

Memo

To: Economic Affairs Committee
From: Pat Murdo, Legislative Staff
Date: June 26, 2009

Re: Fraud as part of Workers' Compensation

The issue of fraud in workers' compensation is often raised but rarely investigated. At a June 25 Labor-Management Advisory Council, Riley Johnson raised the issue with the Council and said that the perception of fraud needs to be addressed to see how prevalent the issue is and whether it is significant or not. Staff asked for information from the following:

- Plan 1 insurers, the self-insured (Contact Bob Worthington)
- Plan 2 insurers, private insurers (Contact Larry Jones of Liberty Northwest)
- Plan 3 State Fund (powerpoint presentation attached)

Information is still being compiled but the overall impression is this:

- Fraud is broadly defined and may range from something of a criminal nature to abuse of the system. For example, someone double-dipping and trying to use workers' compensation for their co-pays of health insurance by "double-dipping" could be considered criminal fraud. But someone who is seen by a neighbor as performing work that is beyond what expectations are for their work comp injury actually may be having a "good day" or relatively pain free day but not be capable of performing the work on a routine basis. Is this fraud or abuse or an exceptional circumstance?
- From self-insurers, as reported by Annette Hoffman of St. Vincent's Healthcare, a member of the Labor-Management Advisory Council, 8-10% of total claims may have an element of fraud or abuse. Self-insurers have no recourse to the courts, according to Ms. Hoffman.
- From Plan 2 insurers, the most frequent investigations of fraud are after the insurer has cut off benefits and the employee complains about the cut-off. Larry Jones noted that only 2 cases had been forwarded (not sure of the time frame) for criminal investigation but neither was acted upon.
- From Plan 3 insurers, red flags or tips result in investigation of 375 to 400 claims a year (see second slide, p. 2 following this cover sheet). So far in FY 2009, there have been 15 cases referred to the Department of Justice for prosecution, resulting in 7 convictions with restitution ordered. In FY 2008, there were 392 investigations and an estimated savings of \$5.4 million (see second slide, p. 3 following).

The Labor-Management Advisory Council plans to review fraud issues as part of its work plan. See members of the Council on the reverse side of this sheet.