



Department of  
Labor and Industries

# Strategic Plan

Fiscal Years 2007-2011

Department of  
**LABOR AND  
INDUSTRIES**



# Mission Statement

We support the state's economic well-being by protecting the safety of Washington's workers, providing benefits to injured workers and ensuring fair wages and quality industry services.

## Principles

### **We understand and embrace our mission.**

- This organization focuses on results. We make changes based on measuring our results.
- We prudently and effectively use the resources entrusted to us.

### **We are committed to a knowledgeable, service-oriented, high-performing workforce.**

- We have a great work environment that values diversity, workplace safety and innovation.
- We hire people with integrity who are highly motivated and qualified.
- We promote career growth by mentoring and providing opportunities.
- In return, we have expectations of high performance.

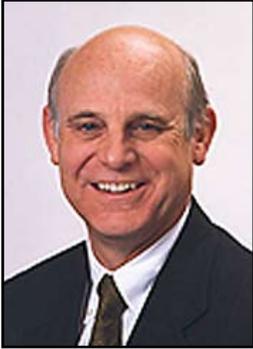
### **Ours is an organization with integrity.**

- We do what we say we are going to do.
- We treat each other and our customers with dignity and respect.
- We communicate openly with each other and our customers.
- We are committed to clear rules and policies and fair and consistent enforcement.

### **We are dedicated to providing high-quality and timely customer service.**

- We treat our customers as we wish to be treated, responding promptly and carefully to their needs.
- We make decisions quickly. We hold people accountable to make prompt and appropriate decisions.
- We work diligently to make sure customers clearly understand the processes we use and the reasons for our decisions.

## Director's message



I'm a great believer that a clear mission, operating principles and strategic planning are the navigation system for a public agency. They help us steer in the right direction and anticipate and prepare for the future.

This strategic plan for fiscal years 2007-2011 is the navigation system for the Washington Department of Labor and Industries (L&I). It includes our mission statement and operating principles, and describes the goals, objectives and strategies that will guide our decisions and service delivery in the coming years.

Several of our goals are fundamentally the same, and they should be. We must continually strive to operate a high-value, cost-effective workers' compensation system that is one of the best in the nation. We can't take our eyes off the importance of workplace safety and health. We need to show the connection between our goals and the statewide Priorities of Government.

This plan also incorporates recent thinking about how we operate and how we deliver services to our customers. For example, our approach to workplace safety and health will balance enforcement with greater emphasis on education and consultation. By simplifying our information and processes, doing business with us should be easier, especially for small businesses. Legislative changes to the workers' compensation system are critical if we are to reduce administrative burden, achieve stable rates, and ensure benefits to injured workers. All of these concepts are reflected in this plan.

I want to thank our customers and employees for sharing their insights and suggestions for improving the performance of the Department of Labor and Industries. That, of course, is the ultimate test of this strategic plan – measurable results that benefit the people and businesses of Washington State.

A handwritten signature in black ink that reads "Gary Weeks". The signature is written in a cursive, flowing style.

Gary Weeks, Director  
May 2006

## Introduction

### Agency profile

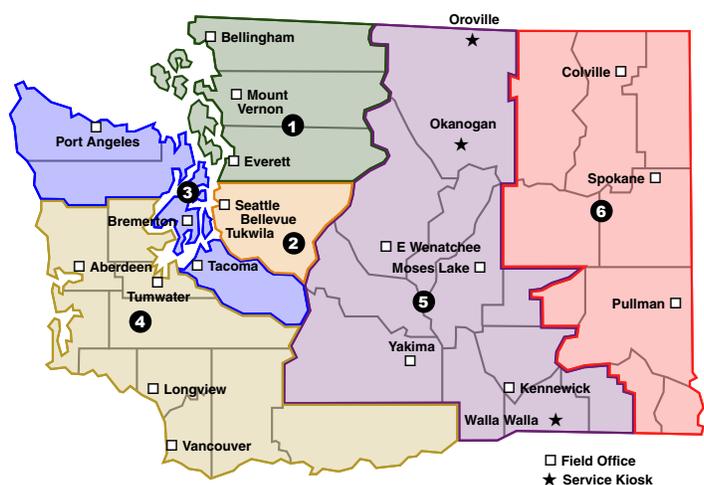
The Department of Labor and Industries (L&I) is a diverse state agency dedicated to the safety, health and security of the 2.7 million men and women who work in Washington. We help employers improve workplace safety – offering education and consultation services and inspecting workplaces. As administrators of the state’s workers’ compensation system, we are similar to a large insurance company. In that role, we provide coverage for employers, and medical benefits and limited wage-replacement benefits for workers who suffer job-related injuries and illness. We also manage 21 other programs that protect workers, promote the economic well-being of individuals and businesses, and protect public safety and property.

We draw employees from many different professions in the insurance and health fields, such as claim managers, nurses, industrial hygienists and occupational safety officers. We also employ specialists in the industrial trades – boiler and elevator inspectors, electricians and plumbers, for example – and information technology specialists and support staff.

We serve our customers from offices in 20 cities and through substantial and growing web-based services. In three communities – Okanogan, Oroville and Walla Walla – we provide computer kiosks with free telephone access to our customer service specialists.

In many respects, our web site serves as an “electronic office” where customers can access information and transact business. From 1995, when we launched the site, to April 2006, the number of visits grew from about 9,000 a month to more than 600,000. In 2005, we received a “Webby Award” for being one of the best insurance web sites in the United States.

Location of L&I Field Offices and Service Kiosks



We currently offer more than a dozen web-based services, including the Claim and Account Center, which is helping to revolutionize our claim management practices. The Claim and Account Center allows authorized access to workers' compensation claim information for the worker and his/her employer and health-care provider.

We will continue to strategically plan for and invest in technological improvements that benefit our customers and help us operate efficiently. At the same time, we know that a significant, though decreasing number of our customers will not want to conduct business electronically. The person-to-person assistance available in our local offices will continue to be a vital part of our service delivery in the years to come.

#### **Strategic direction**

This is our strategic plan for the period July 1, 2007, through June 30, 2011. Here we discuss our plans for the future, why they're important and the obstacles and opportunities we will be addressing as we move forward. The foundation for the plan is our statutory responsibilities, commitment to customer service and desire to produce measurable results that benefit the people and businesses of Washington State

Our overarching goals are listed below and discussed in detail in the following pages.

#### **Page 6**

Make Washington workplaces safer.

#### **Page 12**

Administer one of the premier workers' compensation organizations in the nation in quality of service, benefits and costs.

#### **Page 24**

Reduce the effects of fraud and abuse in the workers' compensation system and the impact on businesses and workers.

#### **Page 30**

Support the economic well-being of individuals and businesses.

#### **Page 38**

Protect public safety and property.

#### **Page 44**

Deliver quality, efficient and cost-effective service to our customers.



# Goal 1

## Make Washington workplaces safer

Until a workplace fatality touches you, the idea that a job could take someone's life seems remote – an uncommon event. In reality, more than 100 people die each year in Washington State from injury or illness related to their work. And, last year, more than 28,000 workers sustained injuries so severe they required time off from their job to recover.

Our job is to make workplaces safer so workers return home in the same condition they left. We do this by helping employers and workers control or eliminate hazards that endanger health, livelihood and life itself.

### **Statewide Result #7**

*Improve the safety of  
people and property.*

# Overview of services

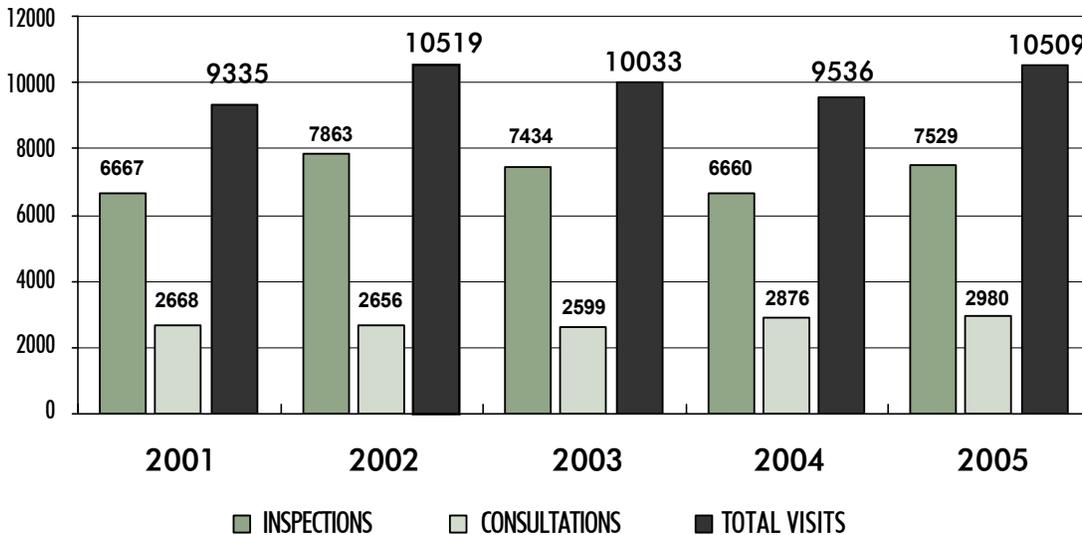
In 2005, L&I visited more than 10,000 work sites and helped eliminate more than 16,500 serious hazards, many of them “accidents” waiting to happen. Traditionally, our responsibilities have included:

- Reaching out to employers and workers with clear, useful safety information and learning tools.
- Conducting research into workplace health and safety issues. We use research data to promote healthy work environments and prevent work-related injury and illness.
- Encouraging voluntary compliance by providing on-site consultations to help employers identify and fix workplace hazards.
- Inspecting workplaces to see that safety rules are being followed. We conduct scheduled workplace inspections, respond to employee complaints about safety issues, and investigate workplace fatalities as well as catastrophic incidents that require hospitalizations.
- Working cooperatively with business associations and labor organizations to address hazards and injuries in specific industries.

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## GETTING RESULTS

Inspections, Consultations, Total Visits: 2001-2005



## Objectives and strategies

### Develop innovative partnerships with business organizations and labor.

Innovative partnerships with business organizations and labor are critical to increasing safety in our workplaces. These partnerships have the potential to multiply our effectiveness — by instilling safety and health values among the broad population and enlisting our partners in pursuing the same goals. Such partnerships will be a major focus over the next five years. Through them, we will foster safer workplaces, collaborate on training and education, and identify innovative solutions.

In addition to partnerships with specific organizations, such as the new alliance with the National Federation of Independent Business, we will continue to operate the Voluntary Protection Program (VPP) and establish a small-business safety recognition program. The VPP program is primarily for larger employers. VPP status recognizes exemplary safety and health programs and provides opportunities to mentor and influence other companies.

The small-business safety recognition program will be for employers with 25 or fewer employees and help them develop an effective safety program. It will recognize employers who have a strong safety program, maintain injury and illness levels below industry average, and set an example for other small businesses.

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### GETTING RESULTS

In March 2006, the National Federation of Independent Business (NFIB) and the Department of Labor and Industries formed an alliance to help the NFIB's 15,000 Washington State members prevent and reduce accidents on the job.

Here's how it works. A participating business will work with NFIB to create a written safety plan, and then conduct a self-audit that identifies specific steps to comply with the state's workplace safety and health rules. After the audit, the company will complete training and make work site changes identified in the audit and receive a Certificate of Completion. In the following 12 months, if L&I conducts an inspection at that work site and finds violations, the penalties will be reduced if the employer fixes the problem within 30 days.

This alliance with NFIB is especially promising because it focuses on small businesses in many different industries.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Develop and implement a small-business safety recognition program.	Increase by at least 20 percent the number of small businesses with recognized safety programs.	Increase the number of small businesses with recognized safety programs by an additional 20 percent.
Establish at least two safety partnerships with business and labor organizations to promote workplace safety by their members.	Establish two more partnerships with business and labor organizations to promote workplace safety by their members.	Establish four more partnerships with business and labor organizations to promote workplace safety by their members.
Encourage voluntary compliance and expand worker protection systems through the approval of at least two new VPP sites.	Sign up, evaluate and approve 10 new VPP sites.	Sign up, evaluate and approve 10 additional VPP sites.
<b>T I M E L I N E</b>		

**Increase the number of serious hazards<sup>1</sup> corrected as a result of consultation and outreach services to employers.**

What happens in a small business when a worker is seriously injured? No employer wants a worker to get injured. But if it's never happened before, the owner may not realize the impact that one time-loss claim can have on the workers' compensation premiums he or she pays. Our approach to working with small businesses will emphasize injury prevention in the context of risk management, which highlights the business benefits of a safe workplace.

Our outreach will include developing industry-specific educational materials and sharing information about emerging issues. For example, older workers are staying in the workforce longer. While they tend to work safely, they require significantly longer recovery times when they are injured on the job.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Develop a small-business workshop and present at least six sessions per quarter.	Increase by 50 percent the number of tools employers can access online or download for their use.	Develop a workshop presentation on safety issues in an aging workforce and deliver at least six sessions.
Increase consultation visits for small businesses by at least 15%.	Develop and implement a plan to address safety issues in an aging workforce.	Explore potential safety issues related to nanotechnology.
Develop injury prevention fact sheets covering the top seven injury types in the eleven major industry groups.		
T I M E L I N E		

**Increase the number of serious hazards corrected through compliance activity, especially in high-hazard industries.**

The knowledge and experience of our inspectors directly affect our ability to improve workplace safety. We are committed to training our staff to address industry-specific hazards, equipment and processes, especially in high-hazard industries such as construction, logging, transportation and warehousing, and manufacturing.

In addition, we are training inspectors in advanced accident investigation skills, building our expertise in investigating complex fatalities and catastrophic events. The information gained from these investigations will help us to identify preventable problems or trends. We will then take action to ensure where possible that similar incidents don't happen again, or at a minimum reduce their frequency.

Goal 1

# Goal 1

Research to study trends, identify root causes and emerging hazards also comes into play. For example, our Safety and Health Assessment and Research for Prevention (SHARP) Program conducted a study of fatalities in construction work zones. The study found that seven workers in a six-year period were killed on construction sites in incidents involving dump trucks. Existing rules required back-up alarms, but workers were still getting killed. The study prompted us to revise the construction work zone rules to require additional equipment inside the vehicle to expand the field of view, or a spotter on the ground. There have been no fatalities since the rule changed in 2004.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Improve targeting capabilities to better direct compliance resources to high-hazard industries and workplaces.	Continue to refine targeting capabilities so we effectively use our compliance resources.	Provide refresher training to all safety and health staff on industry-specific hazards, equipment and processes.
Increase capacity to address industry-specific hazards, equipment and processes by providing advanced technical training to safety and health staff.	Increase staff knowledge and ability to address industry-specific hazards, equipment and processes.	
Establish, train and deploy a rapid response team to respond to catastrophic accidents and workplace fatalities.		
Launch a web-based FAQ (Frequently Asked Questions) Bank to answer policy and interpretation questions related to enforcement of occupational safety and health rules		
T I M E L I N E		

## Factors influencing success

### Operating environment

Preventing and eliminating workplace hazards are the keys to safer workplaces and fewer injuries and illnesses. This is a constant process of anticipating and addressing changes in the operating environment that could affect workers' safety. For example:

- **New businesses open and others close.** A new business owner hiring employees for the first time may be unaware of workplace safety and health requirements.
- **The mix of industries within the state changes.** For example, in the past five years, Washington has seen growth in warehousing and storage companies and a decrease in aluminum manufacturing.

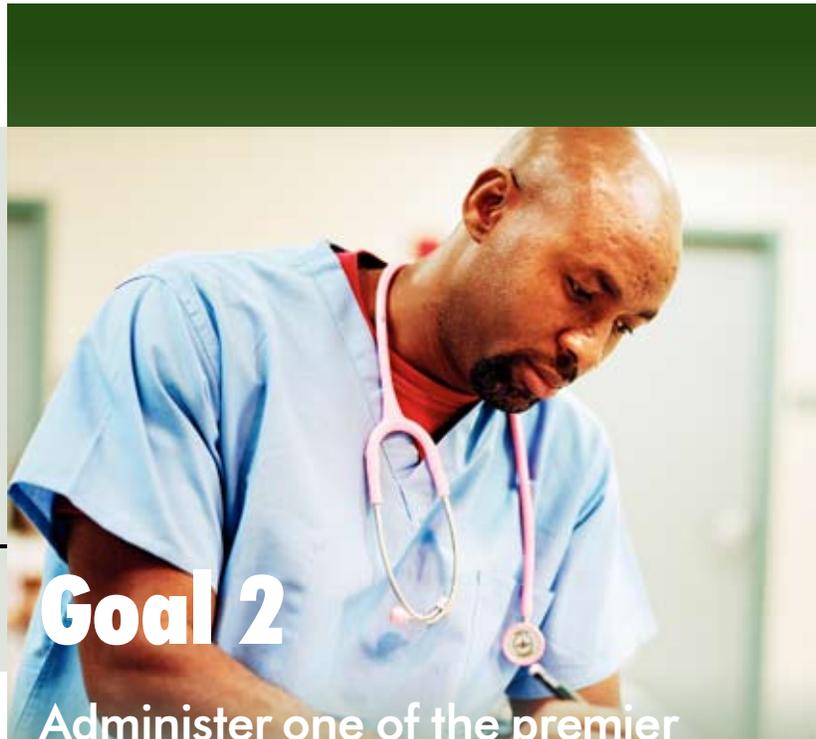
- **New industrial processes and technologies may create new hazards.** Without proper personal protective equipment, a new process to spray on truck-bed liners posed a severe health risk from exposure to isocyanates. In addition, the potential health hazards of manufacturing processes that use nanotechnology are only now being investigated. We are currently tracking research from the National Institute for Occupational Safety and Health on this topic.
- **Workforce demographics change.** An aging workforce and the increase in non-English speaking workers are two demographic factors that we are addressing in our injury-prevention strategies.

### **Internal capacity**

How can one agency help keep 2.7 million workers safe? As the state agency responsible for both workplace safety and workers' compensation insurance, we can use claims data to inform our workplace safety efforts. This information plays a valuable role in telling us which hazards pose the greatest threat and which industries and employers could benefit most from our services. We will continue to work with individual employers through direct consultation services and compliance visits, and we will improve our ability to deploy these resources where they will be most effective. But we cannot visit every work site. This is why partnerships with business and labor will be critical.

We are expanding our capacity to perform effectively in these partnerships and in our education, consultation and compliance roles. For example, consultation and enforcement units are working in a coordinated fashion to address problems experienced by the same types of employers and industries. Outreach materials are frequently developed in partnership with industries that are the focus of the injury-and-illness prevention initiatives.

We need to hire qualified individuals in occupational safety and health and provide ongoing training to maintain a high-caliber professional staff. We are working internally and with OSHA and professional associations to attract new candidates to replace employees who retire or leave to pursue other job opportunities. A renewed focus on professional development and continuing education should help us retain experienced staff. However, higher salaries in the private sector for comparable work continue to pose challenges.



## Goal 2

### Administer one of the premier workers' compensation organizations in the nation in quality of service, benefits and costs

The State of Washington has provided workers' compensation insurance since 1911, based on an agreement between business and labor that provided mutual protection. Workers gave up their right to sue their employer for a work-related injury or illness in return for sure and certain medical treatment and, when needed, wage-replacement benefits, pensions or survivor benefits. In exchange, employers were protected from the cost of extended claims and tort liability that could result from workplace injuries.

Today, Washington State's workers' compensation system is the 10<sup>th</sup> largest in the country. Only four states offer a higher level of benefits; 34 states have higher premiums. Washington State is the only state where workers pay a substantial portion of the premiums, which historically has averaged 24 to 27 percent.

Continuous improvement in a system this size demands attention to many complex issues — preventing disability, managing health-care costs, keeping rates stable, ensuring employers recognize the system's financial incentives, modernizing computer systems and planning for the potential impacts of an aging workforce, to name a few.

#### Statewide Result #3

*Improve the health of Washingtonians.*

#### Statewide Result #5

*Improve the economic vitality of business and individuals.*

# Overview of services

Washington State's workers' compensation system (the State Fund) provides insurance coverage for more than 2.7 million employees working for 168,000+ employers. Premiums paid by employers and workers, and investment earnings, finance the program. The major functions of this system are:

## **Assess premiums and provide account services**

New companies, or companies hiring employees for the first time, establish a workers' compensation account with us and pay quarterly premiums. We use a system of risk classifications and the experience of each individual employer to determine and assess these premiums. These premiums are deposited into the "State Fund." We also educate employers on financial incentives and risk management and safety consultation services available to them.

## **Manage claims**

We provide more than \$1.2 billion in insurance benefits for about 139,000 new workers' compensation claims each year. We authorize medical treatment, pay medical bills, partially replace injured workers' wages during recovery, provide return-to-work or vocational services, pay disability awards and pensions, and pay survivor pensions. Effective claims management is central to controlling costs and paying benefits appropriately.

## **Encourage quality medical care, manage medical costs and pay health-care providers**

We encourage best practices in occupational health to improve return-to-work opportunities for injured workers. We carry out research on evidence-based medicine to help us make appropriate coverage decisions on technology and medical procedures and control the rate of growth in medical-benefit costs. We also conduct audits to ensure that health-care providers meet treatment standards and bill appropriately. In order to attract an adequate base of medical providers, we are constantly striving to streamline and reduce administrative burdens associated with our processes.

## **Regulate self-insured companies**

In addition to administering the State Fund, we ensure that about 830,000 workers employed by self-insured companies, whose claims are administered by their employers, receive appropriate benefits. Self-insured employers must have the financial resources to cover the cost of on-the-job injuries and post adequate surety. We review their financial strength to ensure they are able to meet their workers' compensation obligations. In the event of insolvency of a self-insured employer, we take over administration of these injured workers' claims.

## Objectives and strategies

### Prevent long-term disability.

1. **Identify claims with indicators of potential long-term disability and intervene early in the claim process.** Early management of new time-loss claims is crucial to preventing long-term disability. The total number of claims for injuries has been decreasing. However, there has been a significant increase in the percentage of claims with long-term disability issues related to increased psychiatric care, use of opiates for non-acute pain management, and occupational diseases related to lifelong exposures to repetitive and heavy work. We need to identify early in the process factors in claims that could result in long-term disability. This information allows claim managers to assist in developing plans to help workers, employers and health-care providers understand the barriers to and importance of returning to work as soon as medically appropriate. Preventing long-term disability improves outcomes for injured workers and helps control costs — 8 percent of all claims represent 92 percent of the costs.
2. **Help injured workers recover and return to work as soon as possible.** The number of time-loss (wage-replacement) claims opened longer than six months has been increasing in recent years. To better serve injured workers and reverse this trend, we are providing return-to-work (RTW) services earlier in the claims process. Return-to-work services help speed recovery, prevent long-term disability and control claim costs.

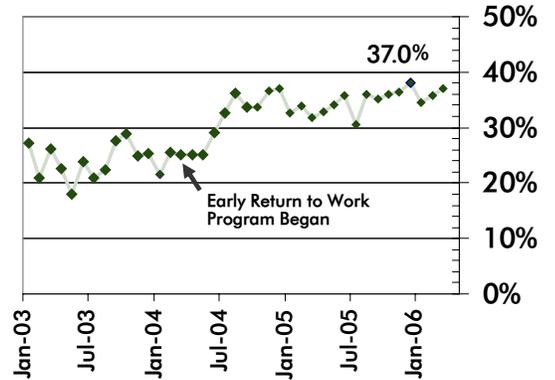
In March 2004, we created early return-to-work teams (ERTW) in our local offices. The team members — vocational specialists and occupational nurse and therapist consultants — work with injured workers, employers and health-care providers to assess return-to-work options. Currently, 34 percent of claims assigned to the ERTW teams result in the worker returning to work sooner. We expect this rate to go up as we work with more employers and health-care providers and, if funded, increase staffing to serve the heavily populated areas of Everett, Seattle, Spokane and Tacoma.

3. **Improve results obtained from vocational evaluations and services.** When informal ERTW services are not the appropriate course of action, we use private vocational-services providers to assess eligibility for vocational rehabilitation, such as retraining. However, when to use these services and the timing of the decision to use them are critical. In the next biennium, we expect to improve outcomes from vocational evaluations and services in several ways:

- Improve the quality of medical and vocational information available to claim managers so they can make decisions at the earliest possible point in the claim.
- Perform quality reviews on vocational recommendations before taking adjudicative actions.
- Eliminate delays in the provision of vocational rehabilitation services.

## GETTING RESULTS

### More Injured Workers Who Receive Vocational Help Return to Work



By June 30, 2007	By June 30, 2009	By June 30, 2011
Help return to work at least 40 percent of injured workers assigned to ERTW teams.	Help return to work at least 40 percent of injured workers assigned to ERTW teams.	Help return to work at least 40 percent of injured workers assigned to ERTW teams.
Reduce multiple vocational referrals for ability-to-work assessments (AWA) to 40 percent of time-loss claims.	Reduce multiple vocational referrals for ability-to-work assessments (AWA) to 35 percent of time-loss claims.	Reduce multiple vocational referrals for ability-to-work assessments (AWA) to 30 percent of time-loss claims.
T I M E L I N E		

## Improve injured workers' access to appropriate and quality health care and control costs.

### 1. **Increase physicians' use of occupational health best practices.**

Best practices in occupational health emphasize prompt reporting of work-related injuries and illnesses by health-care providers who treat injured workers; accurate diagnosis; improved communication among health-care providers, employers and workers; and timely and appropriate treatment. Our approach to increasing occupational health best practices includes:

- Providing physicians with education, support and incentives in use of occupational health best practices through our Centers of Occupational Health and Education (COHE). More than 500 physicians are currently enrolled in the two centers, one in Renton and one in Eastern Washington. The participating physicians are expected to provide care to more than 20,000 injured workers a year. With funding from the 2005 Legislature, we expanded the center in Eastern Washington from the original three counties to 16 counties.
- Piloting incentive payments for occupational health best practices with specialty physicians.
- Conducting peer reviews on problem health-care providers with harmful care practices, so that continuing medical education and/or appropriate corrective action can occur.
- Developing guidelines and methods for reducing inappropriate use of opiates.

### 2. **Expand use of evidence-based medicine.** A key strategy for containing health-care costs is to apply evidence-based medicine principles to avoid inappropriate use of prescription drugs, physical and occupational therapy and unproven procedures. We have already reduced pharmacy and physical therapy costs by \$4 million a year while improving quality and patient safety. With additional resources, we could identify more claims that may be continuing longer than the condition warrants. More importantly, we can improve patients' safety and their ability to successfully return to work.

3. **Reduce administrative complexities for providers and improve bill payment processes.** Some of the best health-care providers have been opting out of the workers' compensation system due, in part, to the administrative burden. At the same time, injured workers in some parts of the state are having difficulty locating providers. Steps we are taking to encourage providers to treat injured workers include:
  - Improving payment for paperwork unique to the L&I system.
  - Reducing delays in medical authorizations.
  - Simplifying correspondence and reducing the volume of mail that providers receive.
  - Speeding up bill payment.
  - Providing information and training on our billing requirements and the time-saving benefits of our e-business services.
  
4. **Control the rate of growth in workers' compensation medical-benefit costs.** Washington State already has a national reputation for state-of-the-art management of workers' compensation health care. Nationally, workers' compensation medical costs are growing 8 percent annually, while medical costs for Washington's state-operated workers' compensation system have grown less than 5 percent annually. Despite sound management, medical costs continue to increase faster than inflation due to growth in service costs, increased use of services, and more expensive procedures, tests, drugs and technologies. The aging workforce will also extend recovery times for injured workers and increase use of medical care. We will continue to evaluate our health-care purchasing methods to identify cost-saving actions and coordinate payment systems with the other state agencies that purchase health-care services.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Increase from 15 percent to 21 percent the proportion of injured workers in Washington treated through the Centers of Occupational Health and Education (COHE).	Maintain at 21 percent the proportion of injured workers in Washington treated through the Centers of Occupational Health and Education (COHE).	Maintain at 21 percent the proportion of injured workers in Washington treated through the Centers of Occupational Health and Education (COHE).
Maintain the average number of physical therapy visits per claim at or below 26.	Decrease the average number of physical and occupational therapy visits per claim by 7 percent by reducing unnecessary treatment.	Decrease the average number of physical and occupational therapy visits per claim by 5 percent by reducing unnecessary treatment.
Increase use of the state's preferred drug list from 65 percent to 70 percent of drugs dispensed.	Increase use of the state's preferred drug list from 70 percent to 75 percent of drugs dispensed.	Increase use of the state's preferred drug list from 75 percent to 80 percent of drugs dispensed.
Increase by 2 percent the number of medical bills paid in 30-60 days.	Increase by an additional 2 percent the number of medical bills paid in 30-60 days.	Increase by an additional 2 percent the number of medical bills paid in 30-60 days.
Increase by 5 percent the number of medical bills submitted electronically.	Increase by an additional 5 percent the number of medical bills submitted electronically.	Increase by an additional 5 percent the number of medical bills submitted electronically.
Maintain the annual growth of the medical aid fund costs at or below 6 percent.	Maintain the annual growth of the medical aid fund costs at or below 6 percent.	Maintain the annual growth of the medical aid fund costs at or below 6 percent.
T I M E L I N E		

### **Maintain low, stable and fair insurance rates and enhance services to employers.**

Preventing long-term disability, improving injured workers' access to appropriate and quality medical care, and controlling medical costs are major factors in maintaining low, stable and fair insurance rates. Investment earnings from State Fund reserves also play a role in holding down rates. Other key factors include:

- Preventing fraud and abuse. (See Goal 3.)
- Providing information and assistance to our customers to help them use workplace safety, risk management and claims management practices to control their rates.
- Investigating innovative approaches, such as a tiered rating system, that would provide greater rate equity for those who pay into our system.

We are also continuing to improve the quality and value of the services we provide to employers:

1. **Customize claim management services for small- and medium-size employers.** In 2004 and 2005, we made some changes in claims management that improved service for employers who pay the highest premiums. However, 90 percent of our customers have 20 or fewer employees. While some small companies have more frequent contact with us because of the hazardous nature of the work — construction, for example — most seldom have time-loss claims. When they do, they may not realize how a single time-loss claim can dramatically impact their future premiums.

We are currently assessing options for improving the delivery of service to small business. We want to make sure these employers understand the basics of workers' compensation, the importance of safety, and the steps they can take to limit impacts on their workers' compensation rates. In addition, we are developing industry-specific analyses of rates and the factors that influence those rates to help employers identify where to focus their injury-prevention activities.

2. **Increase the number of transactions employers can make using the online Claim and Account Center.** With additional funding, we would build on the successful Claim and Account Center (CAC) that has transformed the way injured workers, employers and health-care providers access claim information and communicate with us. Based on customer requests, we will increase customers' ability to conduct business using the CAC — for example, creating loss runs and “what-if” scenarios that help employers see the impact of a claim and the value of improving safety and pursuing return-to-work options.

3. **Improve the reliability of the online system for filing quarterly reports, and extend online quarterly report filing to self-insured employers.** Since 2001, when we launched an online system for filing quarterly reports and paying workers' compensation premiums online, significant advances in the technology of online business applications have taken place. This application needs to be updated because:

- Usability improvements will help us keep existing customers and attract new customers to the service.
- Enhancements will make filing more attractive to large accounting firms that file quarterly reports for thousands of employers and currently find the system too difficult to use.
- The assessment and payment process for self-insured businesses could be incorporated into an updated version of this application instead of developing a separate application.
- We are losing vendor support for the older technologies used in this application.

The time-saving benefits of online reporting will only be achieved if significant numbers of employers have confidence that the service is easy to use and reliable.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Provide small businesses with key contact information for their account manager and claim management and safety consultant staff.	Increase from 30,000 to 50,000, the number of State Fund employers who file quarterly reports online.	Increase from 50,000 to 70,000, the number of State Fund employers who file quarterly reports online.
Provide a pocket guide to every small business that explains in simple, clear steps what to do if a work-related injury or illness occurs.	Increase the number of electronic transactions available to employers from 5 to 8. (Examples: Check account balance, complete employer's portion of the Report of Accident.)	Increase the number of electronic transactions available to employers from 8 to 12. (Examples: Check account balance, complete employer's portion of the Report of Accident.)
<b>T I M E L I N E</b>		

# Factors influencing success

## Operating environment

The workers' compensation system operates in a political environment where diverse and competing interests seek to influence our decisions. Unlike private companies, we must publicly announce plans to change premium rates or workers' compensation rules and hold hearings to solicit public comments. In addition, a statutorily mandated advisory committee with employer and worker membership, the Workers' Compensation Advisory Committee, provides input into ratemaking and other proposed changes.

We must also be cognizant of national policy debates, economic indicators such as stock market performance, and demographic factors such as the growing population of our state. All may impact our services, but are largely beyond our control. One exception is the aging workforce. Older workers tend to work safely, but they require significantly longer recovery times when they are injured on the job, which directly affects the cost of claims. Our strategic planning addresses this issue.

Two specific issues that will affect the operation of the workers' compensation system are employer reporting and legislative action.

## Employer reporting

In 2006, Governor Gregoire signed legislation to explore a new way of reporting workplace-injury claims. Washington is the only state where injured workers file their claims through their health-care provider, who sends us the *Report of Industrial Injury or Occupational Disease*. Delays are common. The legislation sets up a pilot project where the employees of participating companies have the option of filing a claim through their physician or their employer. In the next two years, we will evaluate the claims in this pilot program to determine if worker outcomes improved compared with those filed through the regular process. If they do, we may seek to expand the program.

Many of our stakeholders have argued that allowing employer filing would be better for workers as well as for employers. The argument is that employers who know about a claim early are more likely to keep an injured worker on salary or offer light-duty during recovery and to help the worker receive timely and quality medical treatment.

Many studies have indicated that the best indicator of whether an injured worker will recover quickly is how the worker-employer relationship is handled right after the accident. The closer the connection, the quicker the worker returns to his or her job.

### **Legislative actions**

We also are meeting with representatives of business and labor and other interested parties regarding our plans to seek legislative changes to the workers' compensation system. Areas of concern include pension trends, the current cumbersome system of calculating wages and benefits, and the inadequate level of compensation for certain types of benefits. Legislative action may also be needed as we make improvements to vocational rehabilitation services for injured workers.

## **Internal capacity**

### **System changes and staffing concerns**

Operation of the workers' compensation system has not been "business as usual" for several years. Significant and sustained change management is under way to better serve our customers by modernizing the overall system, simplifying processes and reducing the cost of claims. We are paying close attention to managing human resources, including succession planning for the numerous supervisors and employees eligible to retire at any time, and recruiting and training to acquire new skill sets we will need in some positions.

### **Technology needs**

The workers' compensation system uses a 20-year-old mainframe computer system that is complex and cumbersome both to use and modify. Over the next year, we will be making information-system changes to begin providing web-based capabilities to claim managers that are simple and easy to use. However, hundreds of complex tasks will continue to be performed in the old system. We need to continue to develop additional tools for our claim managers and, at the same time, develop a comprehensive approach for moving to a modern, efficient claims management system over the next several years.

This approach is consistent with the LIFT (L&I Future Technology) strategy that is guiding our information technology priorities and capital investments.

### **Cross-program knowledge and communication**

We are increasing the knowledge all Insurance Services employees have about other parts of the division. We believe this awareness-building will help us prevent long-term disability and help injured workers return to work. For example, we are training claim managers on employer-specific services and incentives, such as retrospective rating, risk management and claims-free discount. They are also learning about the importance of proper risk classifications and how that impacts premiums. Employees that primarily work with employers or health-care providers are learning about the claim management process. This training will help them provide information from a claims perspective to employers and providers. We want to ensure a common understanding for all disciplines in the workers' compensation system so we can improve the outcomes for employers, injured workers and providers.



## Goal 3

### Reduce the effects of fraud and abuse in the workers' compensation system and the impact on businesses and workers

Why is fraud prevention and detection so important? Because cheating the workers' compensation system is NOT a victimless crime. Fraud takes its toll on honest people and businesses in numerous ways:

- Businesses struggle under unfair competition when others in their industry underreport worker hours or fail to pay premiums.
- All businesses and workers in an industry pay more if some employers in that industry don't pay at all.
- Workers who scam the system hurt their co-workers because workers historically have paid 24 to 27 percent of premium costs.
- Providers inflate medical costs if they bill for services they don't provide.

We have to stop fraud and abuse to keep our workers' compensation system healthy – and to protect the honest employers, workers and health-care providers who rely on it.

#### **Statewide Result #5**

*Improve the economic vitality of business and individuals.*

## Overview of services

Our fraud prevention and compliance program serves as a key line of defense for the financial integrity of the state-operated workers' compensation system. We audit employers to determine compliance with reporting requirements, audit provider billing, investigate worker claims, and collect funds owed to L&I as a result of delinquent premiums, audits, overpayments to claimants, and fraud.

We are attacking fraud from many different angles, using new tools and technology. For example, legislative action in 2004 changed the law governing successorship. That tool means employers are no longer able to avoid insurance premiums by closing a business and reopening a new one. We've also opened a new call center to make automated and live calls to employers who fail to file their quarterly reports or owe us a past-due debt.

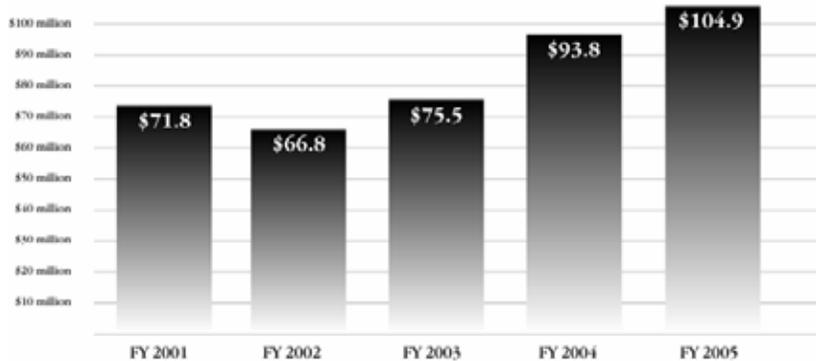
We have also expanded our collection, audit and investigation activities. When appropriate, we pursue criminal charges against workers, employers and providers who engage in criminal fraud.

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### GETTING RESULTS

July 1, 2001, through June 30, 2005

#### Total Collections, Assessments and Recoveries\*



\*Includes collections of delinquent premiums, penalties and interest from employers, civil assessments for fraud, assessments for criminal fraud, and the recovery of improper payments to providers and injured workers.

## Objectives and strategies

### Recover unpaid employer premiums through audits.

We audit employers' records and provide educational services to help ensure accurate reporting for workers' compensation. This benefits every employer by ensuring they pay only their fair share of costs. Our focus in the next few years is to increase the number of audits we perform and use technology to better identify for audit employers that may have reporting problems.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Audit 3 percent of workers' compensation accounts.	Audit 4 percent of workers' compensation accounts (target is June 30, 2008).	Increase to 65 percent the number of audits resulting in monies owed.
T I M E L I N E		

### Stop improper payments to workers by increasing the quality and timeliness of claim investigations.

Improper payments occur and fraud may result when a worker knowingly applies for and receives benefits he or she is not entitled to receive. Examples are filing a claim when no work-related injury occurred, participating in activities that are inconsistent with the alleged injury, and working for one employer while receiving workers' compensation benefits from another.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Increase the number of claim investigations by 2 percent.	Increase the number of claim investigations by an additional 5 percent.	Increase the number of claim investigations by an additional 5 percent.
T I M E L I N E		

### Increase the dollars collected through civil action against employers, workers and providers.

We can take civil action to recover monies owed and impose stiff monetary penalties on those who cheat. For example, we can file a tax warrant in the superior court where the debtor resides. The warrant then becomes the basis for more serious collection actions including seizing bank accounts, wages and property. We may pass the debt of unpaid premiums for work performed on contract to the person letting the contract. If efforts to bring an employer into compliance fail, we may revoke that employer's Certificate of Coverage. It is a class C felony to hire employees without that certificate.

We have committed to an increased effort to fight fraud and abuse by health-care providers. Concerns include inappropriate, costly and sometimes harmful treatments to injured workers and inappropriate billings, which include billing for more expensive treatment than actually documented, treatment not rendered or other unsubstantiated billings. When these situations occur, we seek repayment and impose interest and penalties. As a last resort, we can revoke the provider's ability to provide services to injured workers. If the inappropriate billing action constitutes fraud, we can file criminal charges.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Increase collections over FY 2005 amounts by 10 percent, about \$10 million, using a new automated contact system and collection unit.	Increase by 10 percent the dollars collected from delinquent employer premiums and worker and provider overpayments.	Increase by an additional 10 percent the dollars collected from delinquent employer premiums and worker and provider overpayments.
T I M E L I N E		

### Refer more fraud cases for criminal prosecution.

A key element in preventing workers' compensation fraud is raising awareness of the consequences. For its deterrent effect, we publicize successful prosecutions by sending news releases to newspapers, radio and television stations and business/trade and labor publications; posting information on our web site; and referencing these cases in speeches and presentations.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Partner with the Attorney General's Office to designate a dedicated prosecutor to handle workers' comp fraud cases.		Increase successful prosecution of criminal cases by an additional four per year by working cooperatively with county prosecutors.
Increase successful prosecution of criminal cases by an additional four per year by working cooperatively with county prosecutors.		
T I M E L I N E		

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## GETTING RESULTS

In 2005, a fraud investigation resulted in a savings of over \$1.7 million. How? Through an anonymous tip, we learned that an injured construction worker who was about to be pensioned was, in fact, back at work as a supervisor at a residential construction site. Fraud investigators put this individual under surveillance and many areas of our agency cooperated to complete an investigation that led to:

- The worker's doctor releasing him to go back to work.
- His doctor NOT releasing him to pension.
- Three citations for working as an unregistered contractor.
- A fraud order to recover more than \$52,000 owed in time-loss benefits, vocational counseling and penalties.

Had this individual been pensioned, our actuaries estimate the workers' compensation system would have paid on this claim for another 40 years or longer. Preventing that situation means \$1.7 million in benefits were not fraudulently paid.

## Factors influencing success

### Operating environment

A cross-section of our customers believes fraud is a significant problem in the state's workers' compensation system. There is concern about fraudulent claims and the accuracy of billing by some providers of health care. Employers who play by the rules rightly believe they are at a competitive disadvantage against companies that underpay or don't pay insurance premiums. These customers, and stakeholders such as business and labor organizations, have told us we have to do more to combat workers' compensation fraud. In their minds, a ramped-up anti-fraud program is an essential part of improving our state's workers' compensation system.

Our response began in 2004. New legal authority and additional funding from the Washington State Legislature in 2004 and 2005 provided critical support for our increased emphasis on fraud prevention and compliance. Now, communicating the range of activities under way and publicizing our successes are crucial to demonstrating a solid return on this investment and a beneficial impact on the workers' compensation system.

This work will continue to receive a great deal of scrutiny from employers, business and labor organizations and legislators. The medical community will be watchful of our efforts to identify potential fraud by health-care providers. Assistance in determining the correction definition and use of independent contractors — and ongoing issue — will be emphasized in workshops and presentations and, when necessary, enforcement action.

#### **Internal capacity**

Since 2004, we have received funding for additional staff positions, redeployed positions and invested in new tools and technology to combat fraud. Our capacity to do more has expanded significantly and the results show it. Cross-program referrals are steadily increasing. In FY 2005, for example, other programs in L&I identified more than \$5.8 million in premiums due.

One of our objectives is to recover unpaid premiums through audits. Additional auditors are needed. Investment in computer technology is also needed to direct staff resources more effectively. We need to identify for audit employers most likely to have reporting issues. This benefits our customers because we can avoid unproductive audits with employers who have correctly reported and save them the time and money an audit involves.



## Goal 4

### Support the economic well-being of individuals and businesses

Where do businesses find highly skilled construction workers? In apprenticeship programs L&I oversees. Who pays the medical bills for a sexual assault victim with no insurance? The Crime Victims Program administered by L&I. How can exploited workers obtain unpaid wages? With help from L&I.

In these cases and more, we provide services that promote economic vitality or limit financial catastrophe. We educate and assist. We enforce rules that protect workers' hard-earned dollars.

#### **Statewide Result #2**

*Improve the value of postsecondary learning.*

#### **Statewide Result #5**

*Improve the economic vitality of business and individuals.*

# Overview of services

## **Promote fair labor practices**

We help employers comply with laws that protect workers' wages and cover working conditions and child labor. We focus our compliance activity on protecting vulnerable low-wage workers and working minors.

## **Administer prevailing-wage requirements**

We administer the prevailing-wage law, which requires that workers be paid prevailing wages when employed on public works projects. We use outreach and enforcement to promote compliance with these requirements.

## **Promote apprenticeship training**

The Washington State Apprenticeship and Training Council registers apprenticeship programs. Our role is to serve as the administrative arm of the council. We audit apprenticeship programs for compliance with their written standards. We promote apprenticeship as a proven training model that prepares a qualified workforce for employers in our state, and serve as an information resource for prospective apprentices.

## **Provide assistance to crime victims**

We help victims of crime and their families recover from the emotional, physical and financial hardship of violent crime. We provide financial assistance as a payer of last resort in cases involving bodily injury, mental trauma or death. We also pay the costs of sexual-assault examinations when they are performed to gather evidence for possible prosecution.

## Objectives and strategies

### Ensure workers receive the wages they are owed.

Ten percent of Washington’s workforce makes an average wage of \$7.66 per hour, according to 2004 data from the Washington State Employment Security Department.<sup>1</sup> One-quarter of all jobs pay less than \$10.23 per hour.<sup>2</sup>

Our industrial relations agents investigate complaints involving wage issues, such as non-payment of final wages, off-the-clock hours, illegal deductions or unpaid overtime. It is especially gratifying when we collect unpaid wages for the workers who make the least and struggle financially.

### Unpaid Wages Collected for Workers

In the past, our ability to deter exploitive behavior by some employers has been limited. Our only recourse was to seek criminal prosecution or legal action in the courts. In 2006, the Washington State Legislature granted L&I authority to issue civil penalties for violations of minimum-wage and wage-payment laws, providing greater protection to workers and creating a realistic deterrent for those who might otherwise violate the law.

Implementing this law will involve rulemaking, continuing to move existing policy into rules, developing a penalty structure, and modifying internal processes and procedures to create a new system for enforcing wage laws.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Modify internal processes and procedures to create a new system for enforcing wage laws.	Increase by an additional 10 percent the number of dollars collected for low-wage workers.	Develop tools and guides to further aid in employers’ understanding of minimum-wage and wage-payment laws.
Inform the employer community of the potential for civil penalties.	Determine the level of compliance with wage-and-hour laws in specific industries that employ low-wage workers.	Complete a rewrite of rules using “Plain Talk” principles.
Increase by 10 percent the number of dollars collected for low-wage workers.	Begin a rewrite of rules using “Plain Talk” principles.	Target industries that employ low-wage workers and have a low compliance rating; improve compliance in these industries by 10 percent.
T I M E L I N E		

<sup>1</sup> 2004 Wage Report, Employment Security Department

<sup>2</sup> 2005 Washington State Labor Market and Economic Report, Employment Security Department

**Increase compliance with prevailing-wage requirements.**

Prevailing-wage requirements of the Washington State Public Works Act protect construction workers on public works jobs from substandard earnings and preserve local wage standards. To carry out our statutory responsibilities, we collect fees for filing *Statements of Intent to Pay Prevailing Wages* (Intent) and *Affidavits of Wages Paid* (Affidavit). We process more than 77,000 intents and affidavits a year, and 82 percent of our customers file them using our web-based service.

In 2006, we received legislative authority to retain 100 percent of the revenue collected through the Prevailing Wage Program. This 30 percent increase in revenue retention allows us to make customer-service and technology improvements, and increase compliance through employer education. Technology enhancements also will help increase response rates to prevailing-wage surveys, which are used to establish rates in each county.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Maintain seven-day processing for <i>Statements of Intent to Pay Prevailing Wages</i> and <i>Affidavits of Wages Paid</i> .	Maintain seven-day processing for <i>Statements of Intent to Pay Prevailing Wages</i> and <i>Affidavits of Wages Paid</i> .	Maintain seven-day processing for <i>Statements of Intent to Pay Prevailing Wages</i> and <i>Affidavits of Wages Paid</i> .
Design a new process to complete wage surveys on a three-year cycle.	Complete the online wage survey pilot project.	Fully implement the new process to complete wage surveys on a three-year cycle.
T I M E L I N E		

# Goal 4

## Prepare a qualified workforce for occupations Washington employers need.

About 41 percent of high-school students do not go to college. For many of these young people, apprenticeship offers another avenue to a good job. It also supplies a skilled and motivated workforce in fields where qualified workers may be scarce, such as construction and health care.

In 2006, the Washington State Legislature passed a bill requested by Governor Gregoire as part of her focus on education. The bill requires the Washington State Apprenticeship and Training Council (WSATC) to lead and coordinate education outreach programs for middle and high schools, specifically focused on apprenticeship and career opportunities. It also requires the WSATC to manage a program to allow high-school students to move directly into building-trades apprenticeships. As the administrative arm of the WSATC, L&I will be directly involved in achieving these outcomes.

Also in 2006, the Washington State Legislature expanded the requirements that a specified percentage of apprentices be used on public works projects, including transportation-related projects. This will greatly increase the demand for apprentices.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Assist the WSATC with the following: <ul style="list-style-type: none"> <li>• Developing criteria and a process for retaining more apprentices in apprenticeship programs and increasing the completion rates.</li> <li>• Coordinating an outreach program to educate middle- and high-school students, parents and educators about apprenticeship.</li> <li>• Developing criteria and a process for awarding up to 10 grants to school districts to facilitate students' entry into apprenticeship programs.</li> </ul>	Increase the number of apprenticeship programs by 5 percent, from 252 to 264, in order to address industry need for high-demand occupations.	Increase the number of apprenticeship programs by 5 percent, in order to address industry need for high-demand occupation.
Conduct an outreach campaign with businesses and other organizations in the workforce education and training system to increase the number of apprentices in high-demand occupations.	Increase the number of apprentices completing apprenticeships from 49 to 54 percent, a percentage that far exceeds the national average for apprenticeship completions.	Increase by an additional 5 percent the number of apprentices completing apprenticeships.
	Develop a secure, web-based application to maintain data for individual apprenticeships and improve our ability to track completion rates.	
T I M E L I N E		

## Provide accurate, appropriate and timely benefits to victims of crime.

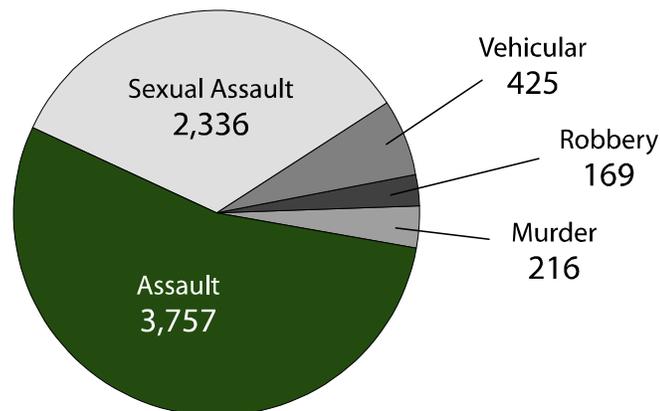
The Washington State Legislature established the Crime Victims Compensation (CVC) Program in 1974 to pay medical bills, funeral costs, counseling and other essential services to victims of violent crime. The program pays these bills when no other insurance or public assistance benefits are available to the victim.

Expenditures of the CVC Program depend on several factors outside the agency's control. Crime rates, the economy and the percentage of the population eligible for other public assistance or having health insurance coverage all influence demand for these services.

High demand in the last biennium, which overtaxed available budget, led to reduced provider reimbursement rates in September 2004. Utilization – i.e., use of services – fell significantly. For example, we reduced reimbursement for mental health services by 48 percent, and soon afterwards, provider participation decreased by 40 percent. Providers feel they can no longer afford to treat crime victims, which results in many individuals not having access to the medical care they need.

The 2006 supplemental budget boosted the CVC Program's appropriation to increase reimbursement for mental-health services. However, rates for medical doctors and dentists have not been increased and doctors' participation continues to fall. We are requesting increased expenditure authority in the 2007-09 Budget so we can increase rates to match fees paid on workers' compensation claims. In the meantime, utilization through the end of the 2005-07 Biennium continues to be unpredictable.

### Number of Crime Victims Compensation Claims, FY 2005



# Goal 4

We are also committed to increasing administrative efficiency. Our future plans include expanding imaging capabilities to more agency programs, including the CVC program. Currently, CVC claim files are in paper form. The process of retrieving and reviewing these paper files is time consuming. Paper files are also more vulnerable to loss because, unlike electronic files, they can't be "backed up."

An electronic imaging system will allow CVC claim managers to quickly and easily retrieve documents and accommodate simultaneous viewing by more than one claim manager. Our future plans also include providing prosecutors' offices in all 39 counties with a secure system to access victim information, which will enhance their ability to obtain restitution orders from the courts.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Adjudicate claims within 50 days.	Adjudicate claims within 50 days.	Adjudicate claims within 50 days.
Pay provider bills within 50 days.	Pay provider bills within 50 days.	Pay provider bills within 50 days.
Identify options for achieving a more stable funding source for the Crime Victims' Compensation Program.	Evaluate and implement option(s) for achieving a more stable funding source for the Crime Victims' Compensation Program.	
T I M E L I N E		

# Factors influencing success

## Operating environment

To support the economic well-being of individuals and businesses, we must carry out a diverse set of responsibilities, all of which involve balancing the interests of and collaborating with external constituencies. Organizations and representatives of the business and labor communities weigh in on developments affecting wage-and-hour requirements, prevailing wage and apprenticeship. Crime victim advocates and health-care providers pay attention to the quality of service and financial health of the Crime Victims Compensation Program.

We have established advisory committees to facilitate communication and discussion with these interested parties:

- **Employment Law Advisory Committee** meets quarterly to review pending request legislation and proposed policy changes. This group will advise L&I in the development of rules and a penalty structure for implementing civil penalties. Members include representatives of business and labor.
- **Prevailing Wage Advisory Committee** reviews policy alternatives we submit for public works projects and makes recommendations. Members include representatives of business and labor.
- **Crime Victims Advisory Committee** is comprised of victim advocates from many programs, including the Department of Social and Health Services, sexual-assault programs, domestic violence programs, the U.S. Attorney's Office and county prosecutors. The committee meets quarterly to discuss issues affecting the Crime Victims Compensation Program, such as budget, policy, legislation and rulemaking.

In addition, interested parties can bring their questions or issues regarding apprenticeship to the Washington State Apprenticeship and Training Council.

## Internal capacity

Recent legislative changes have created new opportunities and challenges. For our Employment Standards, Prevailing Wage and Apprenticeship programs, historically tight staffing levels will need to be increased in order to effectively carry out our mandates. In addition, we will need technical specialists who are also skilled in communication and outreach. Technology enhancements, such as computerizing wage surveys and electronically storing and accessing crime victim claim files, would expand our internal capacity.



## Goal 5

### Protect public safety and property

Ask anyone on a street corner what L&I does to protect public safety and property and they might scratch their head. Or they might say “protect workers” or “run workers’ comp.” But in numerous other ways – many behind the scenes – L&I keeps people safe in buildings of all kinds, including their homes.

We promote quality industry services in construction, electrical work, plumbing, elevators, factory-assembled structures and boilers. Our role in these areas may vary, but our purpose is the same – reduce hazards that could injure people or damage property.

#### **Statewide Result #7**

*Improve the safety of people and property.*

#### **Statewide Result #10**

*Strengthen government’s ability to achieve results efficiently and effectively.*

# Overview of services

## **Register and license contractors**

We register construction contractors and license electrical and telecommunications contractors. By law, these contractors must be registered or licensed before they perform work and they must maintain a minimum level of bonding. Construction contractors and telecommunications contractors must also maintain a minimum amount of liability insurance coverage to protect consumers.

## **Certify electricians and inspect electrical work**

We set standards of competency for performing electrical work: establish qualifications, administer certification exams, and issue electrical certificates. We inspect electrical wiring and installations in industrial, commercial, institutional and residential construction, and monitor the amusement-ride industry for structural and mechanical safety.

## **Inspect elevators**

We inspect all new and altered elevators and annually inspect all existing non-residential elevators. We also issue licenses to elevator contractors and mechanics.

## **Inspect factory-assembled structures**

We set standards and conduct inspections of factory-assembled structures, such as mobile/manufactured homes, modular buildings and schools, construction trailers, mobile medical units and recreational vehicles. In these inspections, we check to see if structures comply with state and federal building codes.

## **Test and certify plumbers**

We protect people from economic loss and health hazards caused by unsafe and unsanitary plumbing conditions in residential and commercial structures. We do this by setting experience and training requirements for plumbers, administering testing and issuing certificates, and inspecting plumbing on factory-assembled structures at the factory and after installation.

## **Inspect boilers**

We oversee safety inspections of more than 100,000 boilers and pressure vessels in the state, including those in schools, stadiums, hospitals and other public venues. We directly inspect uninsured and high-risk boiler/pressure vessels, and oversee and monitor insurance company inspectors who perform the remaining inspections.

## Objectives and strategies

### Reduce hazards through quality industry services.

New technology will increase effective use of resources in our Electrical and Factory-Assembled Structures programs. The reporting system we are creating will help identify the hazards found during inspection of installations and who performed the installations. A similar reporting system is already in place in our Boiler program. The data will identify the types of violations occurring most often, so we can focus our industry outreach, training and enforcement activity where they are most effective.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Complete technology improvements needed to direct inspection and education resources where they are most needed.	Among the 5 percent of electrical contractors that receive the most corrections per inspection, reduce their serious corrections by 20 percent.	Among the 5 percent of electrical contractors that receive the most corrections per inspection, reduce their serious corrections by 15 percent.
Among the 5 percent of electrical contractors that receive the most corrections per inspection, reduce their serious corrections by 15 percent.		
T I M E L I N E		

### Improve compliance with electrical licensing and plumbing certification requirements.

Technology will also help us target unlicensed individuals or firms that perform contracting, electrical or plumbing work and repeatedly violate registration, licensing and certification laws and installation requirements.

The database we are creating will track licensing and certification issues by construction type and firm performing the work. This information combined with our enforcement actions will reduce the number installations performed by unregistered or unlicensed firms.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Target contractors and uncertified individuals who repeatedly violate licensing laws and installation requirements.	Implement changes to the computer system that will track violations by company name and improve our ability to perform our work.	Improve compliance by 10 percent from the compliance rating established 06-30-09.
	Establish a baseline compliance rating for registered and licensed firms that shows the number and types of corrections and is used to improve the quality of our work.	
T I M E L I N E		

## Factors influencing success

### Operating environment

The demand for our inspection services is directly tied to demographic factors, such as a growing population, and economic factors, such as a hot construction market. High demand stretches our ability to respond quickly to requests for inspections, particularly electrical installations.

To licensed electricians and electrical contractors, plumbers and construction contractors, the “underground economy” poses a tremendous competitive disadvantage. These customers rightly demand that we do all we can to find unregistered contractors, unlicensed electricians and uncertified plumbers and bring them into compliance.

Our stakeholders expect that finding unlicensed individuals and firms and bringing them into compliance will continue to be a priority. It is a matter of equity for those who follow the law and a matter of safety for the people we serve.

## Internal capacity

An increase in eight electrical inspector positions authorized in the 2006 legislative session will increase our capacity to meet the growing demand for electrical inspections. Technology also plays a critical role in protecting public safety and property. We use it to effectively deploy our inspectors and improve customer service. We are already taking steps to build the reporting systems needed to target resources. For example, the reporting system for elevator inspections will be completed September 2006.

QuickCards is the computer system that handles the licensing and processing for the contractor registration, electrical, plumbing and elevators programs. The Contractor Registration Information System (CRIS) handles other licensing-related tasks, uses outdated technology and experiences malfunctions that impact central office staff and overall customer service. Staff must toggle between the two systems to handle the full range of actions related to licensing and renewal.

Rewriting QuickCards into a secure, Internet-based application that handles all licensing and renewal actions will result in faster services to both internal and external customers. We need to upgrade this system to:

- Achieve full reporting capabilities to target resources.
- Improve connectivity and data transfer between QuickCards and other applications such as Accounts Receivable and Collections (ARC).
- Ensure that staff is able to work within one application.
- Accommodate new data needs driven by legislative mandates, such as the increased continuing education requirements for electrical trainees and new licensing requirements for pump installers.

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## GETTING RESULTS

Six L&I compliance employees are canvassing the state for contractors and electricians who are ignoring registration and licensing laws and gaining an unfair competitive advantage. Their work hours include some nights and weekends, too.

The three contractor-compliance inspectors are traveling the state, but concentrating their efforts along the I-5 corridor between Bellingham and Vancouver. They are focusing solely on the underground economy — those doing contracting work who are not registered and who also may be ignoring industrial-insurance and job-safety laws.

In the first six weeks they were on the road, they made audit referrals worth \$360,000 and found 20 unregistered contractors.

Three electrical-compliance officers are focusing exclusively on reducing the effects of the underground economy. They are working with local inspectors and city jurisdictions to find unlicensed electrical contractors and electricians and those who fail to obtain required electrical permits.

From July 2005 through April 2006, they issued 531 citations, made 102 formal warnings, made 34 referrals for lack of workers' compensation coverage and 23 referrals for lack of contractor registration.



## Goal 6

**Deliver quality, efficient and cost-effective service to our customers.**

In Goals 1 through 5 we describe our strategic direction – what we are doing and planning to do, and why. In Goal 6, we focus on how we implement our strategic vision – the people, processes and technology that are critical to efficient and cost-effective service – and the changes that will better serve our customers.

### **Statewide Result #10**

*Strengthen government's ability to achieve results efficiently and effectively.*

# Objectives and strategies

## Improve services to small businesses.

Small business is a major economic engine for job creation and progress in our state. About three-quarters of Washington's firms have fewer than 10 employees, and 56 percent employ fewer than five people. Because they're small, these companies may not be able to afford safety, legal and tax experts to help them deal with government requirements and processes.

Our greatest challenge is to do our job while being sensitive to the daily life of small-business owners and the impacts we have on their livelihood. We are working with our employees and supervisors to help them better appreciate small businesses' unique circumstances. Elsewhere in this plan we described some of these efforts – training safety and health staff to recognize small-business issues and needs, for example, and helping small companies minimize the impact of a serious workers' compensation claim.

We are also listening to our customers. In June 2005, we held our first-ever Small Business Roundtable and asked small-business owners and organizations how we could better serve them. They had many ideas. We are first addressing those mentioned most often, such as making sure claim managers are familiar with the industries they serve; and treating employers as customers, the way an insurance company treats its policy holders.

Two major developments resulted from the Small Business Roundtable:

- Director Gary Weeks appointed a small-business liaison to advocate for small businesses. The liaison is our point of contact for business owners when they need help or have a question. The liaison is charged with providing useful information to these important customers and educating our own staff about the needs of small-businesses.
- We identified information and processes that need to be simplified, and prioritized these Plain Talk projects so materials of greatest benefit to small businesses are developed first.

We will continue the annual Small Business Roundtable and periodically hold local roundtables with employers across the state. Ongoing communication will help us be more responsive to small-business concerns and provide better service.

# Goal 6

By June 30, 2007	By June 30, 2009	By June 30, 2011
Increase by 50 percent the number of L&I presentations to small-business groups – from 22 to 45 presentations.	Establish and/or expand L&I's presence in small-business development centers and other similar assistance venues.	
Increase the number of articles from L&I's small-business e-newsletter that business and industry associations reprint in publications for their members.	Make L&I's small-business e-newsletter directly available to interested small businesses as well as business and industry associations.	
Use Plain Talk principles to write at least three documents for small businesses, including the instructions for filing workers' compensation quarterly reports.	Use Plain Talk principles to write at least two more documents for small businesses, including the annual rate notice that explains workers' compensation rates.	
T I M E L I N E		

In addition, we will continue our commitment to the multi-agency Business Portal project. The Business Portal will help businesses understand their obligations and reporting requirements without jumping across individual agencies' web sites. This service is specifically identified in Executive Order 06-02, which directs agencies to make improvements in permitting, licensing, regulatory and tax-collection processes.

### **Improve communications with all our customers.**

We cannot emphasize enough the importance of clear communications with all of our customers – injured workers, employers, health-care providers, trade contractors and others. When our customers misunderstand information, or ignore it because they misunderstand it, they may experience delays in service or payment, or they may not comply with legal requirements. In turn, we experience costly administrative delays.

As a pioneer and leader in “Plain Talk” within Washington State government, we are committed to providing clear, useful, understandable information to our customers. Plain Talk also benefits customers who communicate in other languages because clearly written English translates more easily into other languages.

Our Plain Talk projects have resulted in many improvements:

- Clearer rules.
- A new web site written in plain language.
- Many more clearly written, straightforward form letters.
- A new agency “culture” that increasingly turns to usability testing to ensure our customers can understand our documents and web pages.

We also recognize that future projects must include information technology changes to improve the visual readability of outbound correspondence, including letters, legal documents and billing statements. Our web and document research has shown that clear and professional page formatting, font options and boldfacing can substantially improve our customers’ attention to, understanding of and compliance with critical instructions and requests for information. To achieve this improvement, we must replace our existing automated correspondence system that prints in one font only, with business-quality correspondence that allows uppercase/lowercase letters, boldfacing, bullets and other features that enhance understanding.

This improvement also would allow us to handle Spanish language documents in an automated system for the first time. Currently, claim managers must work through dictation and word-processing systems to produce Spanish letters and legal notices. Sometimes, the process is delayed and translations can be inconsistent.

A uniform, business-quality correspondence system will increase efficiency, effectiveness and customer service.

By June 30, 2007	By June 30, 2009	By June 30, 2011
	Complete a plan to revise all outbound agency documents into plain language for the new correspondence system.	Establish Plain Talk standards and guidelines for all communication sent to customers.
		Inventory, streamline and rewrite in plain language all outbound documents, including program letters, legal notices and collection letters.
		Program new documents into a new, business-quality correspondence system.
		Measure success of document revisions using before-and-after usability tests with customers.
<b>T I M E L I N E</b>		

Goal 6

## **Develop and align information technology to support our strategic direction.**

Information technology is critical to the operations of the Department of Labor and Industries. We have developed goals and strategies that rely on sound investments in technology and the ability to secure the funds needed for those investments. Our priorities and decisions regarding information technology are consistent with and based on the Information Technology (IT) Portfolio Management system implemented by the Department of Information Services (DIS). Our IT portfolio ensures that technology investments align with our strategic plan and business needs. We use our portfolio to make economically sound IT investments that are adaptable and secure, ease administrative burdens and improve service to customers.

Our objectives are to:

1. Reduce the amount of time and effort required to build, change and maintain our business applications.
2. Minimize the disruptive impacts of deploying and supporting new technologies.
3. Improve the quality, security and reliability of business applications and IT infrastructure.
4. Improve our ability to share information and IT resources between agency business units.

### **Reduce the amount of time and effort required to build, change and maintain our business applications.**

Changes to administrative rules (WACs) and business processes require corresponding changes to IT applications. Our decades-old, large, inflexible computer systems make an agile response impossible. In the past, each application was designed and built to serve a specific business organization, often referred to as “silos” or “stove-pipes” and each had to be updated separately.

Our LIFT (L&I Future Technology) strategy emphasizes a service-oriented approach. Services are shared functions, such as security, which can be built once and used by multiple applications. Compared to their legacy counterparts, business applications that use a “service-oriented architecture” are smaller, more flexible and require far less overhead to build, change and maintain.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Build the new Conveyance Management System using a service-oriented approach.	Provide the ability to exchange any type of data with authorized outside parties through a secure, centrally managed service.	Develop additional shared services; refine and enhance existing services.
Complete the shared Security Service framework and integrate with the Provider Express Billing application.		
Implement the first phase of the Web Facing Service to streamline the process of building web-user interfaces and provide the foundation for future portal applications.		
T I M E L I N E		

**Minimize the disruptive impacts of deploying and supporting new technologies.**

Introducing a new technology creates operational expenses, such as training, support contracts, maintenance and hardware. Purchased commercial applications can require fundamental changes to our overall technical environment in order to operate properly, which also increases costs. Conversely, keeping old technology beyond our ability and our vendor's ability to support it adds costs.

To minimize these impacts, we must use architectural principles and practices to make sound decisions about acquiring and implementing new technologies. We must retire and replace older technologies when the expense of maintaining them becomes too great.

T I M E L I N E

In the period July 1, 2006, through June 30, 2011, our strategy will be to retire obsolete technologies and consolidate technologies on newer and more supportable standards.

**Improve the quality, security and reliability of business applications and IT infrastructure.**

Our mission critical applications once depended solely on a large mainframe computer at DIS to provide disaster-recovery capability. However, new applications are taking advantage of web technology, and the business functionality is contained in the web application. This means that a service interruption of any kind would severely restrict our ability to conduct business. In the near future, we must invest in and implement IT infrastructure that protects critical business activities if a disaster, such as an earthquake or fire, occurs.

Maintaining a consistent level of service for everyday business is also important. System outages, such as hardware failure, utility line malfunctions or virus attacks can occur. We can minimize system outages through planning and training as well as deploying appropriate tools to ensure systems are available and perform their intended function.

By June 30, 2007	By June 30, 2009	By June 30, 2011
Ensure that mission critical applications will be available 99 percent of scheduled services hours by applying best business and technology practices when building, testing and implementing new IT systems.	Invest in security, disaster recovery and high-availability infrastructure for critical IT systems.	Use automated tools to baseline and record performance and security metrics prior to deploying new applications.
T I M E L I N E		

**Improve our ability to share information and IT resources between agency business units.**

As stated earlier, we have already begun an ambitious and necessary architectural redesign of our computer systems. In the long term, many program-specific systems will be replaced by more generalized applications shared by multiple program areas.

One example of our efforts to share IT resources is in the development of an enhanced web portal – technology that has numerous beneficial uses both internally and with customers. Numerous L&I business areas have identified strategies that depend on the web and are well suited to portal technology.

Some of these strategies include:

- Improve communication with our field offices, including mobile access to web-based applications.
- Make better use of our Intranet as a work tool and source of information for staff.
- Improve efficiency in publishing, managing and accessing web content on the Intranet and Internet.
- Allow additional online transactions and e-business opportunities for customers.
- Provide self-service online capabilities for customers.

We are committed to developing an enhanced enterprise web portal to address these needs, although additional funding will be necessary to complete all desired functions.

# Goal 6

By June 30, 2007	By June 30, 2009	By June 30, 2011
Implement the first phase of the web portal for internal applications and lay the groundwork for making the Intranet a more comprehensive work tool for agency staff.	Implement portal technology for public-facing applications and lay the groundwork for advanced features that will make L&I's web site even easier to use, for example, personalization.	Consolidate additional legacy systems into common enterprise applications.
Develop the architecture to support secure, reliable, high-performance mobile application and remote access.	Implement the technology required to develop a more comprehensive and useful Intranet.	Improve the quality of business decisions by developing a comprehensive data analysis, reporting and business intelligence capability.
	Implement integration technologies that enable new business applications to easily reuse legacy application functions.	Deliver a secure, self-service web experience that presents a consistent, integrated view of the agency to our customers.
	Analyze mainframe computer systems and develop a plan to modernize business applications.	
T I M E L I N E		

## Make Labor and Industries a destination workplace.

Successful organizations value their employees as well as their customers. As our agency principles state, we are committed to a knowledgeable, service-oriented, high-performing workforce. Toward that end, we strive to provide a great work environment, advancement opportunities and clear performance expectations.

About 64 percent of our employees participated in an online survey of all state employees conducted in the spring of 2006. Responses based on a rating scale of 1 (seldom) to 5 (always) indicated that L&I employees feel positive about their supervisors and believe strongly that they know what's expected of them at work. Areas needing improvement have to do with performance evaluations and employee recognition as well as making sure people have the opportunity to provide input about decisions.

Our strategies for the coming years will further develop a quality workforce and address the concerns identified in this survey.

1. **Plan and align the workforce to achieve state, agency and program objectives.** When fully implemented, every employee will have a job description that aligns their work with state, agency and program objectives. Supervisors will engage in and are successful with workforce management.

2. **Attract and retain new hires with needed skills.** We will continue an aggressive recruitment effort to attract qualified candidates. This effort includes extensive outreach with professional organizations and higher education institutions, making sure they know the range of skills we need and the opportunities we offer. In addition, our recruitment materials and presentations emphasize the benefits of working in this agency.
3. **Promote a work environment that optimizes the use of talent, provides fair and equal opportunity to all and encourages employees to excel.** We seek a diverse workforce that reflects the communities we serve. We employ tools, training and incentives, such as tuition reimbursement, to develop our existing talent and adapt employee skills and capabilities to meet future service requirements. When fully implemented, every employee will have an individual development plan that is current, relates to program and agency objectives, and contains clearly defined success factors.
4. **Ensure leadership continuity and retain organizational knowledge.** We are actively engaged in succession planning to preserve critical organizational knowledge as employees and managers retire. We expect to launch a “leadership academy” in FY 2007 that will have multiple levels. An introductory level will be open to employees who would like to learn management skills and perhaps eventually become supervisors. Then there are three levels — basic, intermediate, and advanced/ executive — for those who are currently supervisors.

By June 30, 2007	By June 30, 2009	
All agency executives attend training on workforce planning.	All agency position/competency descriptions are current.	
Fifty percent of agency programs have a workforce plan in place.	All agency programs have a workforce plan in place.	
Fifty percent of employees have a current individual development plan in place.	All employees have a current individual development plan in place.	
Ten percent of supervisors complete at least one level of the leadership academy.	Fifty percent of supervisors complete at least one level of the leadership academy.	
Reduce by 10 percent the number of new hires who leave their position during their initial review period.	Reduce by an additional 10 percent the number of new hires who leave their position during their initial review period.	
T I M E L I N E		

## Factors influencing success

### Operating environment and internal capacity

Our stakeholders and customers generally support changes that improve the delivery of quality, cost-effective and efficient services. Our intensified efforts to address the needs of small business were generated, in part, by requests from the business community. The Governor’s executive order on Plain Talk further stimulated our efforts to improve the clarity and usability of information for customers. In recent years, we expanded our internal capacity to conduct usability testing on our web navigation and content, customer letters and other documents.

Changes and improvements in information technology have the potential to influence the way we deliver services. An excellent example is the impact the World Wide Web has had on public agencies, specifically heightened expectations from the public to use the web to find information from and transact business with public agencies. Our IT strategies are moving us toward more flexible and agile computer systems that adjust to changes in business needs and more readily adapt to new developments in technology.

The focus in human resource management over the past two years has largely been on implementing the Civil Service Reform Act of 2002. The law has had a significant impact, requiring new and revised administrative policies and processes, personnel rules and processes, training for supervisors and resource considerations. That implementation is largely complete, although we have ongoing commitments and data requirements with the Department of Personnel.

During this time, we were able to expand our marketing and outreach efforts to help us find high-caliber candidates to fill vacancies. This will continue to be an important focus. More than 24 percent of all L&I employees and 35 percent of all managers and supervisors are eligible to retire. Our ranks of industrial hygienists, inspectors, industrial relations agents and revenue officers — to name a few — continue to experience vacancies due to retirements and resignations to pursue other employment. The supply of financial specialists, such as certified public accountants, is not keeping pace with demand and may impact state government as well.

# Appendix: Performance Assessment

While performance management has been a priority for us for several years, Government Management Accountability and Performance (GMAP) sessions have created a rich new field of resource questions and process improvements. We have dedicated research and management-consulting resources to all agency programs to help us achieve our objectives.

Current performance on each of our agency activities is provided on the Office of Financial Management's web site.

## **Goal 1: Making Washington workplaces safer**

We met and exceeded our FY 2005 goals for consultation and compliance services. Three-quarters of the way through FY 2006, with the analytical focus brought to the program through GMAP sessions, we are performing above both of these targets. As a result of GMAP, our Division of Occupational Safety and Health (DOSH) has increased its use of research data to identify where we can use our education, consultation and compliance resources to eliminate hazards. One example of our active use of research is a recently launched multi-agency project to address the number of work-related motor-vehicle fatalities in Washington State.

There is no gap or deficiency in performance. Procedures are in place through joint federal-state monitoring to address performance issues if any are identified.

## **Goal 2: Administer one of the premier workers' compensation organizations in the nation in quality of service, benefits and costs**

Washington State's workers' compensation system is the 10th largest in the country. Only four states offer a higher level of benefits and our costs are low. In the

*2004 Oregon Workers' Compensation Premium Rate Ranking*, we ranked 35<sup>th</sup> in the nation in premiums per payroll dollar, which in Washington is shared by employers and workers.

We can do better. We want to improve our quality of service in claims management, employer account management and the Retrospective Rating Program. The challenges we face include court decisions that added to the complexity of claim decisions and a turnover rate in claim managers that at one point reached 40 percent. Our current measures were designed to focus on the challenging issues in claims management. As a result, we are not meeting all of our targets, but we are making steady improvement.

Our 2007-2011 Strategic Plan introduces a number of new strategies for addressing some of the complex issues of long-term disability in the workers' compensation system.

These long-term claims have a dramatic impact on cost for employers and workers because they represent 8 percent of all claims and 92 percent of the costs. Taking actions earlier in the claim reduces the costs to the system. Our performance in early return-to-work and in making quicker vocational decisions has exceeded our expectations. We are also making a number of changes in the way we provide vocational services to those workers who need them. We are reducing delays in obtaining services and setting clear expectations for claim managers, workers, employers and providers. We are focusing on quality outcomes through education and new quality assurance methods. These efforts are already paying off. The percentage of retraining plans that were successfully completed increased significantly in the past year.

Innovations in technology, such as the online Claim and Account Center, are offering opportunities to significantly improve communications among workers, providers, employers and L&I — the parties who need to work together to successfully resolve claims. As the use of this technology increases, we expect to see improvement in both timeliness and successful outcomes for workers. In addition, we will be working with business and labor to propose legislative improvements.

**Goal 3:  
Reduce the effects of fraud and abuse in the workers' compensation system and the impact on businesses and workers**

In our FY2005 Annual Fraud Report to the Legislature, we reported an 8.2 to 1 return on investment for our Fraud Prevention and Compliance Program. The dollars collected have exceeded our projected targets in the areas of employer audits and delinquent accounts, and in payments avoided through claim investigations.

Vacancies and complex manual processes that have not yet been automated have created performance challenges. These gaps are being addressed through internal GMAP sessions, resulting in realignment of resources, improved understanding of our data, and other efforts to effectively focus limited resources on the critical problem of fraud.

**Goal 4:  
Support the economic well-being of individuals and business**

The Contractor Registration, Employment Standards, Crime Victims Compensation, and Prevailing Wage programs improve economic vitality and provide protections from financial hardship. Apprenticeship supplies skilled workers to employers.

In 2005 and to date in 2006, our performance in collecting workers' unpaid wages has exceeded our target. Dollars collected for consumers from contractor bonds have been stable over the past several quarters. The Apprenticeship and Crime Victims Compensation programs are close to meeting their targets.

The Prevailing Wage and Employment Standards programs are using data to identify problem areas and prioritize efforts to enforce wage laws. Filling a critical vacancy for the Prevailing Wage program will also help us address a significant performance gap — timeliness of wage surveys.

**Goal 5:  
Protect public safety and property**

We protect public safety and property through our oversight of contractor registration, electrical work, elevators, plumbing, factory-assembled structures, boilers and pressure vessels. There are no significant gaps in performance for any of these programs. Changing demographics, such as increased demand for new housing, impact workload and cause occasional performance variations. Vacancies also affect performance. New FTEs for the Elevator Program have helped that program return to the expected 100 percent performance level.

Our mandate for electrical inspections is to complete them within 48 hours; however, customers would like us to meet our 24-hour goal. That wasn't always achieved in FY 2004. Internal GMAP sessions have helped us improve processes and focus resources on hazards that pose the highest risk to people and property. An additional eight electrical inspectors positions authorized in the 2006 legislative session will be hired after July 1, 2006, and will increase our capacity to meet the 24-hour target.

# Appendix: Financial-health Assessment

## **Workers' compensation premiums and investment income**

The Accident, Medical Aid and Pension Funds are required to be self-sustaining by insurance premiums. We use a policy range for the contingency reserve of the Accident, Pension, and Medical Aid Funds combined. When it is exceeded, premium rate actions may be pursued to bring the contingency reserve back into the range.

After policy ranges were exceeded in the late 1990s, we issued \$400 million of dividends to employers from the Accident Fund and kept rates to employers and employees below break-even levels in the Medical Aid Fund. Once inside the policy range, we ended the dividends and increased the reduced Medical Aid Fund rates back to break-even rate levels. Legislation passed in the 2005 session – EHB 1917 – requires the Workers' Compensation Advisory Committee to review the FY 2006 financial audit report and then make suggestions to us regarding the contingency reserve policy range and possible actions we can take to bring the contingency reserve back into the policy range.

The premiums for the Supplemental Pension Fund are only required to pay for current spending. The policy is to keep the quarter ending asset amount at approximately four months of the benefit payments to maintain sufficient liquidity to pay current benefits. The premium assessments are shared with self-insurers and at a fixed rate per hour worked for all risk classifications.

During FY 2005, we collected \$1,375 million of Accident and Medical Aid premiums from employers in the State Fund and \$315 million of Supplemental

Pension Fund premiums from both State Fund and self-insured employers. For FY 2006, we expect to collect \$1,410 million of Accident and Medical Aid premiums and \$320 million of Supplemental Pension Fund premiums.

The investment portfolio of the State Fund was valued at \$9.5 billion at the close of FY2005. The net investment revenue was about 34 percent of the total revenues. Investment grade bonds and equity index funds constituted approximately 79 and 19 percent of the portfolio respectively. The remainder of the portfolio is in short-term investments. The total portfolio is managed to support rate stability, assure that assets are available to fund future benefit payments and maximize current income while preserving capital.

## **Building trades service fees**

We also provide a variety of fee-driven services in the building trades industry. The principle revenues generated from these services are:

- Electrical permit, licensing and inspection fees
- Certification and examination fees for electricians and plumbers
- Contractor registration fees
- Elevator permit and inspection fees
- Permit and inspection fees for factory-assembled structures
- Boiler inspection and certification fees
- Prevailing wage intents and affidavits

Electrical, plumber and boiler fees are deposited in a dedicated fund. The fees for contractor registration and inspections of elevators and factory-assembled structures are deposited to the state general fund.

In the other building-related funds, revenues are expected to exceed expenditures. However, the implications of the yearly update of the Indirect Cost Allocation Project may increase their share of expenditures in the administrative support program areas of the budget. As a result, fees may need an increase above the I-601 fiscal growth factor to offset this expenditure impact.

Revenue from the Prevailing Wage Program is currently split 30 percent to the state general fund and 70 percent to a dedicated fund. In the 2006 legislative session, we received authority to retain 100 percent of the revenue, effective July 1, 2007, which will fund needed customer-service and technology improvements.

### **Right-to-Know Fund**

Revenues had not kept up with expenditures in this fund over the last few biennia. We expected this fund would experience a negative fund balance in the first few months of the 2005-07 biennium. As a result, the Department of Labor and Industries and the Department of Ecology agreed to reduce their expenditures out of the Right-to-Know Fund for the 2005-07 biennium. Labor and Industries submitted a budget request to supplement with 608/609 dollars the funding of staff positions that were no longer going to be funded by the Right-to-Know Fund. This was approved and is in place for the current 2005-2007 biennium.

# Appendix: L&I's Stakeholders and Partners

Allied Daily Newspapers of Washington	Washington Association of Landscape Professionals (WALP)
Associated Builders and Contractors (ABC)	Washington Bankers Association
Associated General Contractors of Washington (AGC)	Washington Contractor Loggers
Association of Washington Business (AWB)	Washington Employers (WE)
Association of Washington Cities	Washington Federation of State Employees
Association of Western Pulp and Paper Workers	Washington Food Industry (WFI)
Board of Industrial Insurance Appeals	Washington Growers League
Building Industry Association of Washington	Washington Health Care Forum
Building Owners and Managers Association	Washington Manufactured Housing Association
Columbia Legal Services	Washington Public Utility Districts Association
Construction Industry Training Council (CITC)	Washington Realtors Association
Consul of Mexico	Washington Restaurant Association
Growers' Clearinghouse	Washington Retail Association
Hop Growers of Washington	Washington Self-Insured Association (WSIA)
Horticultural Association	Washington Software and Digital Media Alliance
Independent Business Association (IBA)	Washington State Building and Construction Trades Council
Independent Disability Employment Assessment Specials (IDEAS)	Washington State Farm Bureau
International Association of Rehabilitation Professionals (IARP)	Washington State Hospital Association
International Brotherhood of Electrical Workers	Washington State Labor Council (WSLC)
Master Builders Association of King & Snohomish Counties	Washington State Orthopedic Association
National Electrical Contractors Association	Washington State Physical Therapy Association
National Federation of Independent Business (NFIB)	Washington Trucking Association
Northwest Justice Project	
Northwest Pulp & Paper Association	
Olympia Master Builders	
Pacific Seafood Processors Association	
Service Employees International Union	
TOC Management Services	
United Association of Plumbers and Pipefitters	
United Farm Workers of America	
United Food & Commercial Workers	

# Appendix: Advisory Boards, Committees and Government Partners

Advisory committees established to assist L&I with major program and policy initiatives will continue to be valuable contributors. The following is an alphabetical listing by agency divisions.

## **Division of Occupational Safety and Health**

Cholinesterase Stakeholder Advisory Committee

Construction Advisory Committee

Fire Fighter Technical Review Committee

Governor's Industrial Safety and Health Advisory Board

Innovations Task Force

National Institute for Occupational Safety and Health (NIOSH)

Occupational Safety and Health Administration (OSHA), U.S. Department of Labor

WISHA Advisory Committee

## **Information Services Division**

Department of Information Services (DIS)

DIS Customer Advisory Board (CAB)

Information Services Board (ISB)

Washington Computer Incident Response Center (WACIRC)

## **Insurance Services Division**

Chiropractic Advisory Committee

Crime Victims Advisory Committee

Policy and Litigation Control Committee

Self-Insurance Insolvency Trust Board

United States Longshore & Harbor Workers, Workers' Compensation Assigned Risk Plan

Vocational Technical Stakeholder Group

Washington State Reimbursement Steering Committee Technical Advisory Group

Workers' Compensation Advisory Committee (WCAC)

## **Specialty Compliance Services Division**

Board of Boiler Rules

Electrical Board

Elevator Safety Advisory Committee

Employment Law Advisory Committee

Factory Assembled Structures Advisory Board

Plumbers Advisory Board

Prevailing Wage Advisory Board

U.S. Department of Labor, Wage and Hour Division

U.S. Department of Labor, Apprenticeship and Training Section

Washington State Apprenticeship and Training Council and the apprenticeship community

## **State Government and Other Important Stakeholder Groups**

Executive branch agencies

Local business associations

Local governments and their associations

Local labor organizations

University of Washington, Department of Environmental Health

Washington State Legislature

Washington State Medical Association

Washington State Trial Lawyers Association

## **National Associations**

AASCIF (American Association of State Compensation Insurance Funds)

IAIABC (International Association of Industrial Accident Boards and Commissions)

NAGLO (National Association of Government Labor Officials)

OSHSPA (Occupational Safety and Health State Plan Association)

Voluntary Protection Program Participants Association

Western Association of Workers' Compensation Boards

WCRI (Workers Compensation Research Institute)

# Appendix: Statutory Authority

<b>Rulemaking Process</b>		RCW 43.05.090	Department of Labor and Industries – Consultative visit, report – compliance inspection, citation
Chapter 19.85 RCW	Regulatory Fairness Act		
Chapter 34.05 RCW	Administrative Procedure Act		
<b>Public Meetings Process</b>		RCW 43.22.340	Mobile homes, commercial coaches, recreational vehicles, and park trailers
Chapter 42.30 RCW	Open Public Meetings Act		
<b>Department of Labor and Industries Administration and Authority</b>		RCW 43.22.450	Factory built housing and commercial structures
Chapter 43.17 RCW	Administrative Departments and Agencies – General Provisions	Chapter 49.04 RCW	Apprenticeship
RCW 43.17.010	Department of Labor and Industries’ enabling statute	Chapter 49.28 RCW	Hours of Labor
Chapter 43.22 RCW	Department of Labor and Industries’ enabling statute	Chapter 49.30 RCW	Agricultural Labor
Chapter 49.08 RCW	Arbitration of Disputes	Chapter 49.38 RCW	Theatrical Enterprises
		Chapter 49.40 RCW	Seasonal Labor
		RCW 49.44.090	Unfair practices in employment because of age of employee or applicant
<b>Insurance Services</b>		Chapter 49.46 RCW	Minimum Wage Act
Chapter 49.12 RCW	Industrial Welfare	Chapter 49.48 RCW	Wages – Payment – Collection
Title 51 RCW	Industrial Insurance	Chapter 49.52 RCW	Wages – Deductions – Contributions – Rebates
RCW 68.50.103	Autopsies in Industrial Deaths	RCW 49.56.040	Labor claims paramount to claims by state agencies
RCW 36.65.060	Public employee retirement or disability benefits not affected	Chapter 49.66 RCW	Health Care Activities (Labor Disputes)
RCW 43.33A.110	Rules and Regulations – Investment policies and procedures	Chapter 49.70 RCW	Worker and Community Right to Know Act
RCW 48.05.200	Commissioner as attorney for service of process - Exception	Chapter 49.78 RCW	Family Leave
RCW 70.14.040	Review of prospective rate setting methods	RCW 60.04.250	Informational materials on construction lien laws – Master documents
RCW 70.14.050	Drug purchasing costs controls – Establishment of evidence-based prescription drug program	Chapter 67.42 RCW	Amusement Rides
		Chapter 70.79 RCW	Boilers and Unfired Pressure Vessels
<b>Occupational Safety and Health Services</b>		Chapter 70.87 RCW	Elevators, Lifting Devices, and Moving Walks
Chapter 43.05 RCW	Technical Assistance Programs	RCW 88.16.035	Board of pilotage commissioners – Powers and duties generally
Chapter 49.17 RCW	Washington Industrial Safety and Health Act	RCW 88.16.070	Vessels exempted and included under chapter – Fee - Penalty
Chapter 49.19 RCW	Safety - Health Care Settings	RCW 88.16.090	Pilots’ licenses – Qualifications – Duration – Annual fee – Written and oral examinations – Physical examinations – Familiarization trips – Penalty – Reporting requirements
Chapter 49.22 RCW	Safety - Crime Prevention	RCW 88.16.155	Vessel master to make certification before pilotage service offered – Procedure upon refusal – Rules – Penalties - Exception
Chapter 49.24 RCW	Health and Safety – Underground Workers		
Chapter 49.26 RCW	Health and Safety – Asbestos		
Chapter 70.74 RCW	Washington State Explosives Act		
Chapter 70.77 RCW	Fireworks Act		
Chapter 70.162 RCW	Indoor Air Quality in Public Buildings		
Chapter 72.23 RCW	Public and Private Facilities for the Mentally Ill		
Chapter 88.04 RCW	Charter Boat Safety Act		
<b>Specialty Compliance</b>		<b>Crime Victims</b>	
Chapter 18.27 RCW	Registration of Contractors	Chapter 7.68 RCW	Victims of Crimes – Compensation, Assistance
Chapter 18.106 RCW	Plumbers	RCW 72.09.095	Transfer of funds to Department of Labor and Industries for crime victims’ compensation
Chapter 19.28 RCW	Electricians and Electrical Installations		
Chapter 19.29 RCW	Electrical Construction		
Chapter 19.30 RCW	Farm Labor Contractors		
Chapter 39.12 RCW	Prevailing Wages on Public Works		



