

# **Improving Integrity and Accountability in the Workers' Compensation System**

*Fiscal Year (FY) 2021 Annual Report to the  
Legislature*

**January 2022**

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# Executive Summary

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This annual report summarizes the Department of Labor & Industries' (L&I) efforts to find and eliminate deliberate fraud in the workers' compensation system among workers, employers, and medical providers. It describes the department's targeted education and assistance efforts with employers and, as directed in state law (RCW 43.22.331), includes actual and estimated cost savings from the agency's investigations into workers' compensation fraud. This report does not address L&I's investigations into employer practices regarding minimum wage, overtime, and other pay requirements, or meal and rest breaks. Those are reported elsewhere.

## Education and outreach

Education and outreach is the department's first priority in this area. L&I offered a wide array of programs and services virtually in Fiscal Year (FY) 2021 to help businesses reduce reporting mistakes and understand applicable laws and rules, including:

- Contractor training days
- "Introduction to L&I" workshops
- Helping health care providers understand L&I's billing and documentation requirements
- Webinars and e-learning modules
- Early contact calls to employers who have a time loss claim

In addition using Lean principles, L&I standardized processes for employers opening new industrial insurance accounts. A key focus is to ensure that the correct premium rates are being charged, and to educate businesses about quarterly reporting requirements.

## Identifying and addressing fraud

L&I confronts industrial insurance fraud in three key areas: Among *Workers*, *Employers*, and also those *Providers* who care for or train injured workers. Along with pursuing both civil and criminal charges, the department intervenes on behalf of injured workers who may be discriminated against for filing a workers' compensation claim or whose employer knowingly suppresses the filing of an injury or illness claim.

When the COVID Pandemic began in FY 2020, L&I shifted most staff who normally fight fraud to support statewide priorities fighting COVID-19. While their work was essential to protect Washington workers, this shift reduced final figures during this fiscal year compared to prior years.

## Worker fraud

In FY 2021, L&I completed more than 1,400 investigations into potential worker fraud, including 61 investigations of fraudulently claimed workers' compensation benefits.

Estimates regarding cost savings due to fraud investigations are not yet available for this reporting period, as the department is underway with integration of its Investigation Case Management system (ICM). Data

will be captured for these savings and will be provided in the FY 2022 report, or upon request once the project is complete.

### Employer fraud

L&I received nearly 4,200 leads related to potential employer fraud in FY 2021. The resulting reviews and audits led to over \$17 million in additionally assessed premiums, penalties, and interest.

To reduce and prevent employer fraud in FY 2021, L&I:

- Audited more than 1,800 employers, over 550 of these were unregistered employers.
- In FY 2021, 43 percent of audited employers owed debts to L&I.
- Completed four criminal employer fraud investigations.
- Reviewed over 4,000 public works contracts worth \$6.6 billion to ensure workers' compensation premiums were paid.

### Provider fraud

This unit addresses fraud allegations among those entrusted to help injured workers, including claims related to medical or therapeutic care, vocational training or language interpretation. L&I identified nearly \$1.2 million in provider overpayments in FY 2021 and referred 33 providers to investigators.

### **Collections**

In FY 2021, L&I collected \$293.1 million in delinquent funds—\$275.1 million from employer premiums. Other sources include the Retrospective Rating program, Washington Industrial Safety and Health Act (WISHA) citations, contractor infractions, the Medical Information Payment System (MIPS) for provider payments, claims overpayments, the Wage Payment Act and Third-Party claims.

### **Measuring return on investment into the fraud program**

In FY 2021, L&I employed 265 FTEs in detecting, investigating, and enforcing action against workers' compensation fraud. For every dollar spent on these efforts, L&I returned \$8.87 to employers, workers and medical providers.

### **Initiatives and future actions**

In previous reports, L&I identified objectives and initiatives for deterring, detecting and prosecuting workers' compensation fraud. In FY 2022, L&I continues work to pursue workers' compensation fraud. This includes efforts to:

- Focus on “bad actor” businesses severely out of compliance across various lines of business.
- Explore data analytics to select high-probability case leads for early worker fraud investigations.
- Collaborate with other federal, state, and private investigation groups to identify provider investigations with common themes.
- Develop and enhance relationships with key partner groups to improve investigations.
- Provide information to claims management that assists in returning workers to work, thereby avoiding long-term work disability.

- Fully integrate the new Investigation Case Management (ICM) system.

# Introduction

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L&I provides information and services to help workers, employers, and providers understand and comply with the requirements of Washington’s workers’ compensation system to preserve the integrity of the workers’ compensation fund. The goal is to ensure money is available to pay for injured worker benefits and to help reduce premium costs for both workers and employers. The department uses discovery tools, interagency partnerships and public tips to detect and deter fraud in the workers’ compensation system. In the most egregious cases, the department pursues criminal prosecution.

Workers’ compensation fraud comes in three forms: **employers** who fail to pay their workers’ compensation premiums, **employees** who make false injury and disability claims and health care or vocational **providers** who bill dishonestly.

Cheating the workers’ compensation system is not a victimless crime. Fraud drives up costs. Both employers and workers pay insurance premiums into the system—they all pay the price if costs are driven higher due to fraud.

## Impact to honest employers

Employers that don’t comply with business regulations and laws have lower costs, giving them an unfair advantage over businesses that do comply. By not paying for workers’ compensation or other taxes, licenses, and wages required by law, these employers cause costs to be higher for the fewer businesses that must cover the full expenses of the system.

## Impact to workers and the public

Higher premium rates resulting from fraud may also result in reduced workers’ wages, lowered legitimate business profits, and increased prices for consumer goods and services.

## In this report

This report describes how L&I detects and prosecutes fraud committed by workers, employers and providers. It also explains how L&I collects debt, averts fraud through education and outreach and implements innovative programs and tools to combat fraud.

**Workers’ compensation** is a form of insurance that provides medical treatment, wage replacement and other disability benefits when workers are injured or suffer a work-related illness. About 187,000 employers and 2.6 million workers are covered through L&I (the State Fund) and share risk by paying premiums to fund the system.

**Insurance premiums** are based on the risk associated with the type of work employees perform. This is done by assigning certain “risk classes” to employers.

In addition to the assigned risk class(es), **premium rates** are adjusted for each individual employer based on the number of injuries and worker hours the employer reports. This is referred to as the employer’s “experience factor.” Hazardous work activities with an increased risk of injury require a higher premium rate through the risk class. Companies that experience more costs for workplace injuries pay higher rates within the class, and those with lower costs will pay less.

# Worker Fraud Investigations

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## OVERVIEW

In general, anyone collecting workers' compensation benefits for which they're not legally entitled, or obtaining benefits through deliberate misrepresentation, is committing worker fraud.

Fraud investigations may result in workers having to repay benefits and, in some cases, face criminal charges. Investigations do more than identify debts owed to L&I; they also help avoid unnecessary expenses to the system. When an investigation determines someone is not entitled to workers' compensation benefits, L&I stops paying benefits to the worker. Investigations often uncover vital information that enables better claim adjudication decisions and helps workers return to work, avoiding workplace disability.

## DETECTION

L&I's Detection and Tracking Unit (DTU) identifies and prevents fraud within the injured worker claim system using a variety of resources and tools. Employees review individual claims and assess the potential for fraud by analyzing multi-agency, cross-matched resources and data. They also review tips from the public and share them among internal programs.

In FY 2021, the DTU evaluated more than 3,700 individual workers' compensation claims. These evaluations led to over 190 investigations.

Public tips were the source of over 600 of the more than 3,700 claim reviews done in FY 2021. Public tips led to over 150 of the total 190 investigations conducted by the unit.

## CRIMINAL AND CIVIL CASES

In FY 2021, investigators referred three claimant fraud cases to the Office of the Attorney General (ATG) for consideration of prosecution. Two of these cases remain in a pending status awaiting charging decisions. The Attorney General's Office declined to file charges on the remaining case. During this reporting period, the ATG did not file criminal charges related to employee workers' compensation fraud.

For civil cases, if an initial review of a tip received about potential workers' compensation fraud suggests inconsistencies, staff refers the tip to L&I Investigators. This team gathers evidence and, when appropriate, issues Administrative Fraud Orders (AFOs) to recover money paid in fraudulent benefits. In FY 2021, Fraud Adjudicators issued 48 worker fraud AFOs, which assessed more than \$1.2 million.

**L&I investigations include:**

- **Activity checks** to review worker activity levels to see if the worker is still unable to work.
- **Validity checks** of a claim to confirm it is legitimate (for example, that the injury was work-related).
- **Intentional misrepresentation** of injuries to continue receiving benefits (for example, a person working under the table while continuing to receive wage-replacement funds).
- Requests to **reopen claims** that were previously closed, to ensure there were no intervening incidents, such as traffic accidents or other insurance claims for the same type of injury, between the time the claim was closed and the request to reopen it was received.

Other investigations can result from discoveries of irregularities by claim managers when they request information, such as medical records, to manage a claim.

Figure 1 shows the numbers and types of worker fraud investigations in FY 2021. Following more than 3,700 claim evaluations, over 1,400 investigations were conducted. The most common were activity investigations to verify whether an injured worker was still unable to work. The numbers in Figure 1 include the civil and criminal cases identified above.

**Figure 1: L&I investigations, FY 2021**

Type of Referral	Number of Referrals
Activity	746
Other	348
Validity	292
Misrepresentation	75
Claim Reopening	1
<b>Total</b>	<b>1,462</b>

Source: L&I Investigations

# Employer Fraud Investigations

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## OVERVIEW

Employer fraud occurs when an employer knowingly misclassifies employees in lower-cost rate classes, underreports worker hours or fails to pay required premiums. Employer fraud cases are investigated by both L&I auditors and investigative staff. Employers that commit fraud can incur large assessments and penalties and may be criminally prosecuted.

Some examples of employer fraud include:

- Operating a business without the proper license.
- Paying workers in cash with no payroll records.
- Intentionally underreporting worker hours.
- Deliberately reporting worker hours in the incorrect risk classification.
- Treating workers as independent contractors (failing to cover workers with industrial insurance).

In FY 2021, the Investigations program initiated five criminal cases related to employer fraud. These involved allegations of employer misconduct, such as failure to secure industrial insurance for employees, continuing to employ workers after their certificate of coverage was revoked, or violations in the bulleted list, above. These referrals primarily come from internal collections activity, audits, and L&I's Contractor Compliance program. Though they are rare, their complexity requires the most investigative time.

## DETECTION

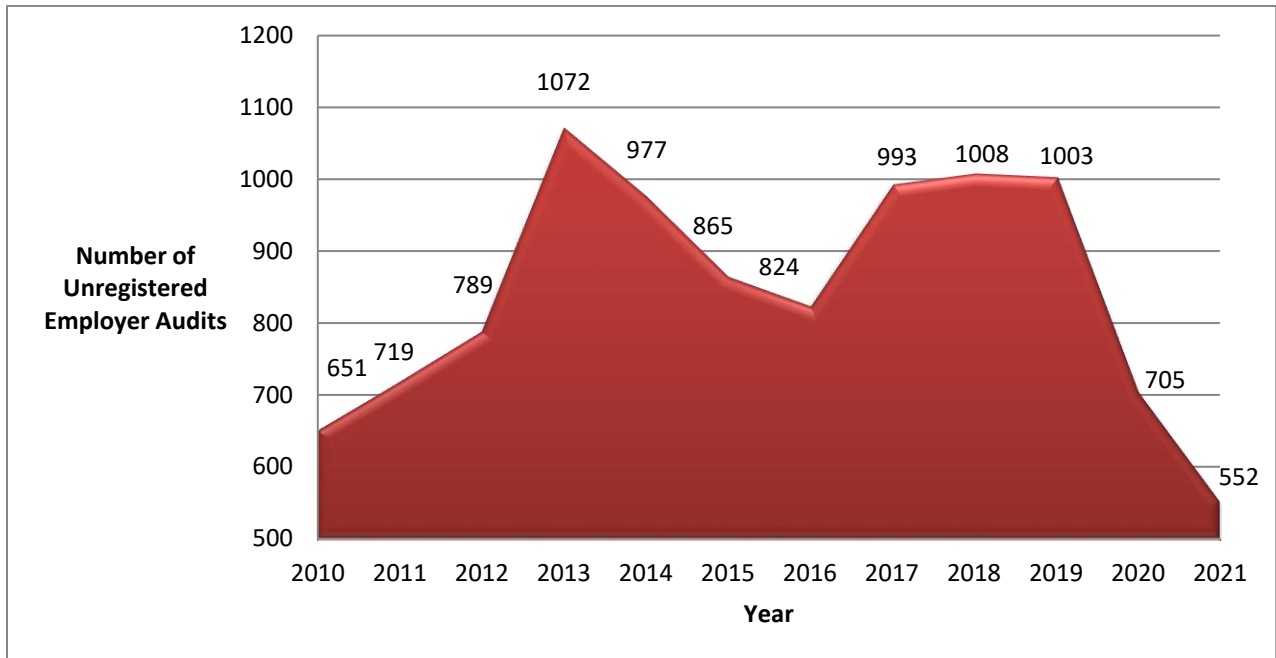
L&I continually improvement in detection and targeting capabilities has led to better detection of employers who owe premiums, and fewer instances of compliant employers being audited.

To identify businesses most likely to owe premiums, L&I uses tips from the public, shares data and information with other agencies and interested parties, and makes efficient use of available data to send auditors to the right businesses. Improved detection methods ensure L&I targets and actively pursues the employers most likely to commit fraud—also saving time and trouble for employers who follow the rules. In FY 2021, L&I received nearly 4,000 employer fraud leads. Of the more than 1,800 employer audits completed in FY 2021, 43 percent found money owed to L&I—resulting in more than \$17 million in assessed premiums.

Since 2010, the number of audits of unregistered businesses has fluctuated. The rapid decline shown for FY 2020 and so far in 2021 is related to audits being paused due to COVID-19. However, collections from audits in prior years continued, contributing to the overall totals of premium collected in FY 2021.



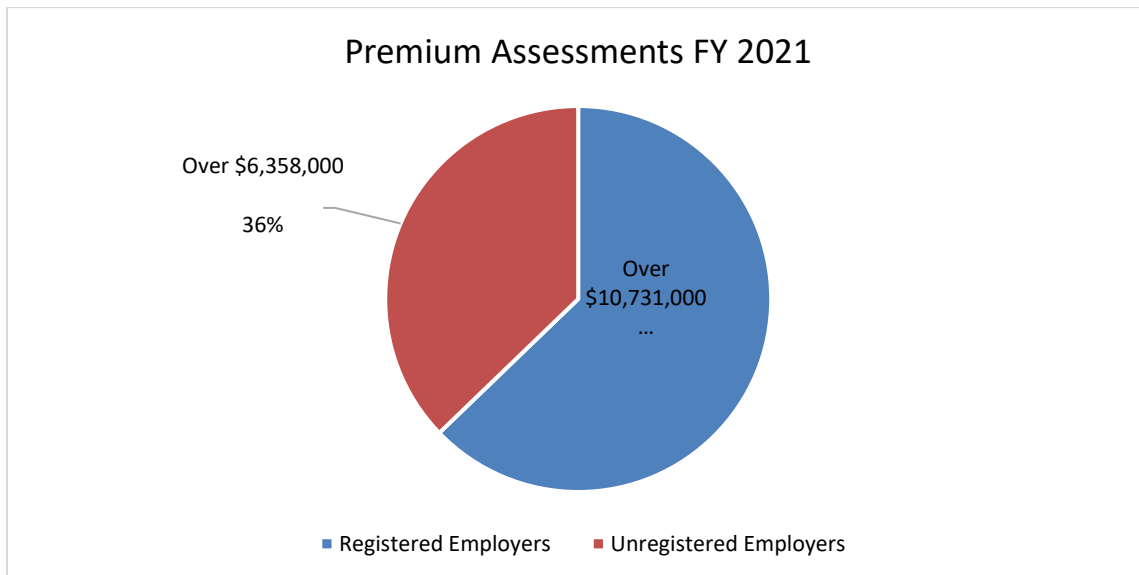
**Figure 2: Unregistered employer audits, FY 2012-2021**



Source: L&I Field Audit

As shown in Figure 3, about 36 percent of premium assessments in FY 2021 involved unregistered employers. This is slightly down from 38 percent in FY 2020, showing continued success leveling the playing field for all employers.

**Figure 3: Premium assessments, FY 2021**



Source: L&I Field Audit

## **Field audits**

Audits are an important tool to ensure employers report their worker hours correctly and pay appropriate workers' compensation premiums. L&I's standard audit process includes checking business records, conducting interviews, verifying the number of workers reported and that all hours are reported in the correct risk class.

Auditors located throughout Washington conduct field audits. After completing an audit, L&I performs a closing conference with the employer, either by phone or in person, in which auditors supply educational materials and explain how to improve record-keeping. This post-audit conference is required for every audit to help employers understand their reporting obligations. It's also a chance to answer employer questions, which helps prevent recurring problems.

In FY 2021, fourteen auditors successfully completed the Certified Fraud Examiner (CFE) certification—including a rigorous study program and a four-part examination. Currently, 25% of all auditors are certified, with a CFE in each region, increasing professionalism and improving investigations to better assist the Audit Program.

## **Public works contracts**

L&I reviews public works contracts over \$35,000 to verify appropriate workers' compensation premiums were paid. On these projects, the final five percent of payments is withheld until certain tax payments are verified. This ensures contractors follow the law and pay taxes, including any workers' compensation premiums owed to L&I. If L&I discovers a contractor owes workers' compensation premiums for other types of projects, the department may pursue those debts as well. In FY 2021, L&I reviewed over 4,000 public works contracts, valued at nearly \$6.6 billion. In this review, L&I found over \$2.1 million owed for work on public projects during the year.

L&I works with contractors to resolve unintentional reporting discrepancies. Not all cases are resolved voluntarily and a small number require an audit. In FY 2021, more than 32,200 account reviews were completed; 17 of those were audited. In FY 2021, the program focused on educating employers and requested that they voluntarily correct their report requests in order to bring contractors into compliance rather than use of an audit referral.

# **CRIMINAL AND CIVIL CASES**

## **Criminal cases**

These may be filed against an employer for the most egregious actions of underpayment or non-reporting. Vital support for these cases comes from two assistant attorneys general who help develop cases related to employer workers' compensation abuse for criminal prosecution. In FY 2021, L&I forwarded three of the four completed cases of employer fraud investigations to the Attorney General's Office. Of these three cases referred for prosecution, no criminal charges were filed for employer fraud during FY 2021.

## **Civil cases**

Civil misrepresentation penalties occur when employers intentionally misclassify or underreport employees for workers' compensation insurance. In FY 2021, L&I assessed 5 misrepresentation penalties, totaling over \$1,250,000. This was in addition to workers' compensation premiums owed.

# Provider Fraud Investigations

## OVERVIEW

In 2000, the Provider Fraud Unit was established to address allegations of fraud among those who care for injured workers. This includes medical or therapeutic care, vocational training, and language interpretation in worker compensation claims. Most of these providers ensure the needs of the injured worker are met with integrity and honesty; however, some provider fraud does occur.

Provider fraud is any scheme to obtain payment from L&I that was not earned. Examples include medical billing in excess of the services provided and “upcoding” (for example, billing for an electric wheelchair but providing a manual wheelchair). L&I has one employee dedicated to completing a preliminary review to validate referrals.

Figure 4 shows eight common types of provider fraud, in no particular order. Any of these fraud types may be represented in the cases described below.

**Figure 4: Types of health care provider fraud**

Billing for services not rendered
Billing for a non-covered service as a covered service
Misrepresenting location of service (billing for treatment services while in a separate physical location)
Misrepresenting provider of service
Incorrect reporting of procedures (includes unbundling and upcoding)
Overutilization of services
Corruption (kickbacks and bribery)
False or unnecessary issuance of durable medical equipment (DME)

Source: L&I Investigations

## DETECTION

L&I receives referrals of provider fraud from both internal and external sources, including injured workers, medical providers, other agencies, claim managers and staff responsible for paying bills related to the treatment of injured workers. In FY 2021, L&I reviewed 37 referrals of suspected provider fraud, involving 57 providers.

L&I’s has one person dedicated to detecting improper billing and fraud by medical providers. In FY 2021, after reviewing all 57 providers referred for suspected fraud, four possible cases totaling more than \$1.5 million in estimated improper payments were identified. These four cases were forwarded to fraud investigators for further action.

## CRIMINAL AND CIVIL CASES

### **Criminal cases**

In FY 2021, L&I did not refer any health care provider cases to prosecutors for potential criminal charges.

### **Civil cases**

Civil cases rely on lower evidentiary standards and are more common than criminal cases. In workers' compensation civil cases, private sector rehabilitation services and improper billing were two areas that conducted audits for potential civil actions during FY 2021. During this period, the department notified providers of violations and collected where money was owed due to improper billing, but did not assess penalties given the effects of the COVID-19 pandemic for health care providers.

### **Private sector rehabilitation services**

At L&I, Private Sector Rehabilitation Services (PSRS) is responsible for ensuring that Washington's injured workers receive high quality vocational rehabilitation services that comply with applicable state laws, regulations, and policies. PSRS investigates complaints received about vocational providers and monitors and audits how providers deliver their services, what the services are, and how providers bill for their services. During FY 2021, PSRS assessed only minimal recoupment amounts and no penalties.

### **Provider quality and compliance**

L&I's Provider Quality and Compliance (PQC) unit audits medical bills for services paid for by the state workers' compensation fund. The purpose of the audits is to notify providers of any violations identified regarding applicable laws, regulations, and L&I policies that affect the billing and reimbursement for services provided to injured workers. The audits also enforce compliance with L&I's medical aid rules and fee schedules.

In response to the COVID-19 pandemic, the unit focused most of their efforts on notification of suspected improper billing rather than bringing civil actions. In FY 2021, the unit completed a total of 84 medical provider reviews and assessed nearly \$439,000 for improper billing. Actions related to collections efforts are included below.

### **Provider investigations**

In FY 2021, L&I issued no orders and notices of violation for overpayments to medical providers. During this period, Provider Fraud staff worked on several cases that were unable to move forward due to unclear internal agency policies, Medical Aid Rules and Fee Schedules. These challenges led to collaborating with Insurance Services Division providing in-depth payment policy reviews and updates to support the ever-changing impacts COVID-19 has had on meaningful access to medical care.

# Data Sharing

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In addition to L&I staff detection efforts, cross-matching L&I data with other agencies helps catch inconsistent reporting or duplicated claims that may indicate worker, employer, or provider fraud. Here are some ways L&I is using data sharing to fight fraud:

## **Cross-agency collaboration**

L&I receives and shares data with the Department of Revenue (DOR) and Employment Security Department (ESD). When any of the agencies finds businesses or individuals that may need to be investigated, they send referrals or share and cross-check data with the other agencies.

L&I and the Department of Corrections (DOC) have an interagency data-sharing agreement to ensure incarcerated individuals are not also receiving wage replacement benefits through workers' compensation.

## **Coordinated Enforcement Pilot Project**

In 2016, the Coordinated Enforcement Pilot Project (CEPP) began to improve coordination of enforcement efforts between L&I divisions and regional offices across the state with the Office of the Attorney General. The goal of the pilot was to take significant actions against the worst violators of all the laws L&I enforces.

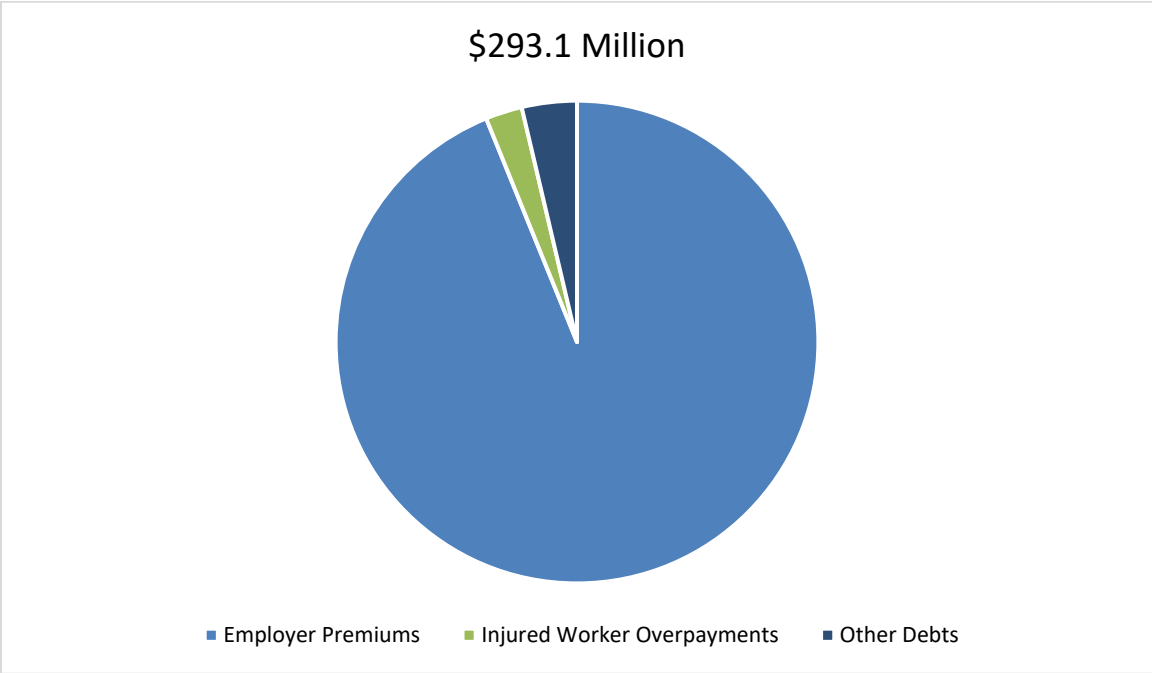
# Collections

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L&I’s Collections program gets involved when workers, employers, or providers are delinquent in paying money owed to L&I whether workers’ compensation premiums, overpayments to providers or injured workers, or penalties. The program is also responsible for collecting other types of debt on behalf of other L&I programs; however, this report only addresses workers’ compensation-related collections.

Figure 5 shows the sources of the collections. Employer premiums account for the vast majority, totaling more than \$275.1 million of the total \$293.1 million collected in FY 2021. “Other debts” includes unpaid wages, unpaid penalties, safety and health citations, Right-to-Know billings, and Retrospective Rating Program billings.

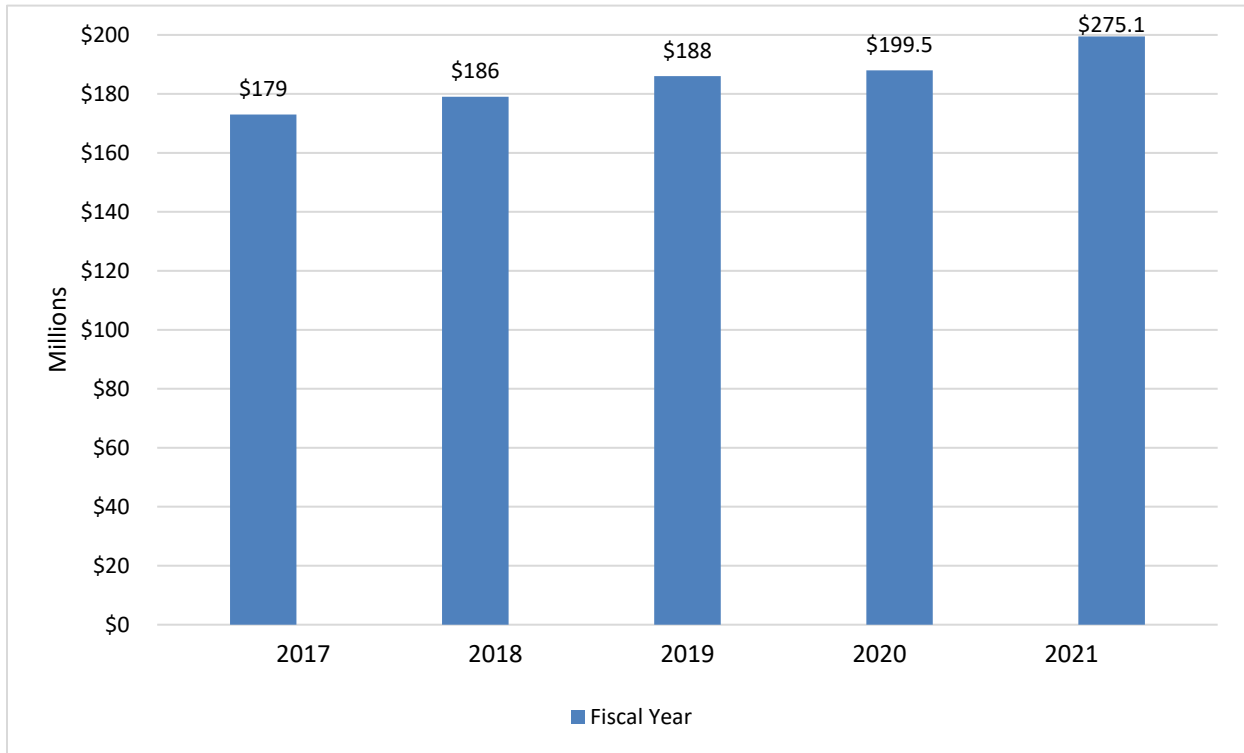
**Figure 5: Distribution of delinquent money collected, FY 2021**



Source: L&I Collections

Figure 6 shows collections for delinquent workers' compensation premiums over the past five fiscal years. Collections have increased steadily since 2017. Amounts collected in FY 2021 increased by 38% even with coronavirus impacts.

**Figure 6: Delinquent premiums collected, FY 2017-2021**



Source: L&I Collections

# Education and Outreach

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L&I is proactively helping employers avoid making costly mistakes in the workers' compensation system that can potentially lead to fraud. Helping businesses reduce reporting mistakes and understand the laws and rules they must follow makes it easier for them to do business with L&I and allows L&I to focus investigation and enforcement activities on businesses that intentionally undermine the system. The department offers a wide array of programs and services with this goal in mind.

## **New employer reviews**

Historically, L&I offered new employer reviews in the form of instructional audits, but only a small percentage of businesses took advantage of the opportunity. Currently, education and outreach is done by contacting employers via phone and e-mail when they open a new industrial insurance account. This gives L&I an opportunity to bring new accounts on board and ensure that employers understand compliance requirements. For established accounts that are out of compliance, L&I notifies them and provides opportunities for self-correction. If that is unsuccessful, they are referred to audit.

## **Contractor training**

L&I invests considerable effort in helping all businesses, including construction contractors, understand their legal obligations. In FY 2021 over 400 construction contractors were educated and trained via multiple webinars. At these webinars, highly rated by participants, the department provides training on a variety of subjects, including properly reporting and paying workers' compensation insurance, keeping a safe workplace, marketing their business, writing an effective contract, and more. L&I makes it easy for contractors to register online, with step-by-step instructions.

## **Workers' compensation coverage determination**

The Workers' Compensation Coverage Determination unit was created in response to a request from the employer community to receive guidance about coverage requirements without fear of an assessment. This unit allows an employer or business to request assistance from L&I for guidance related to whether a worker would be considered an independent contractor or covered for workers' compensation purposes.

The unit makes it easier to do business with L&I by combining the education of individual employers, which both benefits the employers and provides consistency in the education they receive. In addition, it helps bring businesses into compliance before any reporting errors are found during an audit.

## **Employer outreach**

L&I continued to prioritize outreach to the employer community as a proactive method to help employers avoid reporting mistakes. The following are several examples of this outreach.

**L&I Essentials for Business workshops:** L&I offers employers and/or their representatives an "Employer's Introduction to L&I" workshop at most of L&I's regional offices across the state and via webinar. These workshops offer employers and their representatives an overview of L&I requirements, resources, and services.



They are promoted at customer service locations, *Small Business News* (see below), L&I's website and social media, tradeshow, and other events, and through emails to new workers' compensation account holders. Due to the pandemic, in FY 2021 the department offered 14 "Essentials" webinars, with 11 offered in English and three in Spanish. Nearly 800 employers attended these workshops.

**Small Business News:** L&I's Small Business Liaison Office publishes a quarterly e-newsletter, "News for Small Business". The newsletter provides information about upcoming trainings, new L&I resources and tools, new laws or changes in laws, rules and policies, and a variety of other information of benefit to small businesses. The GovDelivery publication has about 8,600 subscribers.

**Small Business Outreach Contracts:** L&I launched the Small Business Outreach Contracts program in 2020. Through this new program, L&I contracts with employer-trusted groups to deliver important messaging to small businesses and nonprofits, significantly expanding the number of employers that learn about L&I requirements, resources, and services. In FY 2021, L&I had contracts with 18 organizations, including industry associations, ethnic and cultural groups, entrepreneurial training and advising organizations, chambers of commerce, and others. These partners reached thousands of employers the agency would not have otherwise reached, providing critical information and training.

**Multi-Agency Small Business Requirements & Resources (SBRR) Workshops:** L&I partners with other state agencies to offer collaborative SBRR workshops where L&I presents a section of each workshop, providing basic information regarding requirements and making resources available for more in-depth information. Due to the COVID-19 pandemic, in FY 2021 these workshops were offered exclusively via webinar. There were three different webinars offered, with some presented multiple times: "Start Your Business in Washington", "Grow Your Business in Washington", and "COVID-19 Impacts". The "COVID-19 Impacts" webinars were offered in both English and Spanish. More than 1,000 people attended 26 SBRR webinar offerings.

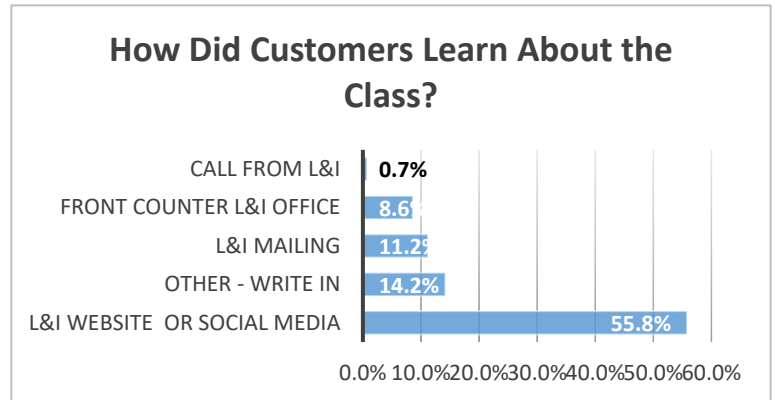
### **Provider outreach**

Normally, L&I offers workshops and other assistance to help providers understand the department's billing and documentation requirements and the Medical Provider Network for injured workers. Due to the pandemic, L&I did not offer these workshops this year. However, one-on-one consultations were customized to address specific provider questions and needs. Step-by-step instructions and examples are given, such as when to send a corrected claim or when to adjust a bill. Outreach staff provide hands-on demonstrations of how to use L&I resources and, most important, allow providers to ask questions about their specific billing needs. In addition, L&I provides an online resource to [receive provider questions](#).

Out of the total workshop attendees, more than 280 responded to provide valuable evaluation data:

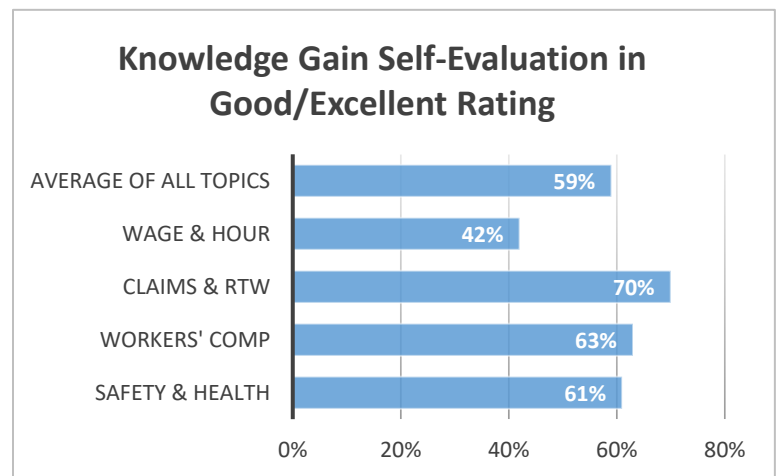
**Marketing efforts:**

- L&I’s website is the top way in which attendees learned about this workshop. L&I continues to increase marketing effectiveness through an L&I website update designed to improve search optimization. This website redesign project was funded in the 2018 budget and the new site was launched in November 2019.



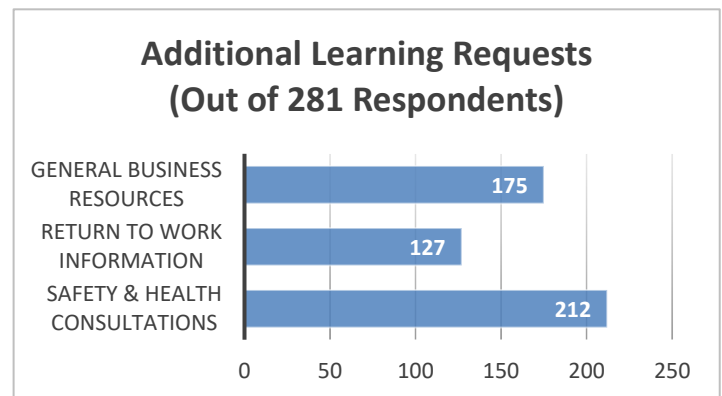
**Workshop effectiveness:**

- Attendees provide a self-evaluation of their knowledge gain from the workshop. Below is the percent who rated their knowledge gain in the good/excellent categories on the four main topics shown:
  - 70 percent gained in knowledge about Claims Management and Return to Work Partnerships
  - 63 percent gained in knowledge about Workers’ Compensation
  - 51 percent gained in knowledge about safety and health requirements
  - 42 percent gained in knowledge about wage and hour requirements
  - 59 percent claimed knowledge gain on all four topics.



**Future learning interest and use of free resources:**

- Many attendees request a follow-up contact following the workshop for additional resources and services.
  - 175 requests for general business resources
  - 127 requests for additional Return to Work information or visits to learn more
  - 212 safety and health consultation requests



## ANYONE CAN REPORT FRAUD; HERE'S HOW

Anyone can help stop workers' compensation fraud by reporting situations that may be fraudulent, and by telling others how to report:

- Fraud hotline: 888-811-5974
- [Report a contractor](#)
- [Fraud website](#)

Employers can help L&I detect workers' compensation fraud by workers by [reporting newly hired workers](#). The information will be shared with L&I to ensure employed workers aren't also claiming benefits they're not entitled to receive.

## FUTURE INITIATIVES

L&I will continue to educate workers, employers, and providers, first, but will also aggressively pursue fraud in the workers' compensation system. In FY 2022, the department will continue several strategies from FY 2021 and add more collaboration on suspected violations. Goals for 2022 include:

- Apply the lessons learned of how virtual formats can be used to reach more employers and providers for future training, small business assistance and compliance actions.
- Increase contracts with business entities to expand the number of employers receiving educational materials.
- Transform data collection gathering tools to be incorporated into the Workers' Compensation replacement system. This will enable more efficient identification of fraudulent activity.
- Build upon coordinated enforcement concepts that have been embedded into the standard operating procedures of L&I's Fraud Prevention and Labor Standards programs. This will ensure that the agency response is appropriate to the employer's action, and that there is a consistent application of consequences.
- 
- Continue to look for computer forensics (seizing and analyzing computer hardware) and auditing resources, to include forensic analysis in the Special Investigations Unit
- Collaborate with employers, retrospective rating groups, advocates, trade associations, and others on how to identify, deter, and report suspected all types of violations.

# Conclusion

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Educating workers, employers, and providers about their rights and responsibilities in the workers' compensation system is a top priority at L&I. Fighting fraud is necessary when education is not enough. The department continues to focus on a range of initiatives—including increased innovation, regulatory actions, and collective resources—to bolster measurable results in the fight against fraud.

# Glossary of Terms

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- **Assessment** – A dollar amount identified as owed and payable to L&I, including premiums, overpaid benefits, penalties and interest.
- **Audit** – An official review of accounts and legally required business records.
- **Benefit** – The medical coverage and/or wage replacement received by an injured worker.
- **Cost avoidance** – The amount of benefits that would have been paid to a claimant found to have committed fraud. Costs recouped from inappropriate medical billing are not usually included in this term.
- **Employer** – Any person or business engaged in work in Washington covered by the state’s Industrial Insurance Act and employing or contracting with one or more workers.
- **Fiscal Year** – Washington state government defines a fiscal year as the period from July 1 through June 30. For purposes of this report, all years displayed are fiscal years.
- **Fraud** – A willful misrepresentation of facts for profit or to gain unfair advantage.
- **Lead/Tip** – Potential fraud reported to Labor & Industries for investigation.
- **Premium** – Amount to be paid by employers and employees for workers’ compensation coverage.
- **Provider** – Any person or legal entity providing any kind of services for treating an industrially injured worker.
- **Referral** – A verified lead that is forwarded for an investigation, audit or other action.
- **Underground economy** – Businesses or individuals who fail to either record, report or register a significant part of their business activities with the proper authorities as required by law.
- **Worker** – An individual hired to work for compensation who, through employment, is covered under workers’ compensation laws.
- **Workers’ compensation/industrial insurance** – A form of no-fault insurance providing medical benefits and wage replacement to workers injured on the job.