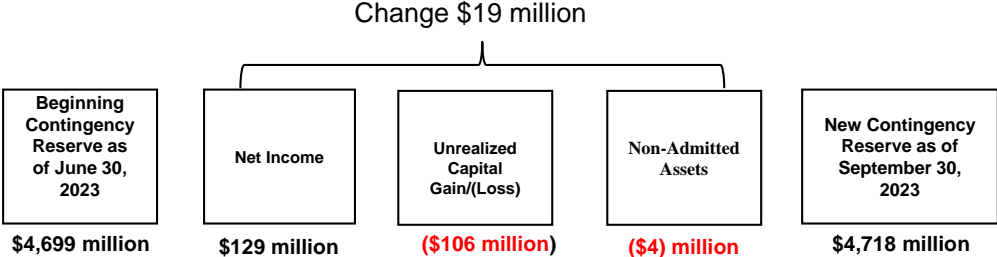
# Results of Operations

July 2023 through September 2023

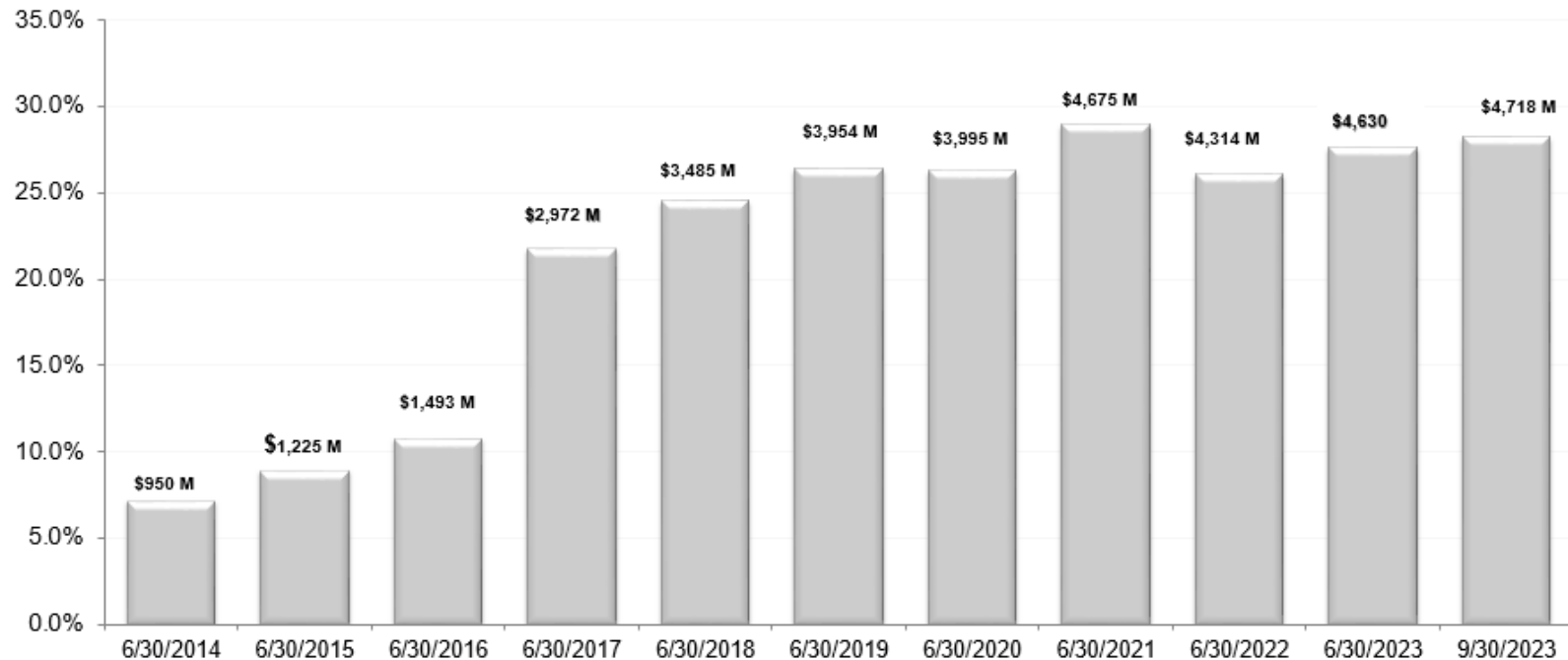


# How Did Contingency Reserve Perform?

July 2023 through September 2023



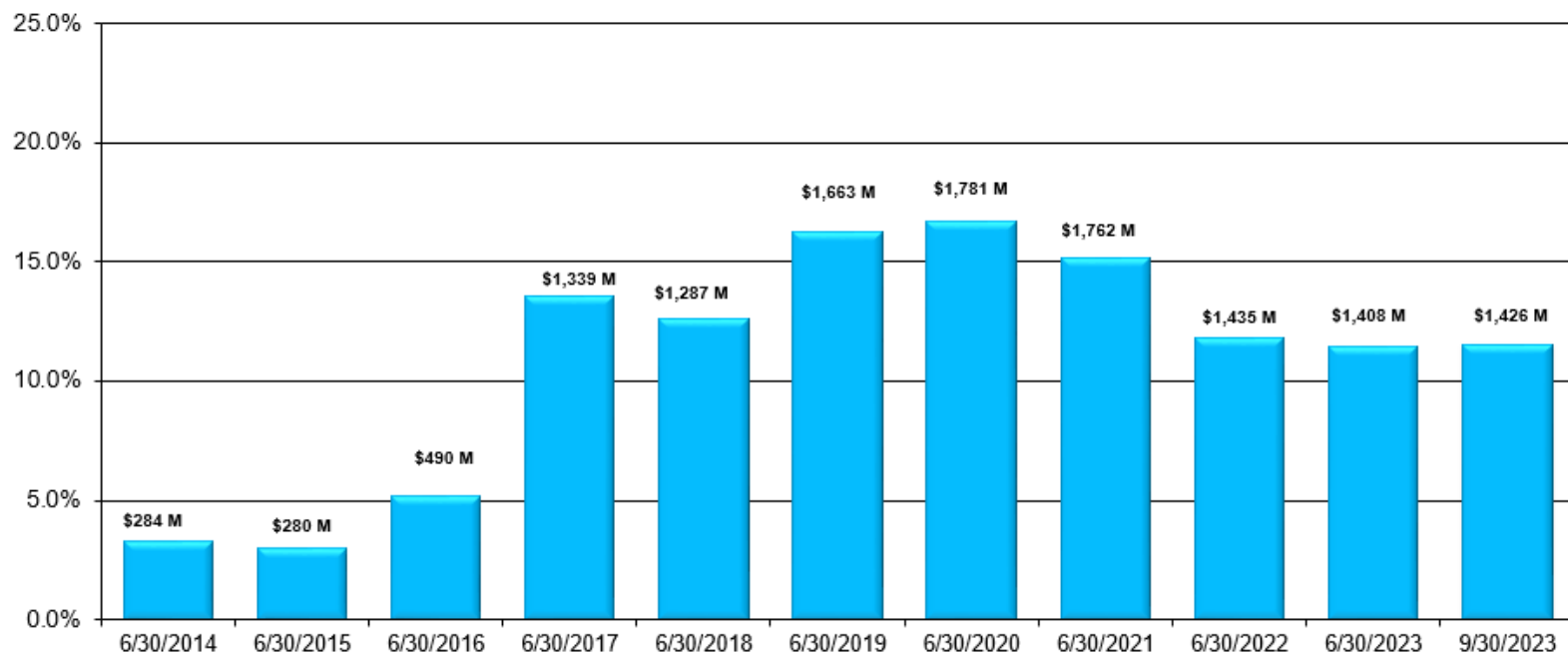
## Combined Contingency Reserve Combined Contingency Reserve is 28.2% of Total Liabilities



*Restricted is based on preliminary September 30, 2023 financial information and the change in the value of investments through 9-30-23.*

## Accident, Pension & Restricted Contingency Reserve is 11.6% of Liabilities

### Accident & Pension Contingency Reserve



*Restricted is based on preliminary September 30, 2023 financial information and the change in the value of investments through 9-30-23.*

## Medical Aid & Restricted Contingency Reserve is 75.5% of Liabilities

### Medical Aid & Restricted Contingency Reserve



*Restricted is based on final September 30, 2023 financial information and investment earnings through 9-30-23*

# Key Financial Ratios

as a percentage of premium earned

Ratios	Quarter Ended September 30, 2023		Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2022
	State Fund	Industry Forecast		
Current Year Benefit (Loss Ratio)	92.0%		100.1%	104.3%
Prior Year Benefit (Loss Ratio)	(7.0%)		14.6%	(9.2)%
<b>Total Benefit (Loss Ratio)</b>	<b>85.0%</b>	<b>50.7%</b>	<b>114.7%</b>	<b>95.1%</b>
Current Year CAE Ratio	10.3%		12.1%	12.5%
Prior Year CAE Ratio	0.0%		(1.2)%	(1.5)%
<b>Total Claim Administration Expense (CAE) Ratio</b>	<b>10.3%</b>	<b>15.2%</b>	<b>10.9%</b>	<b>11.0%</b>
Sub-Total: Benefit and Claim Administration Expense Ratios	95.3%	65.9%	125.6%	106.1%
Underwriting Expense Ratio includes all insurance administrative expenses except CAE	4.5%	29.1%	5.2%	5.0%
<b>Combined Ratio (Industry omits dividends)</b>	<b>99.8%</b>	<b>95.0%</b>	<b>130.8%</b>	<b>111.1%</b>
Investment Income Ratio	24.9%	19.9%	25.9%	24.7%
<b>Operating Ratio</b>	<b>74.9%</b>	<b>75.1%</b>	<b>104.9%</b>	<b>86.4%</b>

# Questions & Comments

Contact Kim Hurley,  
Interim Chief Accounting Officer  
– Email: [kim.hurley@lni.wa.gov](mailto:kim.hurley@lni.wa.gov).

Thank You!

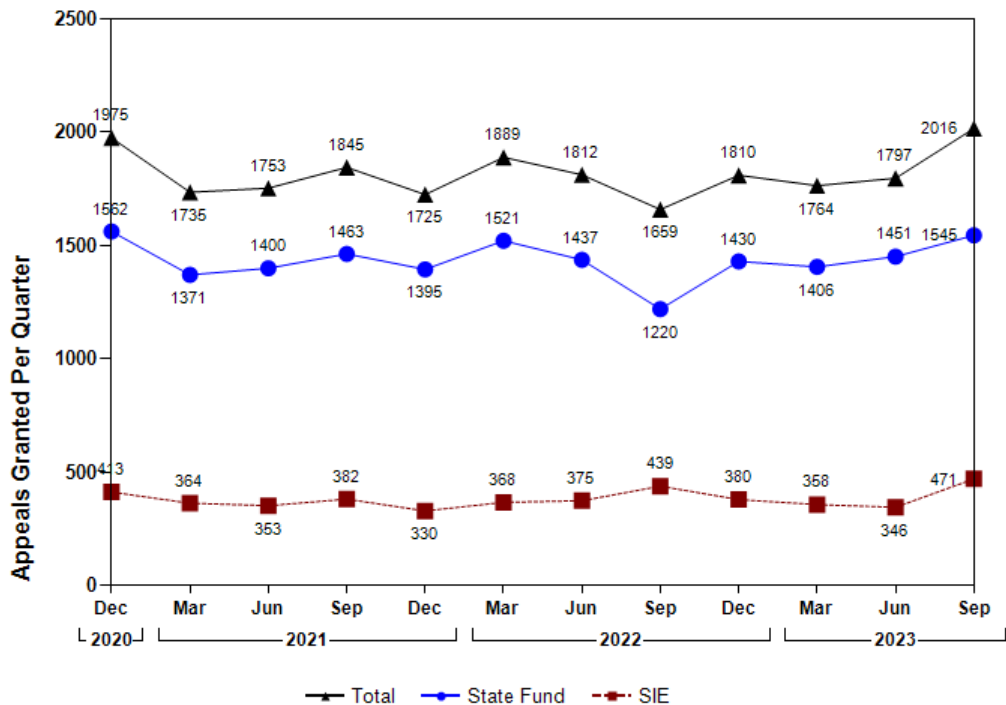
# Board of Industrial Insurance Appeals (BIIA) Update

*Holly Kessler, BIIA Chair*

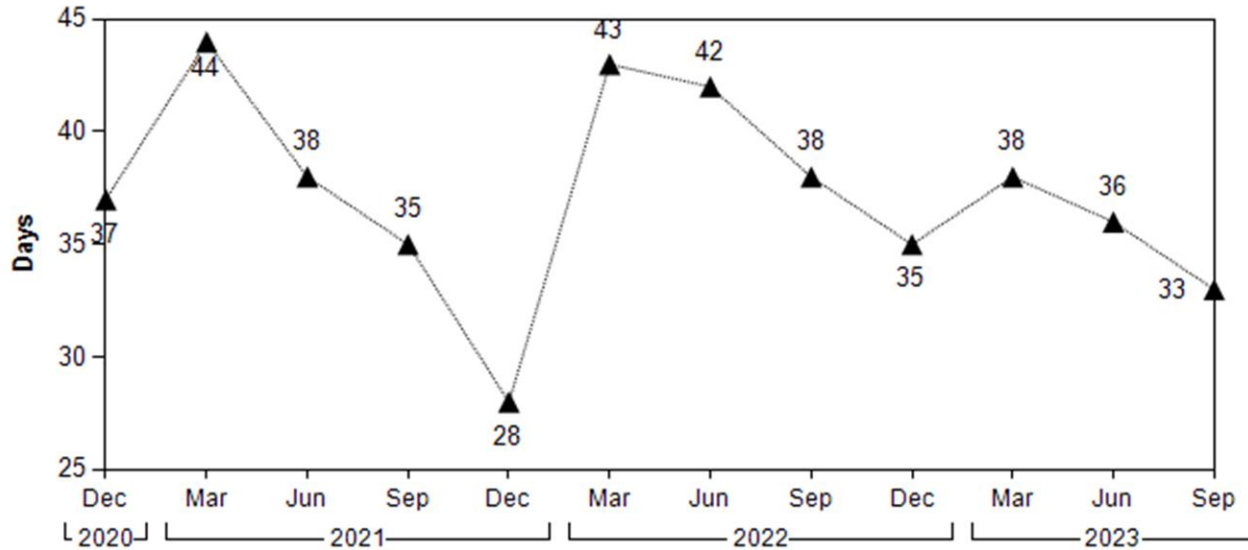




# Total Industrial Insurance Appeals Granted by Quarter

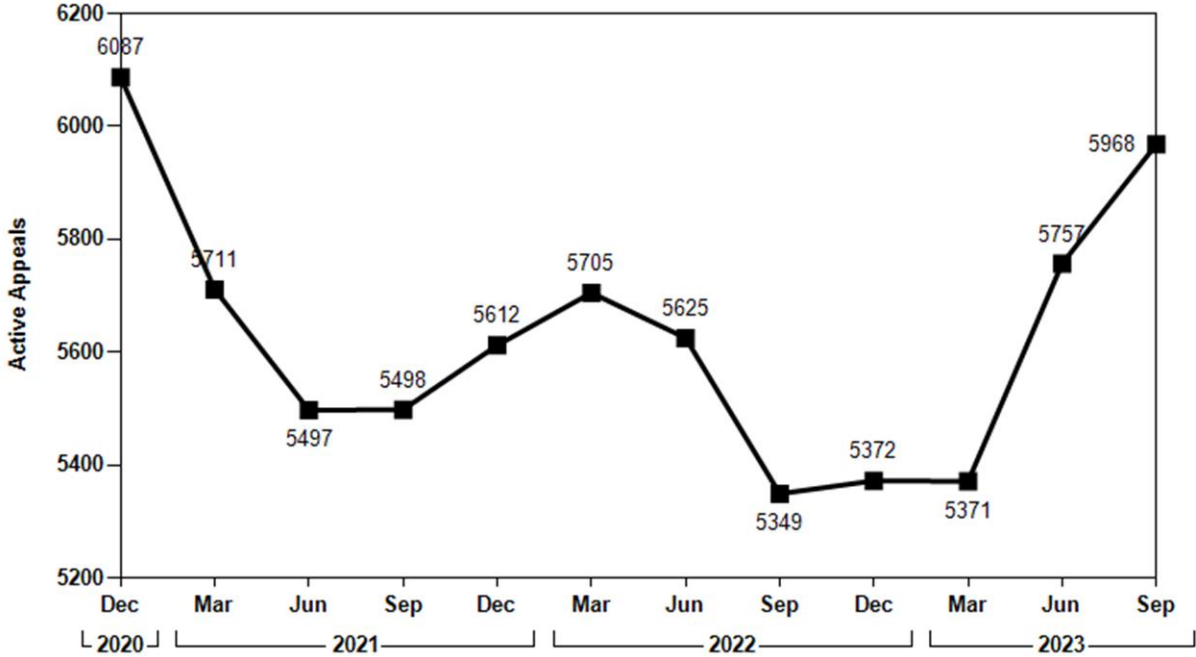


# Average PD&O\* Time-lag by Quarter for Hearing Judges



\*Proposed Definition and Order

# Caseload at End of Quarter



# BIIA Updates

- Judicial Survey – hopefully coming in December
- RFP to replace our case management system was posted on November 9

# Events Held 7/1/22 – 6/30/23

<b>In-Person Hearing</b>	<b>Telephone Hearing</b>	<b>Video Hearing</b>	<b>In-person Conference</b>	<b>Telephone Conference</b>	<b>Video Conference</b>
<b>117</b>	<b>4,527</b>	<b>367</b>	<b>16</b>	<b>13,358</b>	<b>15</b>

# Closing Comments & Adjourn

*Mike Ratko, Assistant Director for Insurance Services*

*Joel Sacks, Agency Director*



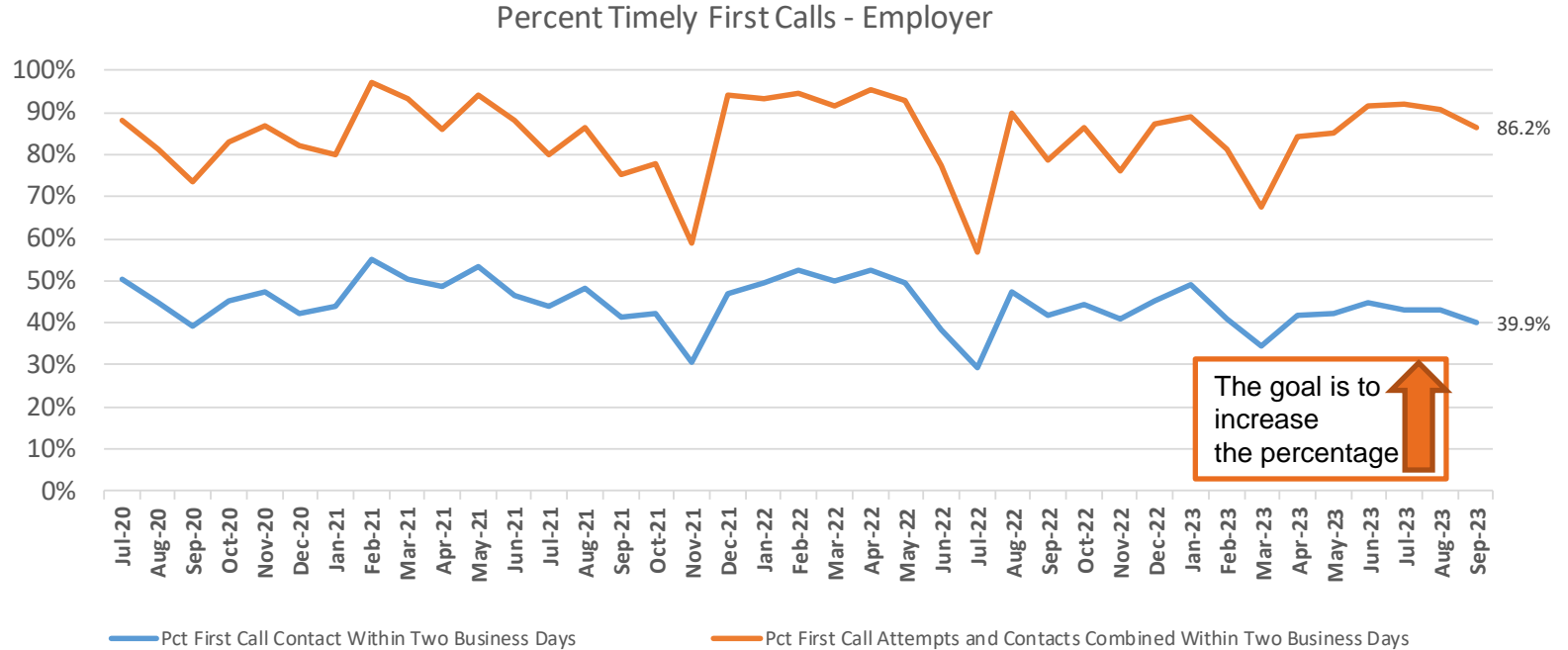
# Next Meeting

- March 28, 2023, Tumwater Headquarters

# Operational Health Dashboard Appendix

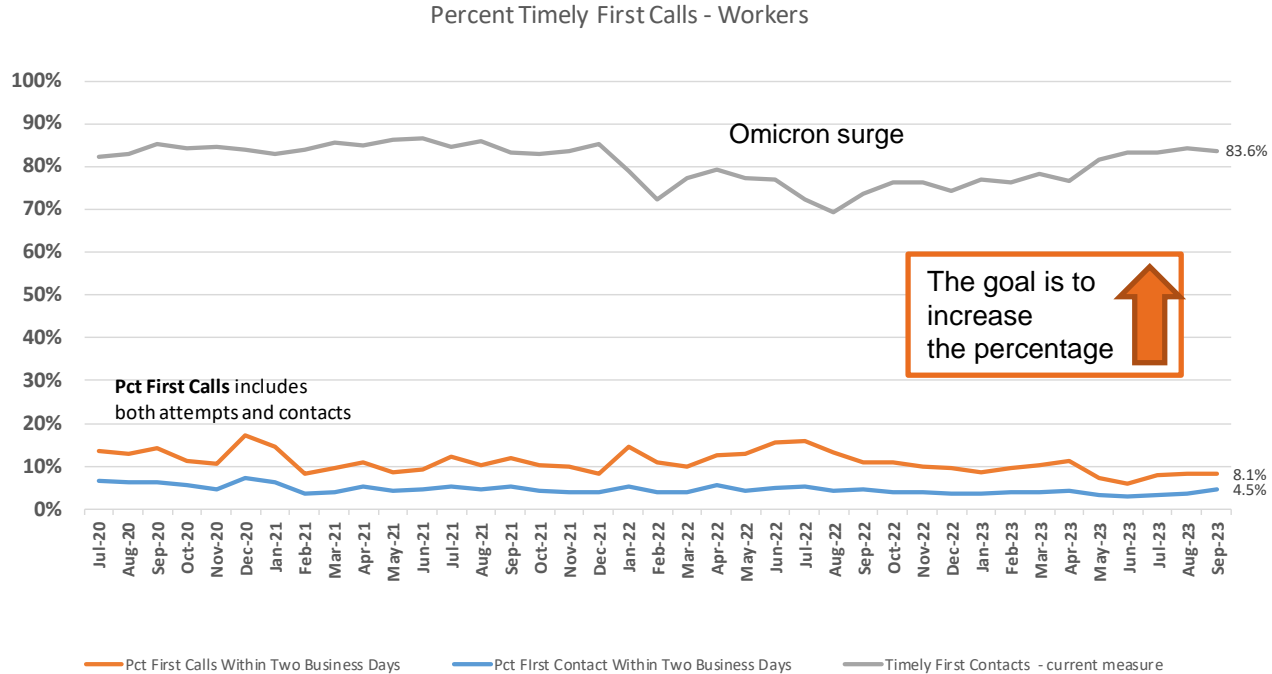


# JLARC recommended employer contact measure



Note: Clock starts when claim is established in the system.

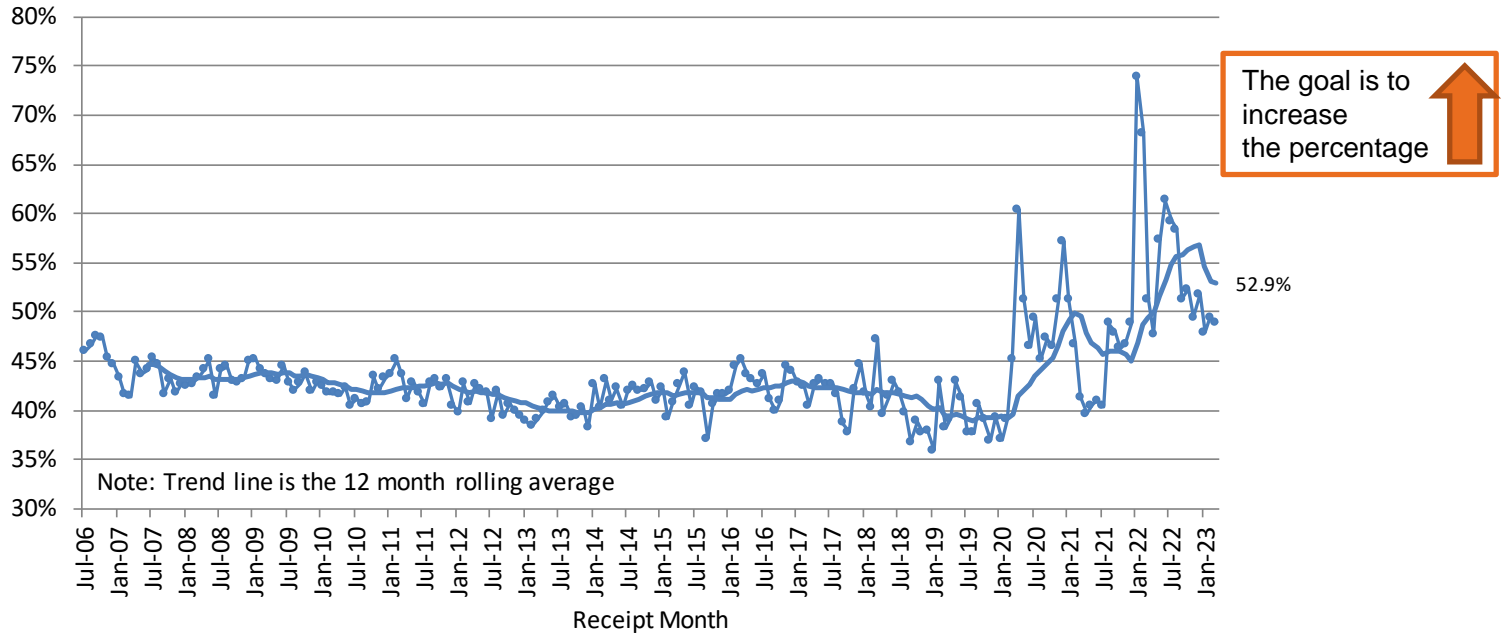
# JLARC recommended worker contact measures & L&I's current measure



Note: Clock starts when firm and class are assigned on the JLARC recommended measure and when time loss is first paid on the current operational measure.

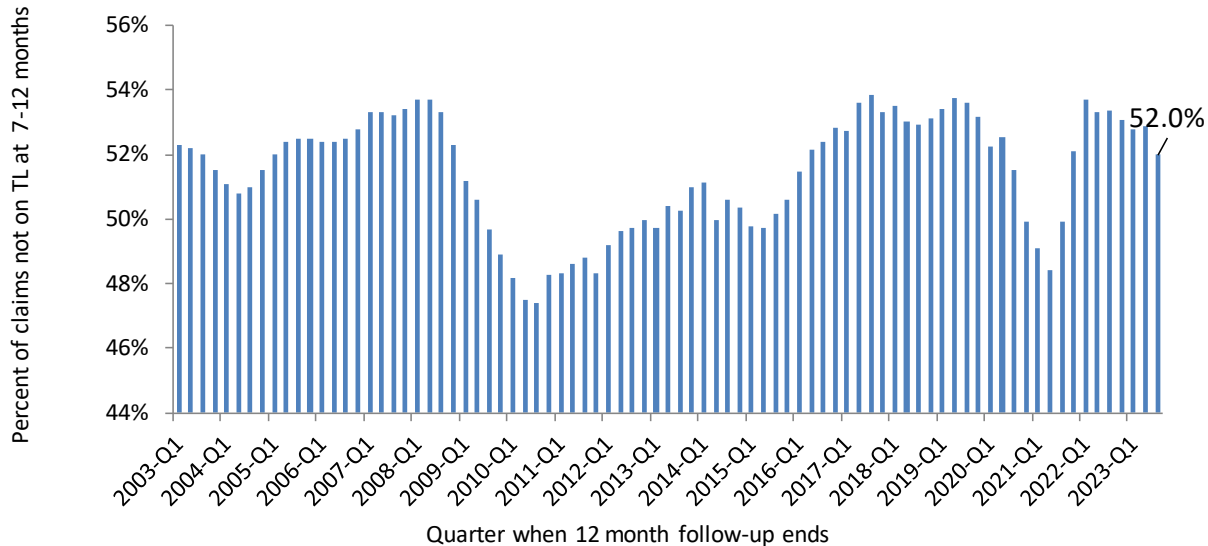
# The share of time-loss claims resolved six months after claim receipt

Share of time-loss claims resolved six months after claim receipt



## High risk claims – Initiatives in the first year are improving RTW outcomes

The share of injured workers off work 40 days after claim receipt who are likely to have returned to work: Note: 12-month rolling average



High risk workers are defined as those being disabled on the 40th day following claim receipt, about 1,400 claims per quarter. RTW is defined as the status of not receiving disability benefits between 7 and 12 months

# Transitioned to COTS

## Workers newly on opioids transitioned to chronic opioid therapy

65

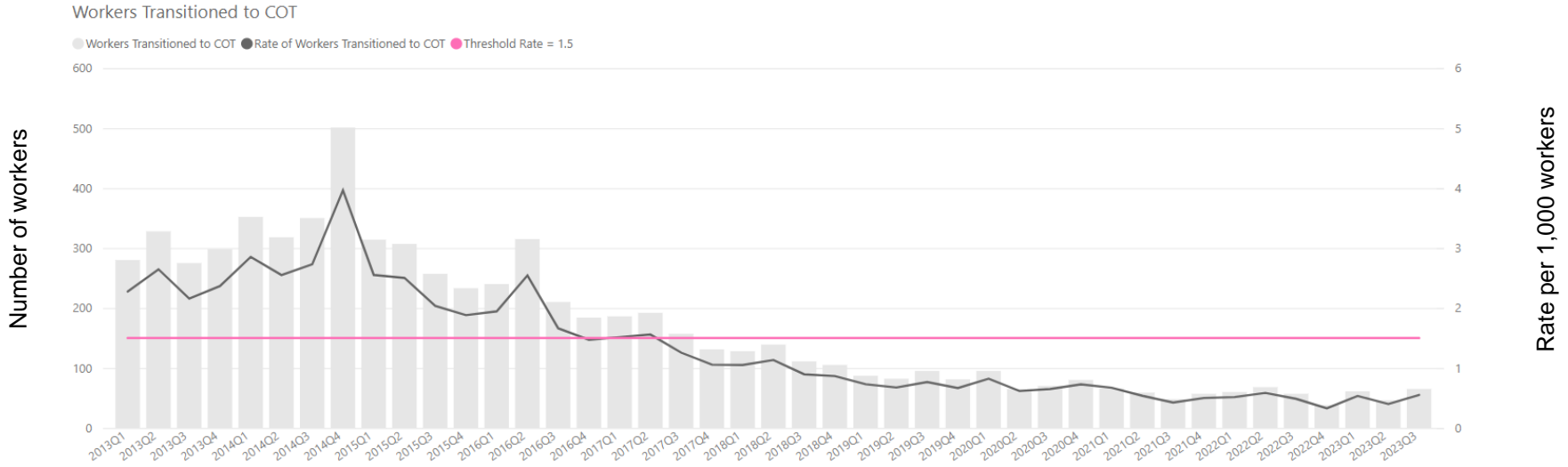
Workers Transitioned to COT

+41%

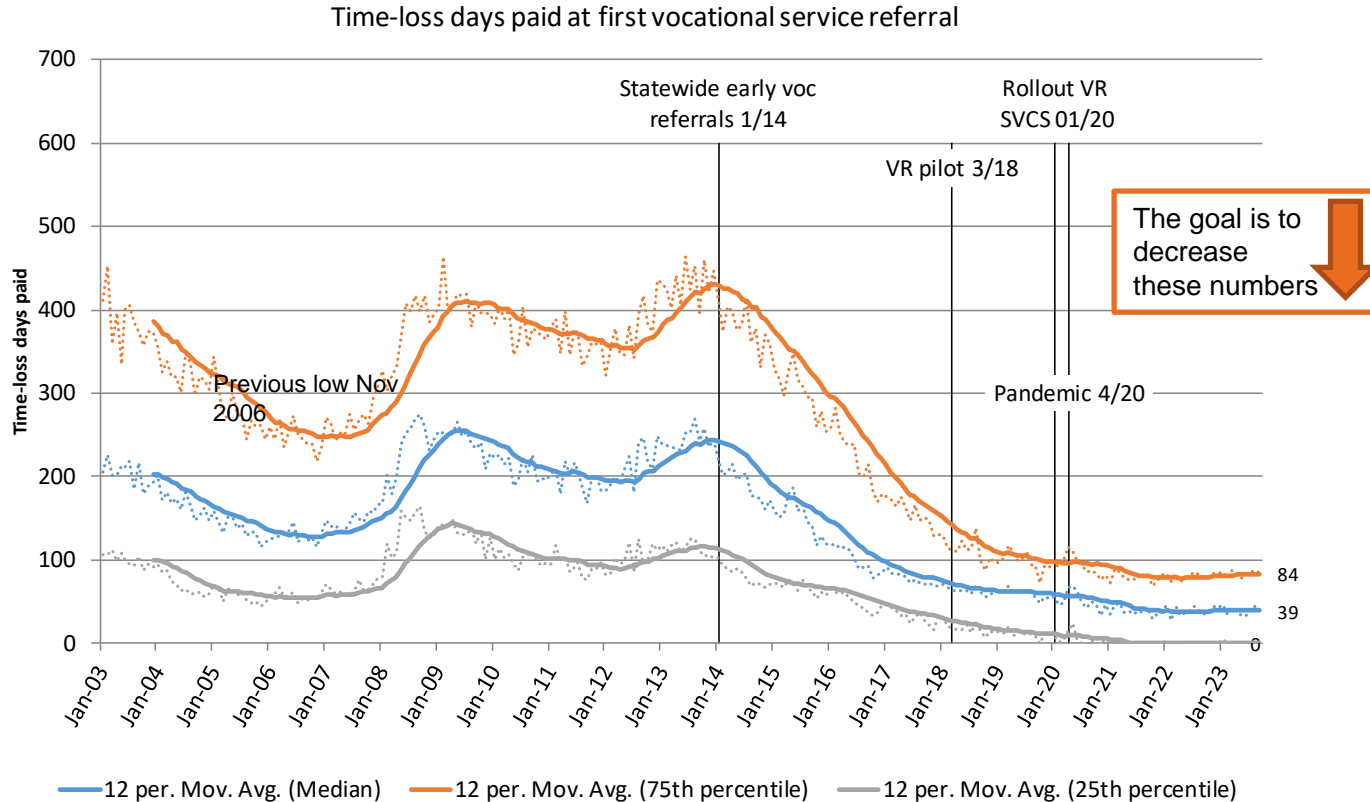
Change Since Previous Quarter

0.55

Rate per 1000 Injured Workers

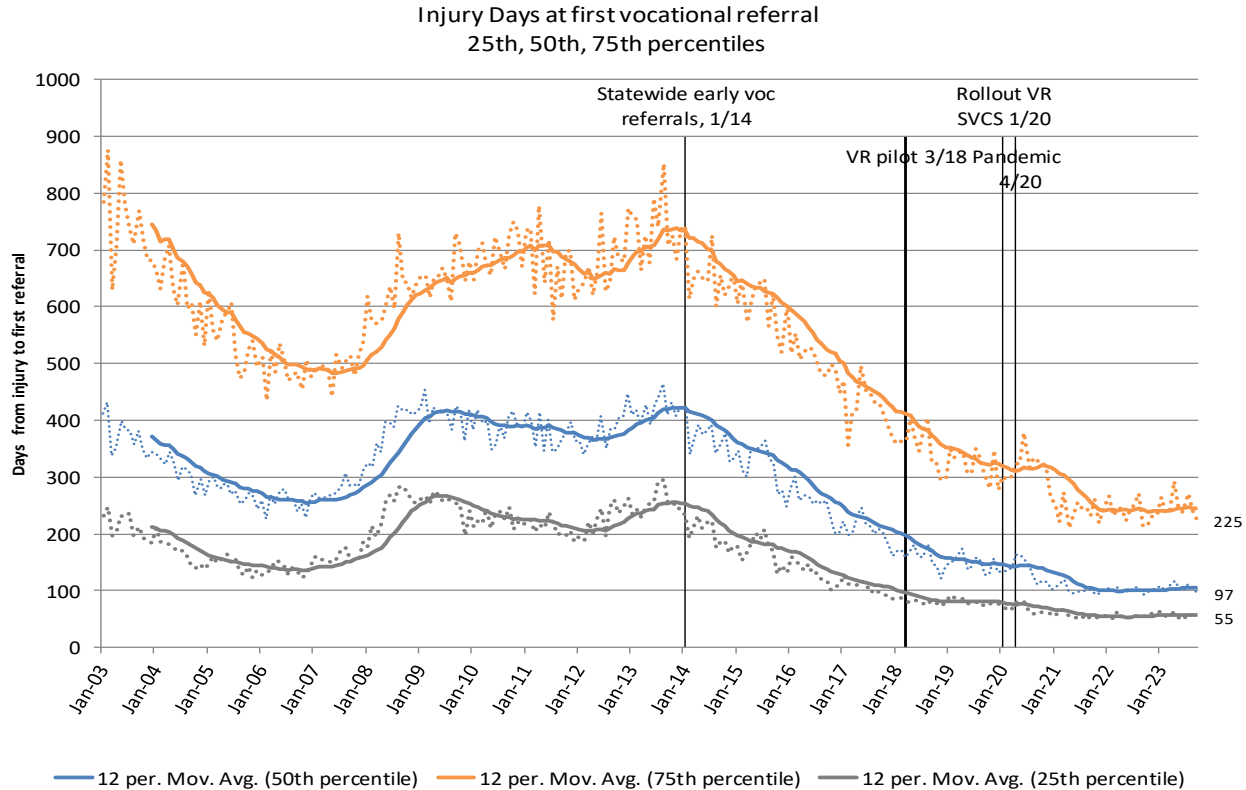


# Referrals are now targeted to address the onset of disability



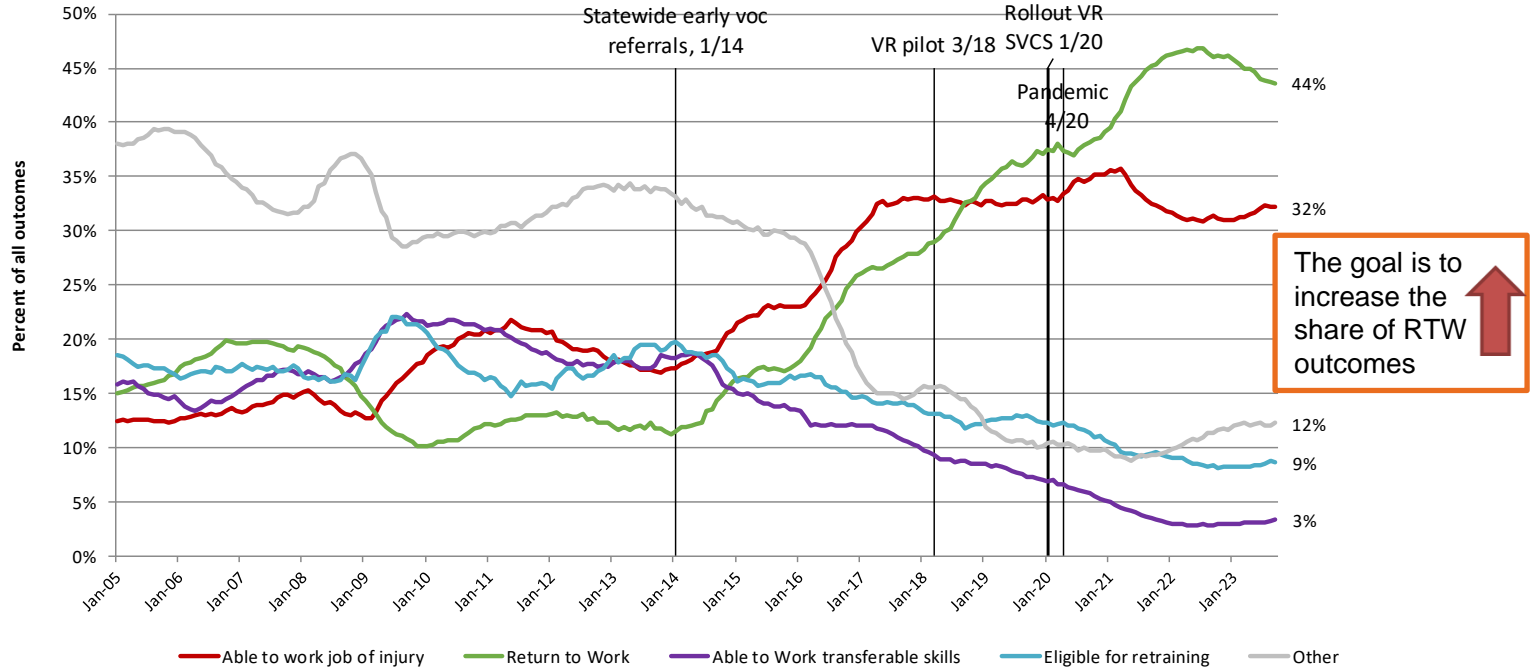
# Referrals are now targeted to address the onset of disability

- days from date of injury



# New focus on return to work has increased positive employable outcomes for all first vocational service referrals

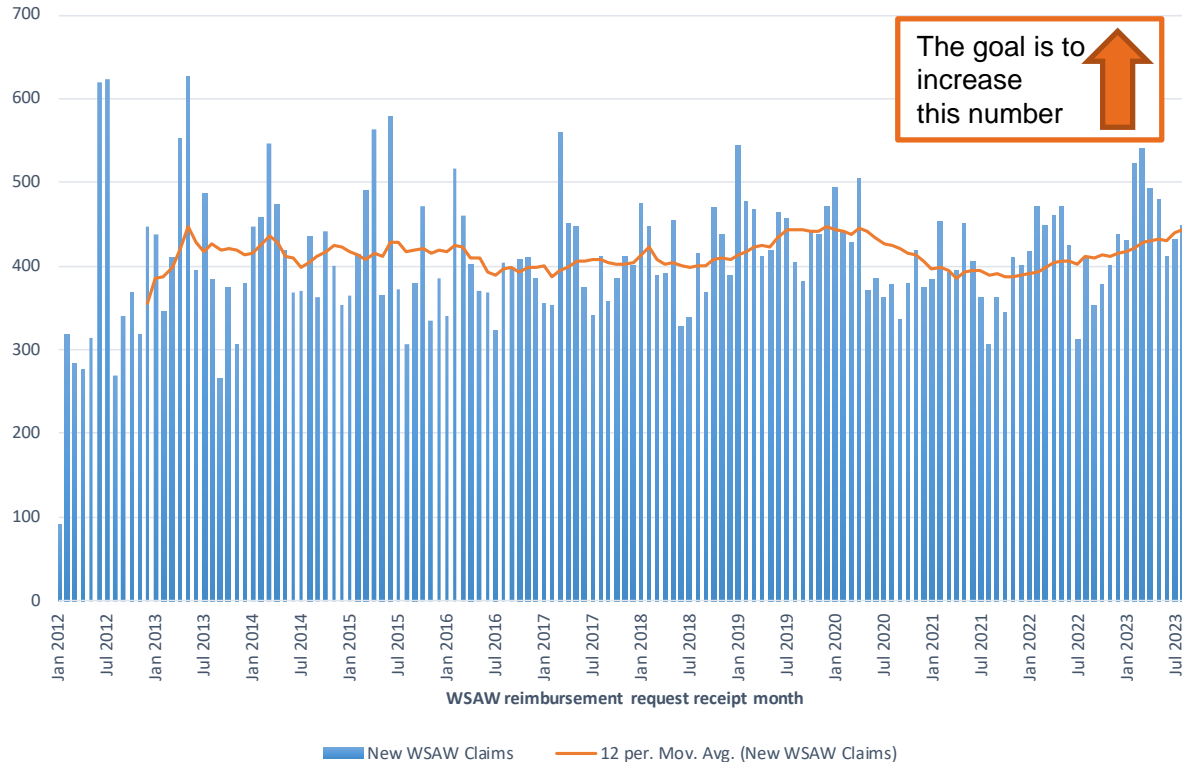
Outcome distribution, first vocational service referrals, select outcomes (12-month average)



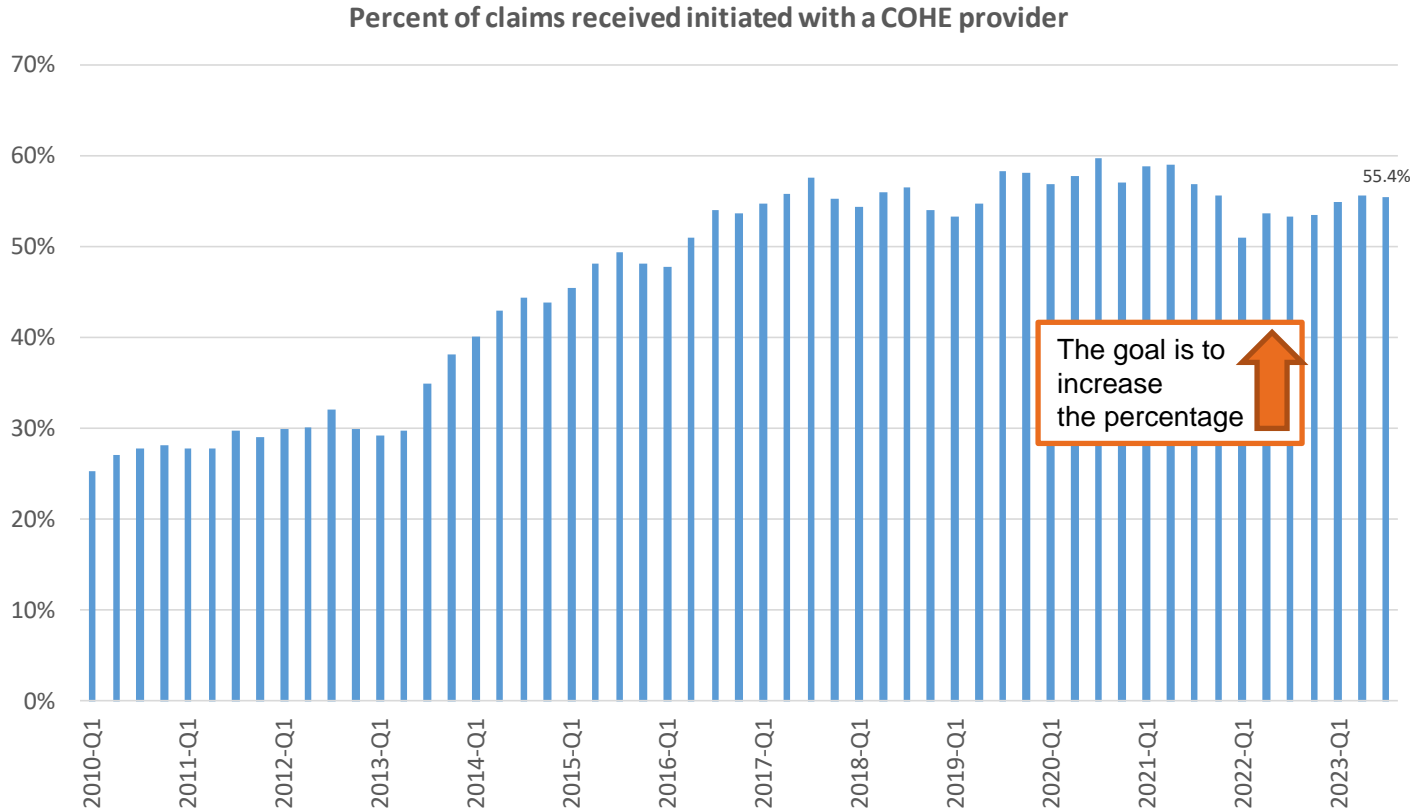


# Participation in light duty job assignments helps maintain the employer/injured worker relationship.

## New WSAW Claims



# Percentage of claims for injured workers initiated with a COHE provider



# Industrial Insurance State Fund Financial Appendix

# Reconciliation of Change in Benefit Liabilities

(In \$1,000s)

July 1, 2023 Benefit Liability Beginning Balance	\$15,267,934
Prior Year Benefit Payments	(\$408,148)
Prior Year Development and Model Change (Favorable)	(\$136,386)
Self Insurance Prefunded Pension Transfers	\$0
Regular reserve discount reduction	\$96,880
Net Total Prior Year Benefit Liability as of September 30, 2023	<u>\$14,820,280</u>
New Current Year Benefit Liabilities	\$501,289
September 30, 2023 Benefit Liabilities Ending Balance	<u><u>\$15,321,569</u></u>
<b>Change Between Beginning and Ending Balance</b>	<b>\$53,635</b>

# Highlights of Changes in the Contingency Reserve

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
*Actuarial Development <sup>1</sup>	\$149M	\$543M	\$147M	\$926M	\$941M	\$352M	\$(171)M	\$287M	\$532M	\$(40)M	\$136M
Rate Changes	\$58M	\$59M	\$38M	\$27M	\$(14)M	\$(120)M	\$(110)M	\$(44)M	\$(29)M	\$17M	\$24M
Greater (less) than expected changes in the stock market	\$279M	\$(29)M	\$(101)M	\$411M	\$199M	\$50M	\$340M	\$1,263M	\$(639)M	\$413M	\$(130)M
Mortality table change	-	\$(146)M	-	-	-	-	-	-	-	-	-
Adjustments to avoid double counting 2011 reform savings	\$(130)M	\$(83)M	-	-	-	-	-	-	-	-	-
*Discount rate change - State Fund	\$(256)M <sup>2</sup>	\$(31)M	\$(31)M	\$(36)M	\$(639)M <sup>3</sup>	-	\$(84)M <sup>4</sup>	\$(384)M <sup>5</sup>	-	\$102M <sup>7</sup>	-
Discount rate change - Self-Insurance	-	\$(6)M	\$(7)M	\$(8)M	\$(7)M <sup>3</sup>	-	\$(6)M <sup>4</sup>	-	\$(6)M <sup>6</sup>	\$(7)M <sup>8</sup>	-

\* Actuarial Development and Discount Rate Change is only for Benefit Liabilities

1. Includes numerous, offsetting factors including model changes, operational influences, and the state of the economy.

2. Model change for 13-year plus claims \$102 M; Pension Discount change \$154 M.

3. Pension Discount Rate reduction from 6.2% to 4.5%

4. Non-Pension Discount Rate reduction from 1.5% to 1.0%

5. Proposed Pension Discount Rate 4.5% to 4.0%

6. Self-insurance prefunded rate reduction from 5.8% to 5.7%.

7. Non-Pension Discount Rate increase from 1.0% to 1.5%

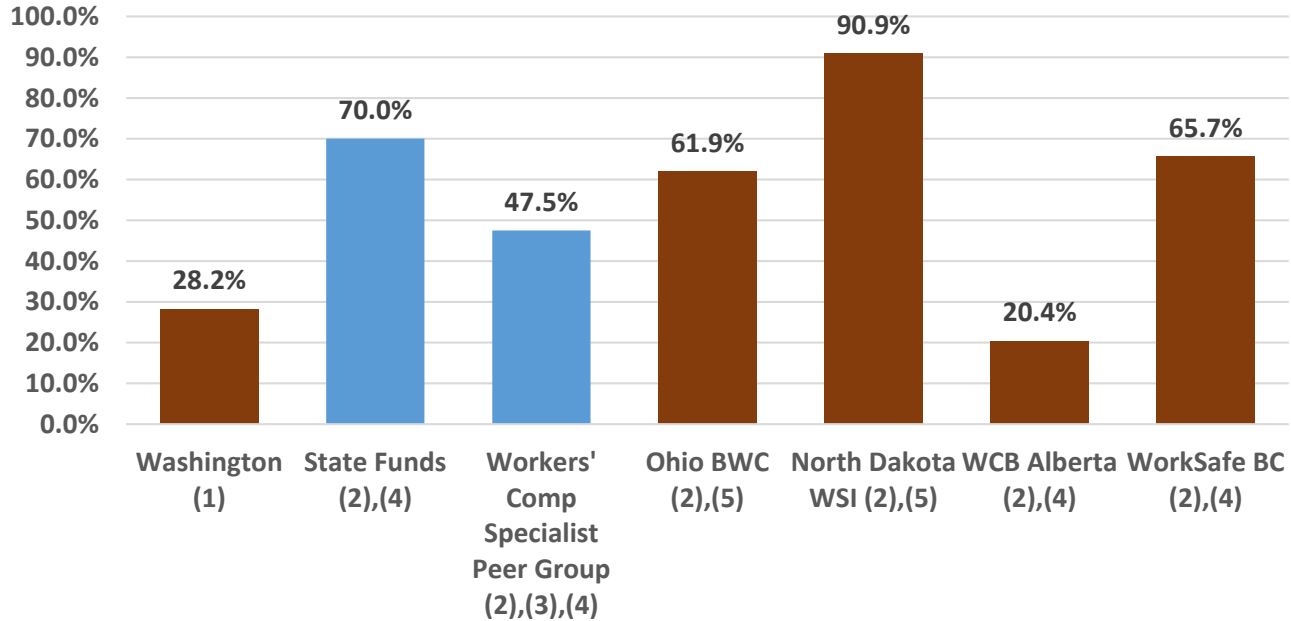
8. Self-insurance prefunded rate reduction from 5.7% to 5.6%

# Reconciliation of Change in Benefit Liabilities

(In \$1,000s)

July 1, 2023 Benefit Liability Beginning Balance	\$15,267,934
Prior Year Benefit Payments	(\$408,148)
Prior Year Development and Model Change (Favorable)	(\$136,386)
Self Insurance Prefunded Pension Transfers	\$0
Regular reserve discount reduction	\$96,880
Net Total Prior Year Benefit Liability as of September 30, 2023	<u>\$14,820,280</u>
New Current Year Benefit Liabilities	\$501,289
September 30, 2023 Benefit Liabilities Ending Balance	<u><u>\$15,321,569</u></u>
<b>Change Between Beginning and Ending Balance</b>	<b>\$53,635</b>

## Washington's CR is below most other funds as a percent of liabilities



(1) Preliminary as of 9/30/2023

(2) Source: Conning Peer Analysis, August 17, 2022

(3) Worker's Comp Specialist Peer Group—workers' compensation specialist insurers including some state funds

(4) As of 12/31/2021

(5) As of 6/30/2021

# Historic Results of Operations

July through September  
(in millions)

As of Quarter Ended September 30,	Insurance Operations	+	Investment Income	+	Other Revenues & Expenses	=	Net Income (Loss)
2023	1		139		(11)		129
2022	(78)		116		(7)		31
2021	80		167		(6)		241
2020	(161)		173		(18)		(6)
2019	(203)		188		4		(11)
2018	(85)		123		10		48
2017	175		214		20		409
2016	(168)		128		18		(22)
2015	(194)		184		20		10
2014	(81)		132		16		67
2013	(36)		158		15		137
2012	(11)		144		8		141



# Historical Investment Performance

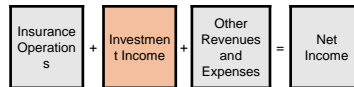
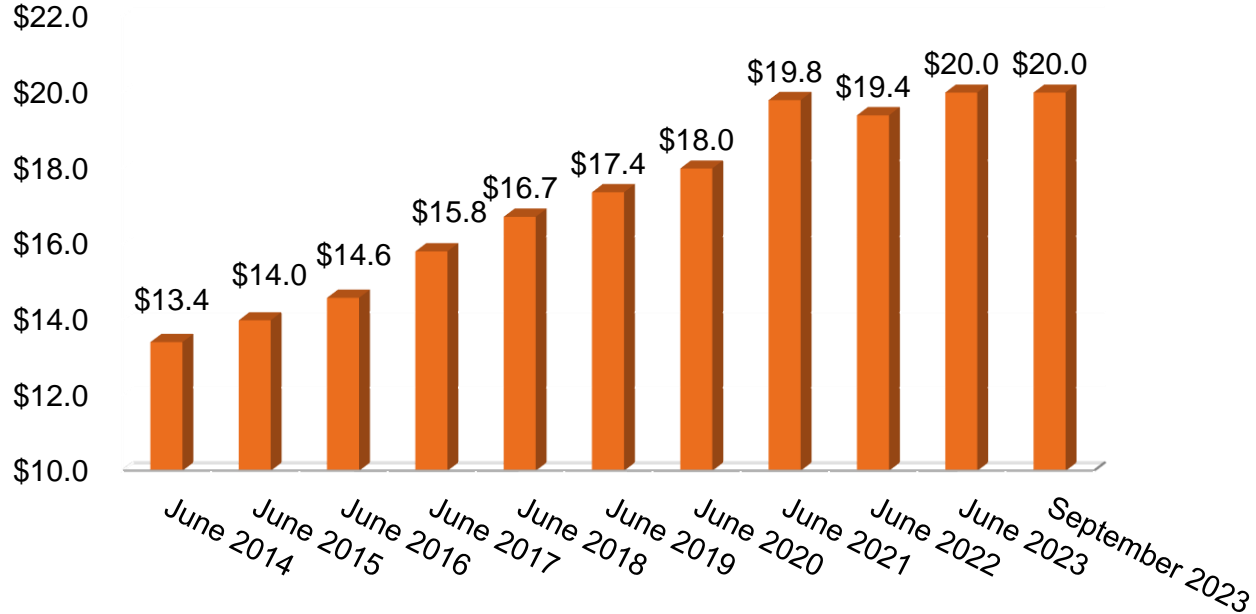
Fiscal Year Ended

	Quarter Ended September 30, 2023	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Investment Income	140,692,000	504,416,000	456,375,000	462,700,000	496,981,000	498,626,000
Realized Gain (Loss)	(1,477,000)	139,573,000	141,857,000	299,787,000	272,266,000	(23,498,000)
Unrealized Gain (Loss)	(106,411,000)	360,212,000	(676,444,000)	1,069,560,000	161,264,000	151,820,000
Total Invested Assets	20,456,541,000	20,028,513,000	19,420,354,000	19,793,907,000	17,992,984,000	17,443,448,000

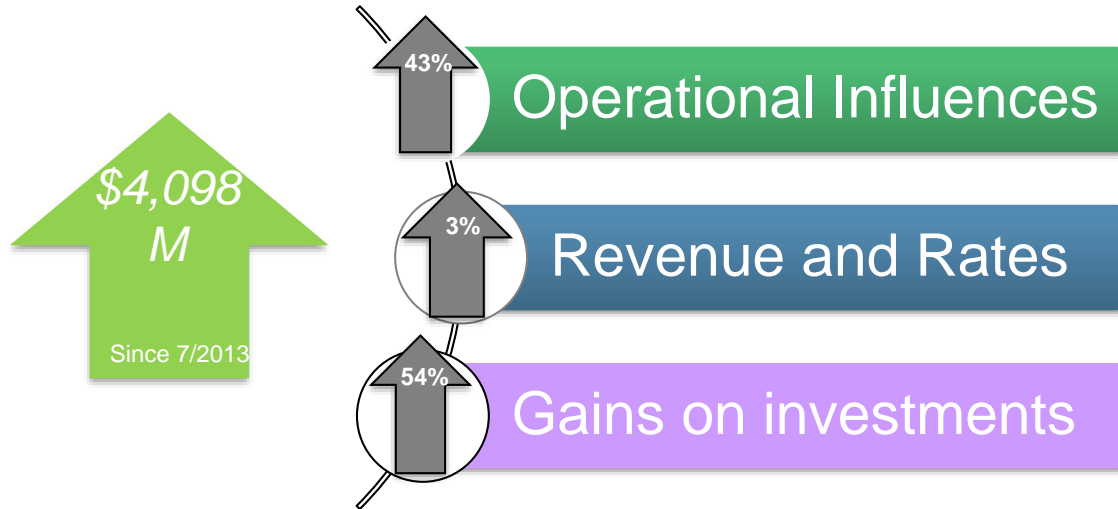
**\*Unrealized gains in prior years that increased the contingency reserve were removed from unrealized and included in realized gains when equities were sold in fiscal year 2018.**

# Total Investments

(rounded to billions)



## Contingency Reserve Drivers



As of 9/30/2023 the CR is at \$4,718M

# Benefit Liability History

(in thousands)

	<b>Benefit Liabilities</b>	<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
September 30, 2023	\$ 15,321,569	53,635	0.4%
June 30, 2023	\$ 15,267,934	499,244	3.4%
June 30, 2022	14,768,690	146,597	1.0%
June 30, 2021	14,622,093	728,107	5.2%
June 30, 2020	13,893,986	730,933	5.6%
June 30, 2019	13,163,053	71,245	0.5%
June 30, 2018	13,091,808	365,076	2.9%
June 30, 2017	12,726,732	(251,425)	(1.9%)
June 30, 2016	12,978,157	317,999	2.5%
June 30, 2015	12,660,158	287,485	2.3%
June 30, 2014	12,372,673	566,601	4.8%

The 10-year average increase is \$351,550.