

WORKERS' COMPENSATION: A MORE SUSTAINABLE PROGRAM FOR WORKERS AND BUSINESSES

Washington's workers' compensation system is 100 years old. The system that will take us into the next century must boost the quality of care for injured workers, return them to work as quickly as possible, reduce the incidence of long-term disability and lower system costs. The legislation supported by Governor Gregoire incorporates the following features that significantly improve the soundness of the system while workers regain health. Among others, this set of improvements represents one of the largest reforms to the system in its 100-year history.

STATEWIDE PROVIDER NETWORK

The legislation focuses on getting the highest quality care to injured workers. Doctors who treat injured workers are required to possess certain credentials to do so. Health care providers are encouraged to follow occupational health practices to return workers to work as safely and quickly as possible.

Savings: Fiscal Year 2012: \$41 million; Fiscal Years 2012–15: \$164 million

CENTERS OF OCCUPATIONAL HEALTH AND EDUCATION

These centers offer proven and effective treatment of injured workers. The legislation expands the number of these specialized facilities so services are available to all injured workers, no matter where they live.

Savings: FY 2012: \$0; FY 2012–15: \$55 million

WASHINGTON STAY-AT-WORK PROGRAM

The Stay-at-Work program offers wage subsidies to employers who bring workers back to a job quickly. Under the legislation, half of an injured worker's wages would be covered for up to 66 days when an employer immediately offers transitional or light-duty work.

Savings: FY 2012: \$16 million; FY 2012–15: \$111 million

PRIOR DISABILITY AWARDS

Benefits for prior disability awards paid to a worker are deducted from the worker's pension award. When permanent partial disability awards are paid over time, interest on the unpaid balance will no longer be included. This will help keep costs down and make payments fair.

Savings: FY 2012: \$99 million; FY 2012–15: \$133 million

COST-OF-LIVING ADJUSTMENTS

COLA payments would be frozen for one year. This change affects the cash-funded, pay-as-you-go Supplemental Pension Fund. The COLA that would be effective July 1, 2011, is eliminated. The first COLA payment following an injury would be delayed until the second July 1 following an injury. These changes reduce the amount of premiums charged to employers and workers.

Savings: FY 2012: \$31 million; FY 2012–15: \$124 million

RAINY DAY FUND

The purpose of insurance is to protect employers from huge swings in the economy and unpredictable rate increases. This is why a fund in addition to the State Fund's contingency reserve makes sense. It will require the transfer of workers' compensation funds whenever the reserves are greater than 110 percent of liabilities. These funds would be available to reduce rate increases during economic downturns or when liabilities unexpectedly increase.

Savings: No fiscal impact.

CLAIMS RESOLUTION STRUCTURED SETTLEMENT OPTION

Currently, many older injured workers never return to the work force. Under this proposal, they would be eligible for a structured settlement. This option would apply to those injured workers older than 55 and be phased in to allow workers 50 and older to participate in structured settlements by 2016. The option will allow workers to resolve their claim by taking structured periodic payments equal to at least 25 percent and no more than 150 percent of the state's average wage per month, or from \$982 to \$5,976 until the settlement is paid in full. Structured settlements would be approved by the Board of Industrial Insurance Appeals and a judge must decide it is in the best interest of an unrepresented worker. This settlement option would exclude medical and could be initiated only after 180 days from the receipt of the claim and after the claim is allowed. This option for a select population of workers is in addition to two options already available: staying in the workers' compensation system and receiving appropriate benefits; or participating in a retraining plan, if eligible.

A structured settlement option should have a significant impact on reducing future rate increases and will bend the cost curve of the workers' compensation system.

Minimum savings, based on age 55 and older: will increase with phase-in.

Savings: FY 2012: \$335 million; FY 2012–15: \$545 million

In addition, this package includes elements not highlighted here, such as a fraud prevention initiative, claims management performance audit by the Joint Legislative Audit and Review Committee, occupational disease study, and safety and health investment grants.