Washington State Department of Labor & Industries

Improving Integrity and Accountability in the Workers' Compensation System

2015 Annual Report to the Legislature

January 2016

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Glossary of Terms

- **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.
- **Worker** – An individual who, through employment, is covered under workers' compensation laws.
- **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** – A person hired to work for compensation.
- **Workers' compensation/industrial insurance** – A form of no-fault insurance providing medical benefits and wage replacement to workers injured on the job.

Executive Summary

The Department of Labor & Industries (L&I) provides information and services to help employers, workers and health care providers understand and comply with the requirements of the Washington workers' compensation system. Despite considerable efforts to prevent violations and make it easy to do business with L&I, the department uncovers fraud each year. Most violations do not qualify as fraud – involving intentional deception intended to secure unfair or unlawful gain. Nevertheless, fraudulent business practices, injured worker claims and inappropriate medical billing cost the state millions of dollars each year.

L&I is committed to cracking down on dishonest behaviors. The department uses discovery tools, interagency partnerships and public tips to find, detect and deter fraud.

Introduction

The purpose of L&I's workers' compensation fraud prevention efforts is to preserve the integrity of the workers' compensation fund. This is done to ensure money is available to pay for injured worker benefits and to help reduce premium costs for both workers and employers.

This annual report summarizes L&I's efforts to find and eliminate deliberate fraud in the workers' compensation system. As requested in state law (RCW 43.22.331), the report includes actual and estimated cost savings resulting from these activities where possible. It also describes L&I's efforts to provide targeted education and assistance to employers. It does not describe the results of L&I's investigations into employer practices regarding payment of minimum wage, overtime and other pay requirements, or meal and rest breaks.

In fiscal year (FY) 2015, L&I continued to ensure that employers, workers and providers realize that committing fraud can have serious consequences. The following are some of the department's key actions.

Collections

L&I's Collections Program gets involved when employers, workers or providers are delinquent in paying money they owe to L&I. The program tracks down debtors and collects what's owed – whether it's workers' compensation premiums, overpayments to providers or injured workers, or penalties. The program also collects and distributes unpaid wages owed to workers.

In FY 2015, L&I collected a total of $182.3 million in delinquent money. Of this, about $165 million came from employer premiums.

Worker fraud

Worker fraud generally involves someone collecting workers' compensation benefits for which they're not legally entitled. Worker fraud involves any individual who obtains benefits through deliberate misrepresentation.

In FY 2015, L&I completed 70 worker investigations of fraudulently claimed benefits amounting to over $2.9 million.

Employer fraud

Employer fraud occurs when an employer knowingly misclassifies employees in lower-cost rate classes, underreports worker hours or fails to pay required premiums.

It is important to note that not all unpaid workers' compensation premiums identified through employer audits were the result of deliberate fraud; however, L&I is not always able to identify and separate figures in this publication that represent intentional fraud.

In FY 2015, L&I prevented and reduced employer fraud in the following ways:

- Audited 3,632 employers, of which 865 were unregistered employers.
- Through employer audits, identified a total of over $20.1 million* in workers' compensation premiums owed. Improved audit selection enabled the department to focus on employers most likely to owe premiums, which resulted in finding that 81 percent of audited employers owed debts to L&I.
- Collected about $165 million in delinquent employer premiums.*
- Completed over 3,500 worker fraud investigations.
- Reviewed over 4,000 public works contracts worth $4.9 billion to ensure workers' compensation premiums were paid.

*These dollar amounts include collections due to both fraud and standard collection practices.

Provider fraud

Health care provider fraud is any scheme to obtain payment from L&I fraudulently -- for example, billing for more than 24 hours in a day, or billing a 15-minute appointment as a full hour.

In FY 2015, L&I addressed provider fraud by identifying nearly $2.9 million in health care provider overpayments, of which more than $744,000 was identified as potential fraud.

Resources for fraud prevention, detection and enforcement

Figure 1 shows the number of Full-Time Equivalent (FTE) positions in L&I dedicated to preventing and detecting fraud and enforcing fraud-related laws and rules.

Figure 1: Fraud prevention, detection and enforcement FTEs

Activity	FTEs
Detecting and targeting fraud	7
Outreach	3
Employer audit	65.6
Construction contractor compliance	37
Worker investigations	49
Provider audits and investigations	12
Collections	89
Employer appeals	10
Administration	8.5
Total	281.1

Source: L&I Data

As shown in Figure 1, L&I employed more than 281 FTEs in detecting, investigating and taking enforcement action against workers' compensation fraud in FY 2015. For every dollar spent on these efforts, L&I returned $8.93. This is 59 cents more than in 2014, due to slightly decreased operating costs. (Note: Return on investment compares operating costs to the money recovered, money collected and expenses avoided during the year. Operating costs include salaries, benefits and capital outlays.)

L&I also offers extensive training programs, direct customer service, and awareness campaigns that promote compliance and prevent fraud by making sure customers understand and follow the rules.

Fraud drives up costs in the workers' compensation system. L&I continues to implement new and innovative ways to identify and prevent fraud. The agency's labor and business stakeholders, as well as the legislature, will remain valued partners in these efforts.

Education and outreach

Helping businesses reduce reporting mistakes and understand the laws and rules they must follow allows L&I to focus its investigation and enforcement activities on businesses that intentionally undermine the system.

In FY 2015, L&I offered a wide array of programs and services with this goal in mind, including:

- New employer reviews (instructional-only audits to help employers with reporting and recordkeeping).
- Contractor training.
- Agricultural Business Day (training for small agricultural businesses about how to comply with laws).
- Introduction to L&I workshops.
- Provider outreach to help health care providers understand L&I's billing and documentation requirements.

Initiatives

FY 2015
In last year's report, L&I identified five objectives and initiatives for 2015 connected to deterring, detecting and prosecuting workers' compensation fraud. One of those initiatives – to develop and implement a Stop Work Order process -- has been completed, and four are still pending or ongoing. The status of each project is given in the *Initiatives* section of this report (page 21).

FY 2016
In FY 2016, L&I will continue pursuing workers' compensation fraud in the following ways:

- Develop and enhance relationships with key partner groups to improve overall effectiveness of workers' compensation claim investigations.
- Explore developing data analytics to select high probability case leads for worker fraud investigations.

Introduction

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 providers who bill dishonestly.

Cheating the workers' compensation system is not a victimless crime. Both employers and workers pay insurance premiums into the system – and they all pay the price if costs are unnecessarily high 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 other businesses. By not paying for workers' compensation or other taxes, licenses and wages required by law, these employers are able to charge less. This raises costs for legitimate businesses because there are fewer businesses to cover the full costs of the system.

Impact to workers and the public

Higher premium rates resulting from fraud cut into workers' wages, lower businesses' profits and increase prices for consumer goods and services. Taxpayers are unduly burdened as workers are misclassified or left without employer-provided workers' compensation benefits.

The Department of Labor & Industries' (L&I's) first priority is to prevent deliberate fraud by offering access to services, information and training that help employers, providers and workers comply with requirements. But the department also protects the public's interests through an integrated array of programs focused on deterring, detecting and prosecuting fraud and ensuring compliance in the workers' compensation system.

This report begins by describing worker fraud and how L&I targets, detects and prosecutes it. Later chapters describe these same efforts when fraud is committed by employers and medical providers. Subsequent chapters discuss how L&I collects past-due debt, averts fraud through education and outreach and implements innovative programs and tools.

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 169,000 employers and 2.58 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 will pay higher rates within the class, and those with lower costs will pay less.

Worker Fraud Investigations

OVERVIEW

Worker fraud generally involves someone collecting workers' compensation benefits to which they're not legally entitled. Worker fraud involves any individual who obtains benefits through deliberate misrepresentation.

Fraud investigations may result in workers having to repay benefits and, in some cases, face criminal convictions. Investigations do more than identify debts owed to L&I; they also help avoid unnecessary expenses. When an investigation determines someone is not entitled to workers' compensation benefits, L&I stops paying benefits to the worker. L&I estimates that over $6.7 million in future workers' compensation costs were avoided through these efforts during FY 2015.

DETECTION

L&I uses a variety of sources and tools for detecting fraud. Employees search databases using discovery software, and share data with other state agencies. They also review tips from the public and share them among internal programs. These can often lead to in-depth audits and investigations.

The Detection, Tracking and Outreach (DTO) Injured Worker Unit is responsible for identifying and preventing fraud and abuse within the injured worker claim system to ensure compliance with the Industrial Insurance Claims Act. This unit is the first to receive and evaluate calls and tips from the public. Unit staff reviews individual claims and assesses the potential for fraud by analyzing multi-agency, cross-matched resources and data.

The public reaches the unit through a dedicated phone line and an online fraud reporting form. In FY 2015, the unit received and reviewed more than 1,000 public tips regarding potential worker fraud. Based on these tips and other sources, the unit reviewed and evaluated nearly 24,000 claims and initiated more than 600 investigations in FY 2015.

In FY 2015, the Investigations Program completed 74 fraud investigations -- a direct result of DTO referrals. Of these 74 investigations, 53 resulted in penalties for willful misrepresentation. Overpayments and penalties for FY 2015 totaled more than $800,000.

CRIMINAL AND CIVIL CASES

In FY 2015, investigators referred 10 cases to the Office of the Attorney General and local prosecutors. Of the 10 worker fraud cases, two were charged criminally, three were declined and two were returned to the department for further investigation. Three are currently under review for search warrants.

L&I receives tips from many different internal and external sources about potential workers' compensation fraud and abuse. If an initial review suggests there may be inconsistencies, staff refers the tip to the Investigations Program. Fraud adjudicators gather evidence and issue Administrative Fraud Orders (AFOs) when appropriate to recover money paid on fraudulent benefits. In FY 2015, investigators issued 70 worker fraud AFOs totaling $2.9 million.

L&I investigators conduct the following types of investigations:

- **Activity:** Activity checks investigate the current level of a worker's activities to see if he or she is still injured or exceeding the documented medical condition. This type of investigation seeks to determine if the injured worker is still unable to work.

- **Validity:** Validity checks examine the facts surrounding a claim for benefits – for example, whether an injury is the result of a work-related accident.

- **Fraud due to worker misrepresentation:** These investigations result when a worker receives benefits, such as wage-replacement funds and medical treatment, by intentionally misrepresenting themselves to their attending physician and L&I in order to continue receiving benefits they would otherwise not be entitled to. An example is a person working under the table while continuing to receiving benefits -- usually wage-replacement funds.

- **Employer fraud:** These investigations focus on improper or illegal actions by the employer, such as failing or refusing to pay workers' compensation premiums or misreporting worker hours or classifications. Though the number of these cases is relatively low, these cases require the highest investment of time due to their complexity.

- **Claim reopening:** Although infrequent, these investigations are conducted to ensure that there have been 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 for reopening of the claim.

- **Other:** Other investigations can result from requests by claim managers who need information to manage a claim. Examples include retrieving medical records or checking to see if an individual is in jail.

Figure 2 shows the types of worker fraud investigations L&I conducts. The most common are activity investigations that verify whether an injured worker is still unable to work.

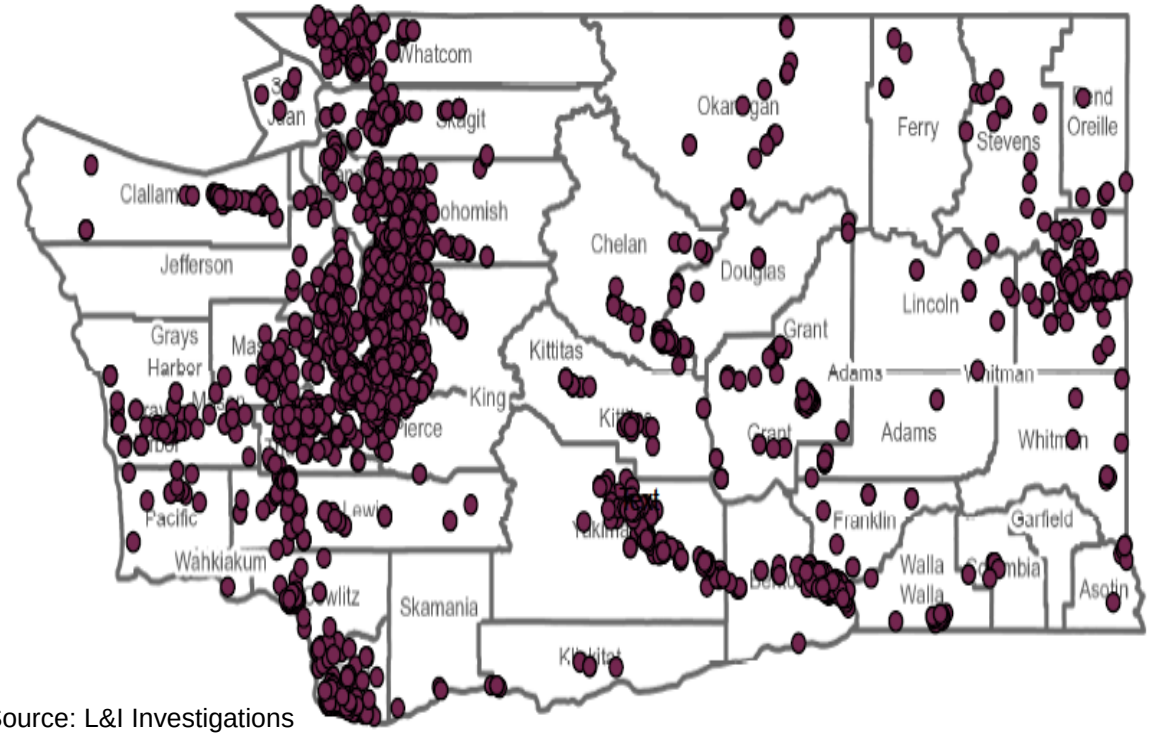
Figure 2: L&I investigations, FY 2015

Type of referral	Number of referrals
Activity	3,000
Other	960
Validity	620
Fraud	100
Employer fraud or claim reopening	20

Source: L&I Investigations

In Figure 3, completed worker fraud investigations are shown by geographic area. Clearly, most investigations take place in higher population areas, particularly in the Puget Sound area.

Figure 3: Geographic distribution of completed worker fraud investigations, FY 2015



Source: L&I Investigations

Employer Fraud Investigations

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 auditors and investigative staff. Some examples of employer fraud include:

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

Employers that commit fraud can incur large assessments and penalties and may be criminally prosecuted.

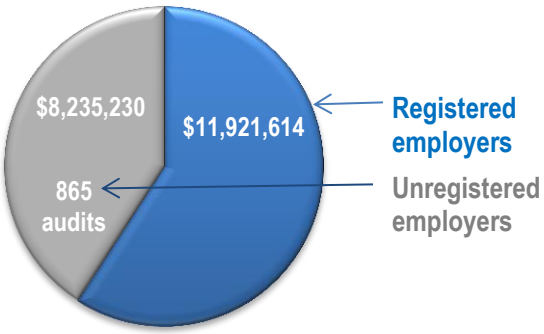
DETECTION

Ten years ago, fewer than half of employers audited were found to owe premiums to L&I. Since then, L&I has improved its detection and targeting capabilities, resulting in increased detection of employer fraud, as well as fewer 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 use of available data to send audit resources to the right businesses. Improved detection methods ensure L&I targets and actively pursues the employers most likely to commit fraud, which also saves time and trouble for employers who follow the rules. In FY 2015, L&I received more than 4,000 leads about employer fraud. The resulting reviews and audits led to over $1.2 million in assessments.

Of the more than 3,600 employer audits completed in FY 2015, 81 percent owed money to L&I. L&I assessed over $20.1 million in premiums found through these audits. Since 2010, the number of audits of unregistered businesses has grown by 24 percent, as shown in Figure 6. During that time, the amount of premiums assessed has increased each year until FY 2015, and is now leveling out. As shown in Figure 4, about 40 percent of the assessments involved unregistered employers.

Figure 4: Premium Assessments, FY 2015



Source: L&I Field Audit

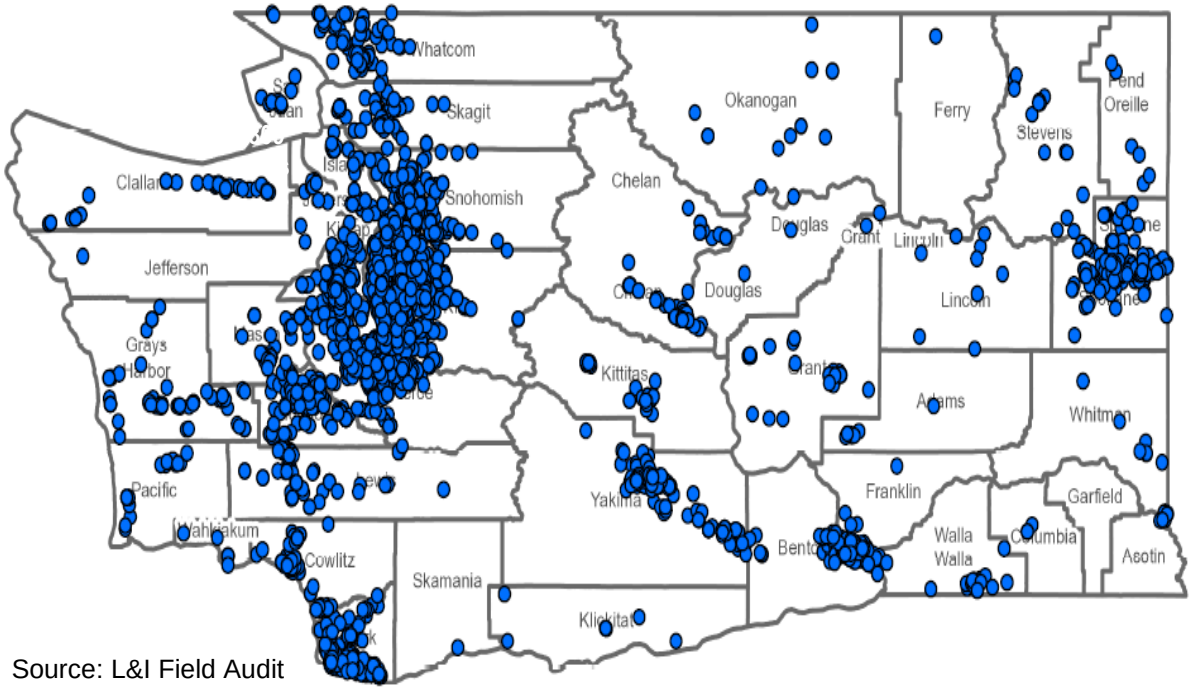
Field audits

Audits are an important tool to ensure employers report their worker hours correctly and pay appropriate workers' compensation premiums. L&I has a standard audit process that involves checking business records and conducting interviews to determine if fraud is occurring. Auditors may verify the number of workers reported and that all hours are reported in the correct risk class.

Field audits are employer audits conducted by auditors located in field offices throughout Washington. After completing an audit, L&I offers a closing conference with the employer. This typically is a phone conversation, but may be an in-person meeting. In the closing conference, auditors supply educational materials and explain how to improve record-keeping. This post-audit conference is an important part of the process and is required on every audit. It provides employers with an opportunity to better understand the reporting process. It's also a chance to answer employer questions, which helps to prevent recurring problems.

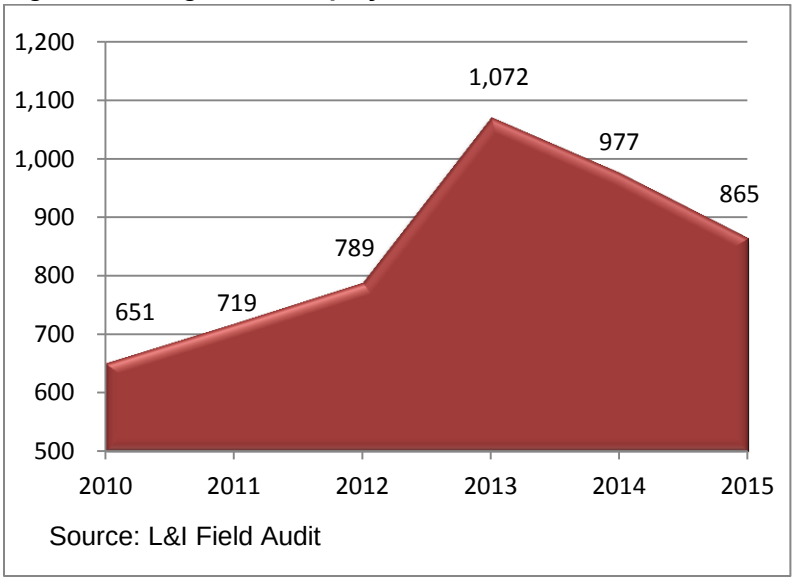
Figure 5 shows the geographic location of employer audits conducted statewide in FY 2015. As with completed worker fraud investigations, most audits take place in higher population areas.

Figure 5: Geographic location of employer audits, FY 2015



Source: L&I Field Audit

Figure 6: Unregistered employer audits, FY 2010-2015



Source: L&I Field Audit

Public works contracts

L&I reviews every public works project worth more than $35,000 to determine whether 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 that contractors follow the law and pay taxes, including any workers' compensation premiums owed to L&I.

In FY 2015, L&I reviewed more than 4,000 public works contracts, valued at $4.9 billion. L&I found just over $300,000 in debt owed for work on public projects during the year.

If, while reviewing a public works project, L&I discovers a contractor owes workers' compensation premiums for other types of projects, the department may pursue those debts as well. The department found an additional $455,000 in premiums owed by public works contractors this way.

Collecting unpaid premiums sometimes takes time. During FY 2015, L&I's Collections Program recovered $717,000 in debt discovered through public works contract reviews, with most of it found prior to FY 2015.

L&I also works with contractors to resolve unintentional reporting discrepancies. If there is a problem, contractors can voluntarily amend their company's workers' compensation reports and make the required payments. However, not all cases are resolved voluntarily; a small number require an audit. In FY 2015, more than 80 firms were audited, and 93 percent of those audits revealed debt owed to L&I.

CRIMINAL AND CIVIL CASES

Criminal cases

While rare, a criminal case may be filed against an employer for the most egregious actions. Vital support for these cases comes from two full-time assistant attorney generals who help develop cases of employer workers' compensation abuse for criminal prosecution.

In FY 2015, the department forwarded one referral of employer fraud to the Attorney General's Office and continues efforts to investigate it further.

Civil cases

Civil misrepresentation penalties occur when employers intentionally misclassify or underreport employees for workers' compensation insurance. In FY 2015, L&I assessed 26 misrepresentation penalties, totaling more than $350,000. This was in addition to workers' compensation premiums owed.

Provider Fraud Investigations

OVERVIEW

Medical professionals serve the public to make a difference in the health and well-being of the community in which they provide services. Most ensure the needs of the patient are met with integrity and honesty; however, some provider fraud does occur.

Health care provider fraud is any scheme to obtain payment from L&I that was not earned. L&I has one employee dedicated to examining records for inconsistent billing patterns and reviewing leads from the public. Some examples include billing for more than 24 hours in a day, and "upcoding" (for example, billing a 15-minute appointment as one hour).

Figure 7 shows ten common types of health care provider fraud, in no particular order.

Figure 7: Types of health care provider fraud

Common Health Care Provider Fraud Schemes	
1.	Billing for services not rendered
2.	Billing for a non-covered service as a covered service
3.	Misrepresenting location of service (billing for treatment services while in a separate physical location)
4..	Misrepresenting provider of service
5.	Incorrect reporting of diagnosis or procedures (includes unbundling)
6.	Overutilization of services
7.	Corruption (kickbacks and bribery)
8.	False or unnecessary issuance of prescription drugs

Source: L&I Investigations

DETECTION

L&I receives referrals that help detect provider fraud from both internal and external sources, including: injured workers, other medical providers, other agencies, claim managers and staff responsible for paying medical bills.

In FY 2015, L&I's one-person detection unit served as the sole statewide resource dedicated to detecting improper billing and fraud by medical providers. The employee reviewed more than 3,300 providers, identified nearly $1 million in estimated improper payments and referred 20 suspected fraud cases to provider fraud investigators for a closer look.

CRIMINAL AND CIVIL CASES

Criminal cases

Provider investigations

Criminal provider investigations typically are complex and labor-intensive. In FY 2015, L&I referred one case to prosecutors for potential criminal charges, but the case was declined by the Attorney General's Office.

Civil cases

Civil cases rely on lower evidentiary standards and are more common than criminal cases. In workers' compensation, L&I focused on private sector rehabilitation services, provider credentialing and improper billing.

Private Sector Rehabilitation Services

The role of Private Sector Rehabilitation Services (PSRS) is to ensure that Washington's injured workers get high-quality vocational rehabilitation services that comply with applicable state laws and regulations, and L&I policies. PSRS does this by monitoring and auditing how providers deliver their services, what the services consist of and how they are billed.

In FY 2015, the program completed 58 vocational provider reviews and assessed more than $83,000 in penalties or recoupment.

In FY 2015, the PSRS program initiated an audit improvement project. The project's purpose is to create an audit program that supports vocational providers, combined with an effective enforcement strategy for those providers who are non-compliant. The audit improvement project has been designed to be easily understood by and accessible to the vocational community, stakeholders and claim staff. Additionally, the design of the future program will be accomplished through collaborative work with all stakeholders, including input by vocational providers.

Provider credentialing and compliance

The Provider Credentialing and Compliance (PCC) Unit audits medical billing for services paid for by the state workers' compensation fund. The purpose of the audits is to notify providers of applicable laws, regulations and L&I policies that affect the billing and reimbursement of services provided to injured workers. The audits also enforce compliance with L&I's medical-aid rules and fee schedules. In FY 2015, the program completed 56 medical provider reviews and assessed over $2.1 million for improper billing.

Provider investigations

In FY 2015, the program identified almost $607,000 in financial loss from improper billing. Staff issued ten orders and notices of violations, with penalties and interest totaling more than $550,700. These efforts helped to avoid an estimated $588,500 in costs.

DATA SHARING

In addition to L&I staff detection efforts, sharing and cross-matching L&I data with data from other agencies and organizations helps catch inconsistent reporting or duplicated claims that may indicate fraud. Here are some ways L&I is using data-sharing in its fraud-fighting efforts:

Cross-agency collaboration – referral exchange

L&I partners with the Department of Revenue (DOR) and Employment Security Department (ESD) by sharing information. In FY 2015, the three agencies exchanged almost 96,000 tips and leads through electronic data matches. The agencies also work together to improve training and education that helps staff understand what signs to look for and what information to share when making a referral. Working together to remove information silos makes all three agencies more effective in the fight against fraud.

Cross-agency collaboration – data cross-match

L&I and the Washington State Department of Corrections (DOC) have an interagency data sharing agreement. The DOC cross-matches reports of injured workers confined in Washington state prisons. L&I reviewed a total of 276 DOC claims in FY 2015. Of these, 30 were investigated.

Cross-agency collaboration – detecting, assessing and collecting

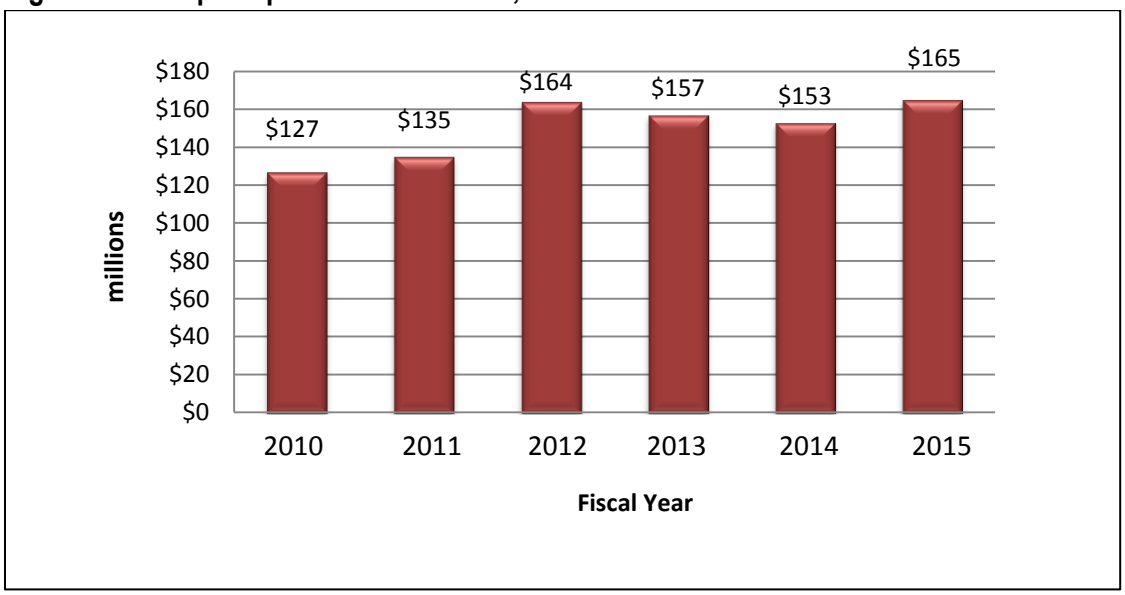
L&I is currently partnering with the Internal Revenue Service (IRS) to find ways to maximize use of IRS data for collection purposes. Other states using IRS data have seen dramatic increases in their collection efforts. L&I's current focus is to produce a more efficient audit referral process by using IRS federal tax information.

Collections

L&I's Collections Program gets involved when employers, workers or providers are delinquent in paying money owed to L&I. The program tracks down debtors and collects what's owed – whether it's workers' compensation premiums, overpayments to providers or injured workers, or penalties. While the program is also responsible for collecting other types of debt on behalf of other L&I programs, only workers' compensation-related collections are addressed for purposes of this report.

Figure 8 shows collections for delinquent workers' compensation premiums over the past five fiscal years. Collections fluctuate based on a combination of factors, including the economy.

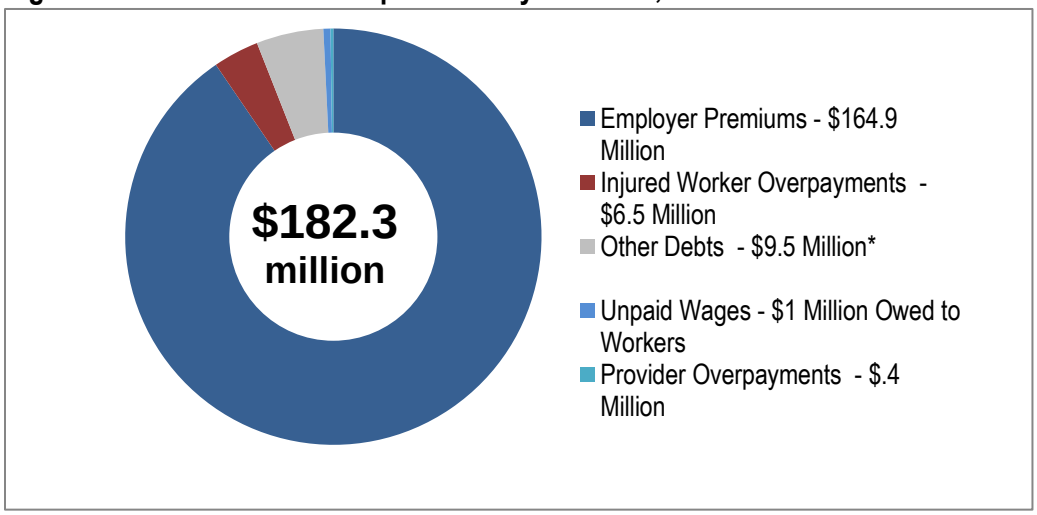
Figure 8: Delinquent premiums collected, FY 2010-2015



Source: L&I Collections

Figure 9 shows the sources of the collected money. Employer premiums account for the vast majority of collections, nearly $165 million in FY 2015.

Figure 9: Distribution of delinquent money collected, FY 2015



Source: L&I Collections

***** "Other debts" includes unpaid penalties, safety and health citations, Right-to-Know billings and Retrospective Rating Program billings.

Education and Outreach

L&I wants to help employers, workers and medical providers be proactive in their approach to workers' compensation, and avoid making mistakes that are costly for them and the workers' compensation system – and 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

Starting a new business can be daunting, and opening a workers' compensation account is an important task that is often overlooked or confusing. To help business owners, L&I offers new employer reviews in the form of instructional audits. These are available to businesses that have been operating for at least six months. They are designed to teach new businesses about reporting and recordkeeping without the threat of penalties or fines. The program establishes a relationship between the new employer and L&I, connecting individual employers with designated points of contact. Employers can ask L&I questions and learn the requirements specific to their industries. Ultimately, this avoids long-term misreporting and expensive mistakes.

Figure 10 shows the percentage of new employer reviews for each of the target industries. The construction industry accounts for the highest percentage of new employer reviews, mainly because this industry is among the first to rebound when the economy improves.

Figure 10: New employer reviews, by industry, FY 2015

Industry	Percentage
Construction	54%
Janitorial	10%
Retail/wholesale	8%
Restaurants	8%
Service & repair	5%
Property management	5%
Trucking	4%
Delivery	3%
Real estate	3%

Source: L&I Field Audit

Contractor training

Construction is big business in Washington. L&I invests considerable effort in helping businesses understand their legal obligations. L&I educates contractors on almost every aspect of their business and provides an introduction to L&I during Contractor Training Days. At these events, which are highly rated by participants, attendees can learn how to properly report and pay workers' compensation insurance, keep a safe workplace, market their business, write an effective contract and

more. L&I makes it easy for contractors to register, with online step-by-step instructions and explanations of laws and rules. In FY 2015, over 1,200 contractors were trained at eight events statewide.

Agricultural Business Day

Partnering with several other state agencies and colleges, L&I held its second Agriculture Business Day in November 2014. More than 43 small agricultural businesses in Washington were trained about labor contractor rules, break and meal periods, workers' compensation insurance, taxes, safety of minor workers and much more.

Provider outreach

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. Step-by-step instructions and examples are provided, such as when to send a corrected claim or when to adjust a bill. Outreach staff provides hands-on demonstrations of how to use L&I resources and, most important, allows providers to ask questions about their specific billing needs. In addition, L&I provides an online outlet for provider questions at ProviderFeedback@LNI.WA.GOV.

Introduction to L&I workshop

L&I offers all new employers an "Employer's Introduction to L&I" workshop. These are held across the state and were attended by more than 500 new businesses in FY 2015.

Initiatives

In the FY 2014 report, L&I identified several objectives and initiatives for FY 2015. Here is a summary of their status:

Objective	Status
Develop and implement an improved Stop Work Order process.	Complete
Request funding for a Special Investigations Unit (SIU) to investigate and develop cases for criminal prosecution relating to workers' compensation, wage and hour laws, safety and health violations, construction compliance and prevailing wage laws.	Not funded in FY 2015
Implement an agency-wide effort to analyze current compliance efforts, including fraud, wage enforcement and safety; to analyze effectiveness of current escalation strategies and deterrents; and to employ strategic data analysis, identify trends and develop customized solutions.	Ongoing – Strategic Data Analysis occurring in each program with compliance responsibility
Enhance L&I's ability to enforce consequences for egregious intentional violators by reviewing processes and eliminating gaps in pursuing criminal prosecutions.	Ongoing
Establish a "Workers' Comp Coverage Determinations Unit" to assist customers with workers' compensation premiums and classification and compliance concerns.	Ongoing – Program developed; awaiting additional funding, website and staffing

Conclusion

Fighting fraud remains a priority at L&I. The department is undertaking a range of initiatives – including increased innovation, regulatory actions and collective resources – to bolster the fight against fraud while producing measurable results. Continued *Lean*[1] process improvements increase results for customers and make more efficient use of agency resources. Moving forward, L&I remains engaged with stakeholders to develop new methods for combatting the underground economy in the construction industry.

Return on investment

In FY 2015, L&I employed more than 281 FTEs to detect, investigate and take enforcement action against workers' compensation errors and fraud. For every dollar spent on these efforts, L&I returned $8.93. It costs 11 cents to collect a dollar of debt. (Note: Return on investment compares the division's operating costs to the money recovered, money collected and expenses avoided during the year. Operating costs include salaries, benefits and capital outlays.)

The department also supports extensive training programs and direct customer service and awareness campaigns aimed at preventing fraud by making sure customers know the rules. The employees doing this work are in addition to the more than 281 FTEs cited above.

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: www.reportacontractor.Lni.wa.gov
- Fraud Website: www.Fraud.Lni.wa.gov

Employers can help state government detect workers' compensation and unemployment insurance fraud by workers. Report newly hired workers at www.dshs.wa.gov/newhire. The information will be shared with L&I and the Employment Security Department to ensure employed workers aren't claiming benefits they're not entitled to receive.

Contact information

For more information about this report, please contact:

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- Tami Dahlgren, Communication Consultant, L&I Communication Services
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[1] Lean is a business philosophy used, along with methods and tools, to create and deliver the most value from the customer's perspective while consuming the fewest resources.