



EMPLOYER RESOURCES NORTHWEST

Service, Integrity, Experience, Results.



Washington Workers' Compensation Review • Vol 2 Issue 3

Industry News

L&I to increase workers' compensation rates by an average of 3.2%

The Department of Labor and Industries (L&I) held public hearings during October and November to discuss the rate increase, which will affect employers beginning January 1, 2008. The 3.2% increase is an average for all Washington industries. Of note, some industries could see their rates increase as much as 8%. L&I attributes the rise in rates to inflation, increased medical costs, and points out that according to national studies, 35 states have rates that on average are higher than those in Washington. L&I is also implementing the Experience Rating Plan which was adopted last year to more accurately set rates. See page 2 for more detail.

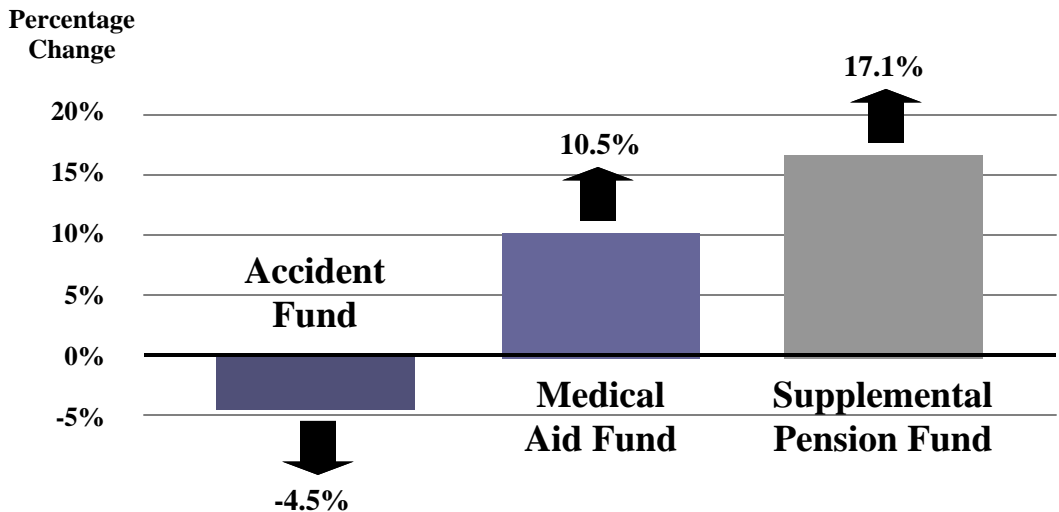
Washington State minimum wage scheduled to increase to \$8.07 on January 1, 2008. The Department of Labor and Industries (L&I) recalculates the state's minimum wage each September, as required by Initiative 688. On January 1, 2008 the minimum wage will increase 1.8%, a \$.14 increase from \$7.93 to \$8.07, as compared to the 3.9% and \$.30 increase applied on January 1, 2007.

Vancouver brothers and business owners each charged with 31 felony counts for L&I fraud. The brothers and owners of a Vancouver excavation company pleaded not guilty to 31 felony counts each for violation of state labor laws. They have been accused of defrauding L&I by not accurately reporting employee hours and risk classifications, as well as not properly paying overtime wages to their employees. A fine of \$650,000 has been assessed for deliberate misrepresentation.

Whatcom County man sentenced to 30 days in jail for workers' compensation fraud. The man also received 12 months of community service as a part of his sentence for illegally collecting workers' compensation wage replacement benefits while working at another job. In addition to his jail sentence, the man was ordered to repay L&I nearly \$19,000 plus court fees equaling \$800.

For more information on these stories log onto: www.lni.wa.gov/News.

2008 Proposed Rate Changes by Fund



Accident Fund: The portion of your workers' compensation premium that pays for wage replacement benefits (i.e. time-loss compensation, Permanent Partial Disability (PPD) and pension benefits). Employers pay 100% of the premium for this fund.

Medical Aid Fund: A portion of the workers' compensation premium shared by the employer and the employee that is set aside for payment of medical costs for any covered injury.

Supplemental Pension Fund: The portion of Workers' Compensation Premium that pays for cost-of-living increases for long-term time-loss claims. The rate is the same for all risk classifications. A portion of the supplemental pension premium is shared by the employer and the employee. It is not included in Standard Premium used for Retro purposes or subject to experience rating.

(Data obtained from Department of Labor and Industries, Employer News, October 2007)

2008 Proposed Hourly Rates

Industry Classification	FY 2006 FTEs*	2007	2008	% Rate Change
All Classifications	1,660,411	\$0.5861	\$0.6048	3.2%
Agriculture	49,151	0.6238	0.6703	7%
Forest Products	25,475	1.5498	1.5964	3%
Misc Construction and Mining	44,073	1.6257	1.6008	-2%
Building Construction and Trades	104,775	2.0487	2.0425	0%
Food Processing and Manufacturing	31,745	0.8843	0.9048	2%
Metal and Machinery Manufacturing	36,340	0.9921	0.9994	1%
Misc Manufacturing	43,047	0.6254	0.6464	3%
Utilities and Communications	17,915	0.3983	0.4166	5%
Transportation and Warehousing	43,442	1.5276	1.5573	2%
Dealers and Wholesalers	36,705	1.0040	1.0077	1%
Stores	120,231	0.4041	0.4289	6%
Temporary Help	35,510	0.5613	0.5893	5%
Misc Services	265,725	0.5459	0.5685	4%
Health Care	89,175	0.3956	0.4269	8%
Misc Professional and Clerical	506,384	0.1568	0.1687	8%
Government and Schools	210,719	0.4122	0.4395	7%

*FTE = Full time employee reporting 1,920 hours annually
 (Data obtained from Department of Labor and Industries, Employer News, October 2007)

Experience Factor Credit for Medical Only Claims

The Department of Labor and Industries (L&I) is changing how an employer's rates are calculated. For 2008, an employer will receive a \$1,640 credit applied towards each and every medical-only claim. The credit will be applied when calculating an employer's experience modification factor. Once the first dollar of wage compensation is expended on that claim, the \$1640 credit is lost. The credit provides an incentive to offer light/modified duty, or to keep an injured employee on salary when they are unable to return to work due to an industrial injury. The following example shows how the credit is applied:

Type of Loss	Actual Losses	
	Incurred	Charged
Medical Only	\$550	\$0
Time Loss *	\$1,510	\$1,510
Medical Only	\$2,820	\$1,180

* In this example the employer did not receive the \$1640 credit for the time loss claim, and was charged the full cost of the claim.

Changes in Vocational Rehabilitation Services effective January 2008

Major changes to vocational rehabilitation services are scheduled to take effect on January 1, 2008. The Department of Labor and Industries (L&I) partnered with representatives from business and labor to decide on these changes, which are intended to return more injured workers to work and reduce the cost of vocational services to employers. Injured workers will choose from the following options:

Option 1: Participate in retraining programs that cost up to \$12,000 and last up to 2 years. This is a major change from the existing cap of \$4,000 and programs which last 1 year in length.

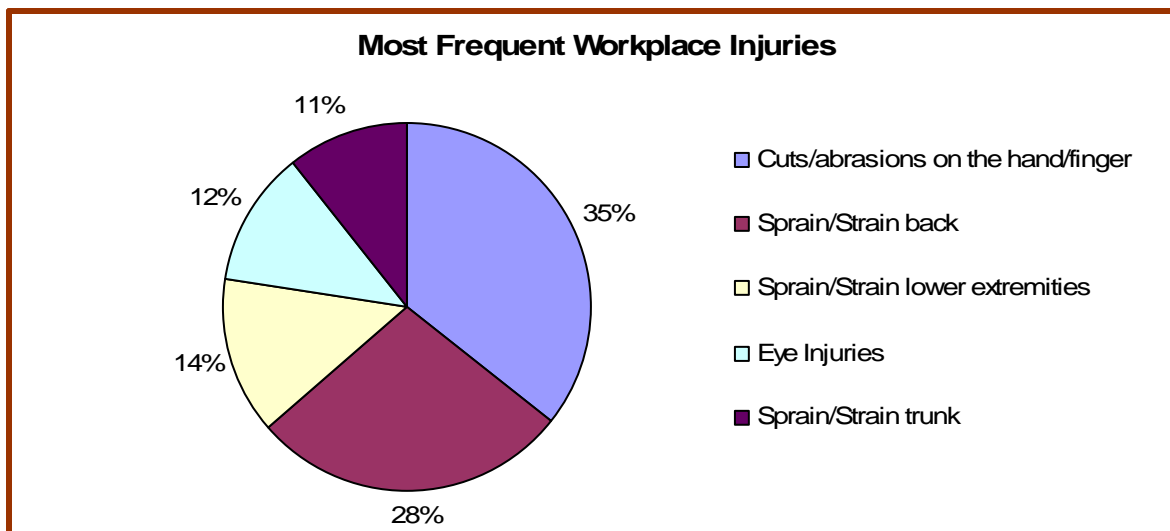
Option 2: Opt out of retraining, and in exchange receive a payment equal to 6 months of time-loss compensation. This optional benefit can be paid bi-weekly, or in a lump-sum payment.

Vocational plans approved on or after January 1, 2008 will be subject to these changes in vocational rehabilitation services. Further changes have been made effecting time limits, including:

Development of Vocational Plans: Counselors and workers must now develop an appropriate vocational plan within 90 days of the referral.

Plan Approval or Rejection: L&I must now approve or reject the vocational plan within 15 days of receipt.

Further information regarding these changes is available at www.ImproveVoc.LNI.wa.gov.



*Data obtained from Department of Labor and Industries 2006 Annual Report

Changes to L&I's "Kept on Salary" Policy

The Department of Labor and Industries has recently changed their policy with regard to keeping an injured worker on salary. Per Interim Policy 5.12 an injured worker will receive time loss benefits if the employer keeps them on salary with holiday pay, vacation pay, sick leave, or other similar benefits, as these benefits do not meet the definition of "kept on salary". Similar benefits may include shared leave or severance pay. Per Interim Policy 5.12, "Kept on Salary" is defined as "the payment of full wages including housing, board, fuel and health care benefits".



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Employer Resources Northwest (ERNWest) is a complete workers' compensation risk management provider based in Washington State, working for Washington State employers. The staff has extensive experience and expertise working with the smallest company up to large Washington State trade associations. Our services include retrospective rating program administration for groups and individual companies, claims management, loss control/safety, retro group marketing/sales, risk management consulting and legal counsel. Some of the retrospective rating groups we manage are listed below. We also work with many companies one-on-one. **Please contact Heather Johnson at 800.433.7601 ext. 17 or hjohnson@ernwest.com if you have any questions about ERNWest's services.**



FREE Workers' Compensation Seminar: January 2008

ERNWest is offering Washington State Employers a **FREE** seminar on successfully controlling and lowering Labor & Industries costs. By attending the Free seminar, you will learn to: Identify what drives your company's L&I costs, Control those costs and Target ways to save money.

- Monday, January 21, 2008 - Spokane Quality Inn Valley Suites
- Tuesday, January 22, 2008 - Richland Holiday Inn Express
- Tuesday, January 29, 2008 - Burlington Hampton Inn & Suites
- Wednesday, January 30, 2008 - Renton Holiday Inn
- Thursday, January 31, 2008 - Lacey Ameritel Inns

Watch for Your Invitation in the Mail!

For more information, or to register today, contact Heather Johnson at (800) 433-7601 ext. 17 or hjohnson@ernwest.com.