



Office of
Financial Management
STATE OF WASHINGTON

Activity Inventory Performance Measure Assessment

Department of Labor and Industries
Claims Operations and Insurance Services

April 21, 2008

Office of Financial Management Assessor:

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Based on a review of the following: The agency strategic plan, the budget activity inventory, internal performance measure reports, and an interview with the agency contacts

Current Strengths and Good Practices

- Most of the measures indicate processes that are operating at or near their desired operating levels.
- Significant improvements appear to have been made, or are in the process of being made, in the following measurement topics:
 - Avoiding inappropriate prescriptions
 - Employer account opening timeliness
 - Claim processing timeliness
 - Wage replacement benefit payment timeliness
- For the most part, the language used in the performance measure titles is easy to understand for someone without specialized agency or industry knowledge.
- Enough data was available on most of the measures to allow for some statistical analysis of the variation patterns.
- All the related budget activities are linked to at least one performance measure.

Budget Activity and Performance Measure Comments and Potential Improvements

- The target setting reasoning and methodology is not understandable on some of the performance measures. Targets should be a reflection of strategic intent and resource allocation.
- While process timeliness is important, budget/policy development audiences are primarily interested in timeliness as it relates to other results. How does processing something faster reduce costs, improve customer satisfaction, increase compliance/participation, etc.? There are 6 timeliness measures for different process elements, but no logic model connection is evident to any of the desired outcomes.
- On the subject of process timeliness, 4 of the 6 measures track the percent meeting a timeliness target. The agency should consider converting these measures back to measuring the average cycle times to encourage further improvements and improve comparability.
- Without some connection to a desired outcome, the relevance of the two output measures (The number of medical coverage decisions and technology assessments and the number of self-insured compliance audits completed) to a budget/policy development audience is limited.
- Tracking both the number and percent of workers in the early Return to Work Program seems redundant.
- The language and the reporting frequency of the Medical Aid Fund growth rate measure (Slide 10) need to be fixed.

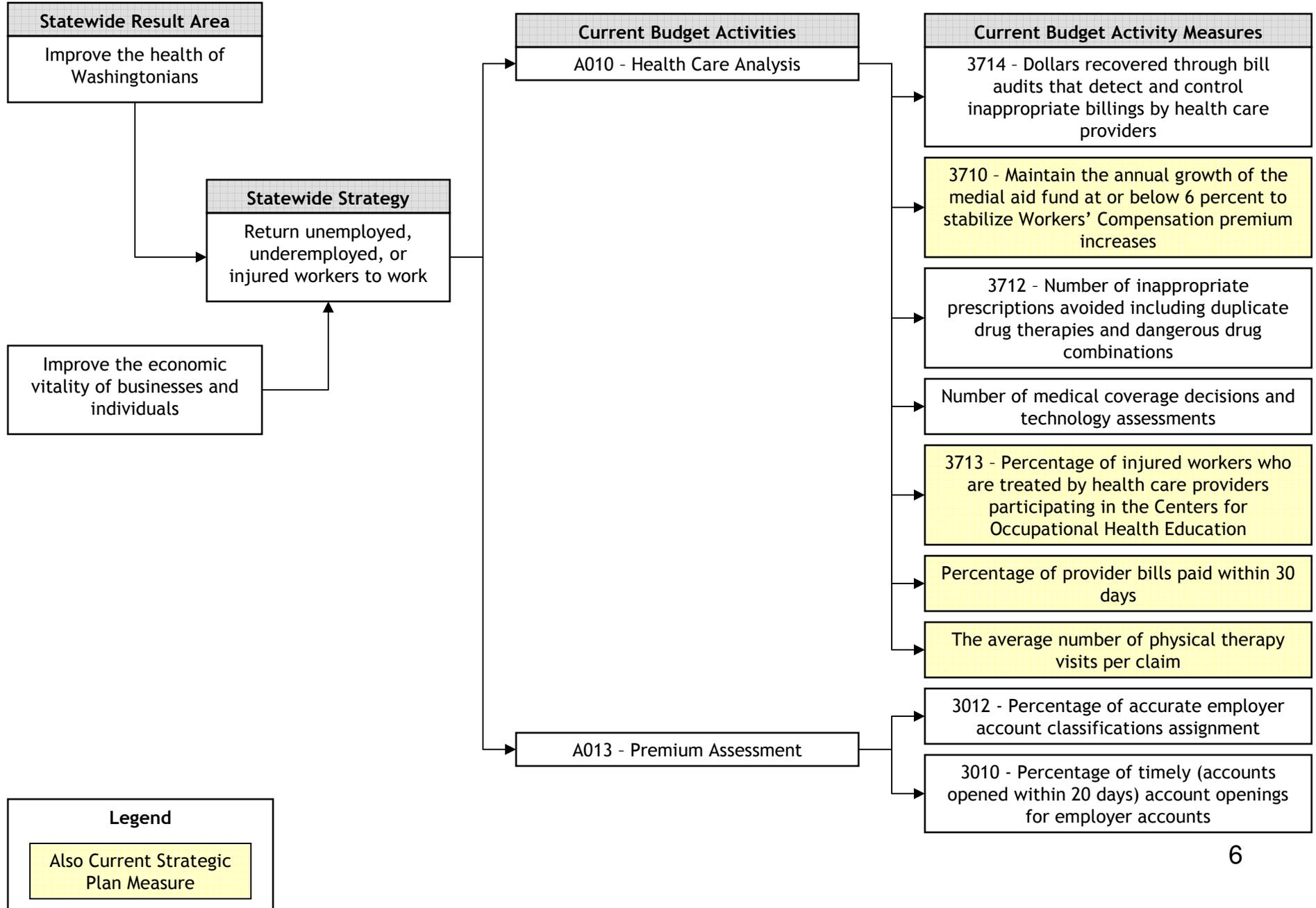
Analysis of Current Activity Measure Data

- The variation patterns in the measure for claim decision timeliness (slide 17) demonstrate a stable, decreasing (desirable) trend.
- The variation patterns on three measures are abnormal. This usually indicates some specific change to the underlying process.
 - In the case of inappropriate prescriptions discovered (slide 11), the change appears to have caused a desirable increase which has now stabilized at a new higher, level of performance.
 - The Early Return to Work patterns show a sharp drop off and probable stabilization around a new, lower level of performance.
 - The abnormally high level of performance in the wage replacement benefit timeliness measure (Slide 21), might be the first indicators of a developing increasing (desirable) trend. The underlying change would have occurred near the beginning of the 2005-07 biennium.
- There were insufficient data in the performance measure tracking system to warrant a detailed critique of the following performance measures:
 - The number of medical coverage decisions and technology assessments
 - The percentage of provider bills paid within 30 days
 - The average number of physical therapy visits per claim

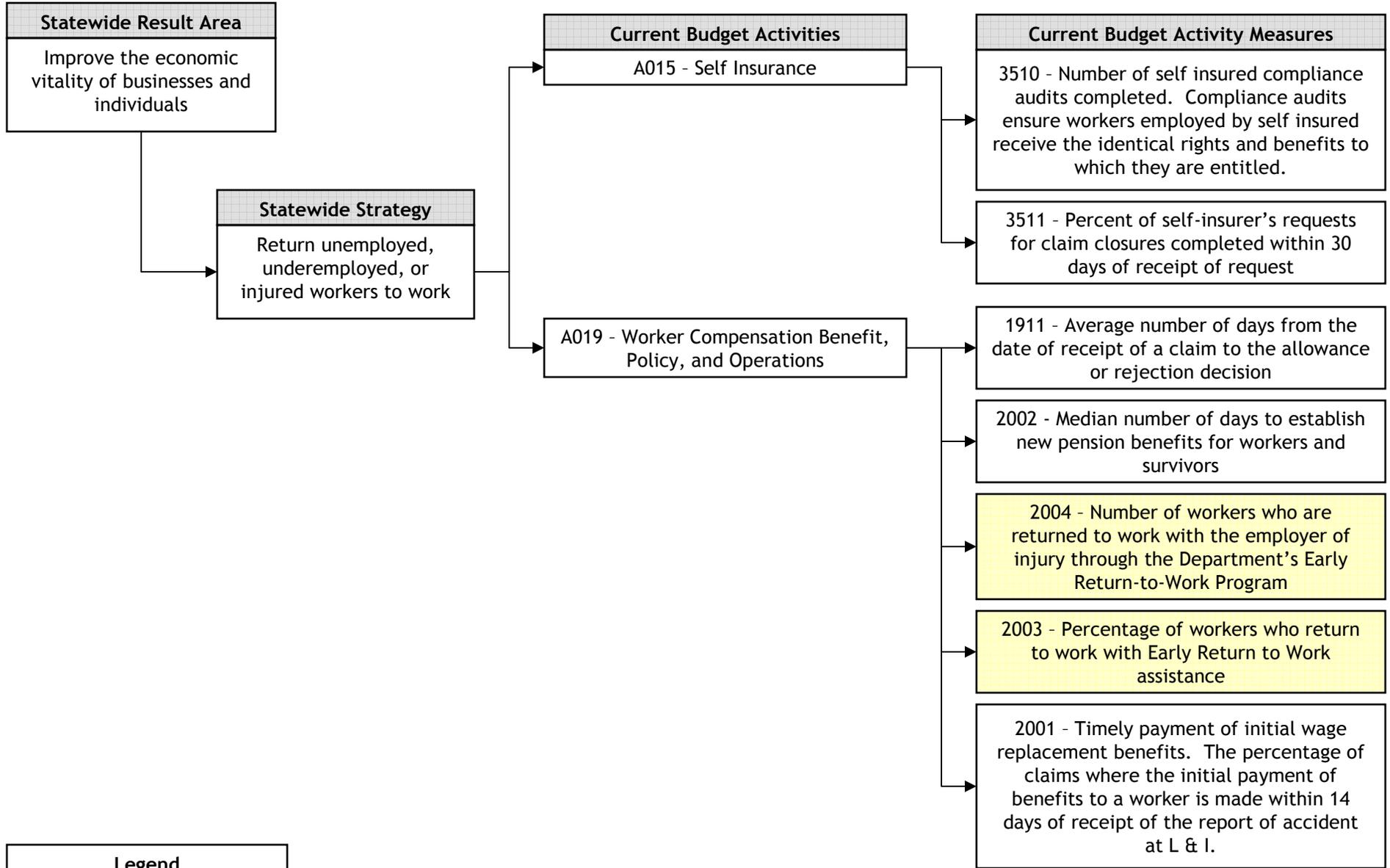
Agency Comments and Future Actions

- The agency was unable to provide any edits or comments during the timeframe of this assessment.

Budget Activity & Performance Measure Linkages



Budget Activity & Performance Measure Linkages (cont.)

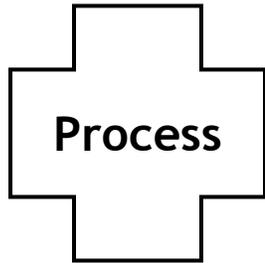


Legend

Also Current Strategic Plan Measure

Budget Activity Measure Perspectives

⑤ Process characteristics the customers/stakeholders want



⑥ Process characteristics the agency wants

Percentage of provider bills paid within 30 days

The average number of physical therapy visits per claim

Percentage of accurate employer account classifications assignment

Percentage of timely (accounts opened within 20 days) account openings for employer accounts

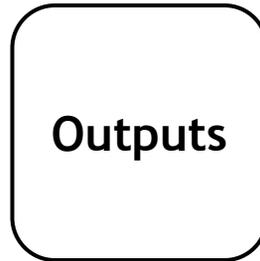
Percent of self-insurer's requests for claim closures completed within 30 days of receipt of request

Average number of days from the date of receipt of a claim to the allowance or rejection decision

Median number of days to establish new pension benefits for workers and survivors

Timely payment of initial wage replacement benefits

③ Product/service attributes customers/stakeholders want



④ Product/service attributes the agency wants

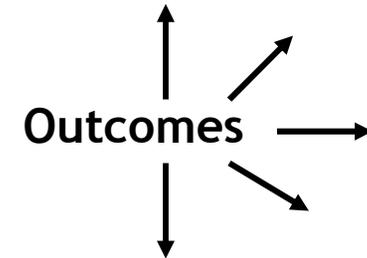
Number of medical coverage decisions and technology assessments

Number of self insured compliance audits completed

Legend

Strategic Plan and Budget Activity Measure

① Customer/stakeholder desired outcomes



② Agency desired outcomes

Dollars recovered through bill audits that detect and control inappropriate billings by health care providers

Maintain the annual growth of the medial aid fund at or below 6 percent to stabilize Workers' Compensation premium increases

Number of inappropriate prescriptions avoided including duplicate drug therapies and dangerous drug combinations

Percentage of injured workers who are treated by health care providers participating in the Centers for Occupational Health Education

Number of workers who are returned to work with the employer of injury through the Department's Early Return-to-Work Program

Percentage of workers who return to work with Early Return to Work assistance

Activity Measure Critique - Dollars Recovered from Bill Audits

Performance Measure Description: Audits of health care providers to recover inappropriate payments.

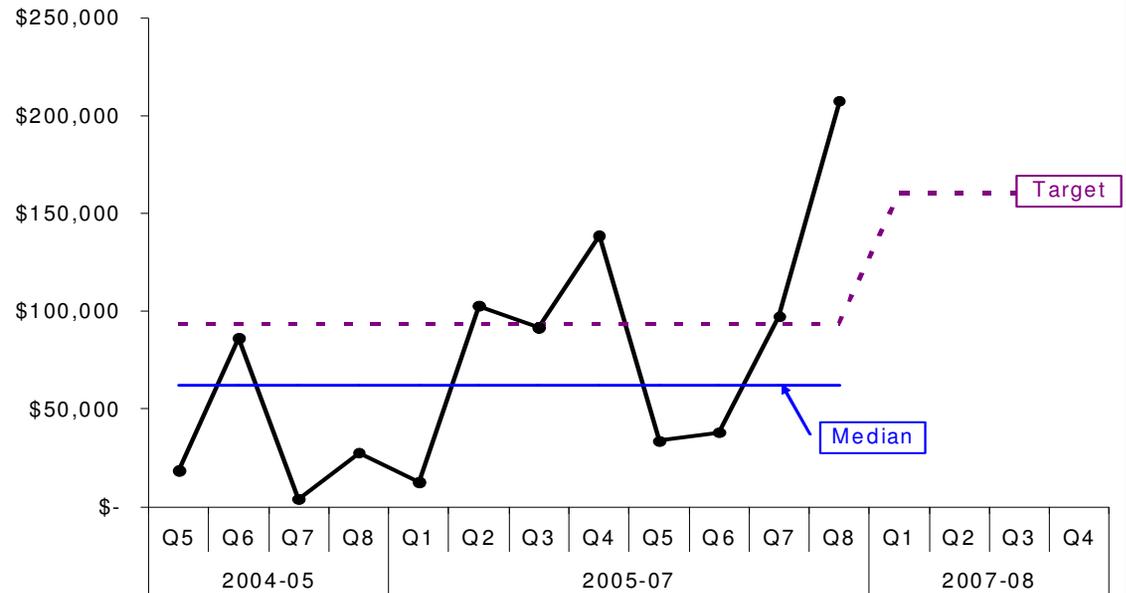
Budget Activity Links: A010 - Health Care Analysis

Category of Measure: An immediate outcome of the audit process

Analysis of Variation: Probably because of the large amounts of variation present, neither the extreme highs or lows appear to be abnormal for this process.

Analysis of Targeted vs. Actual Performance: The process has not achieved the targeted levels in 7 out of the 12 quarters reported. The median amount collected is almost \$40,000 less than the target.*

3714 - Dollars Recovered Through Bill Audits that Detect and Control Inappropriate Billings by Health Care Providers



Comments About Desirable Characteristics

Relevance: Dollars collected from audits is a measure of the amount of error built into a process. Increasing collection amounts do not mean the process is improving or inappropriate charges are being prevented, just that more problems are being detected.

Understandability: The language used in the title is very clear.

Comparability: How does this compare with other states?

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Depends greatly on the number and type of audits conducted.

Cost Effectiveness: It should not cost much to add up the amount of money recovered each quarter.

General Comments & Explanations:

* Why is the target increasing so dramatically, and what process changes will be implemented to achieve the new targeted levels of performance?

Activity Measure Critique - Medical Aid Fund Growth Rate

Performance Measure Description: No additional explanation required.

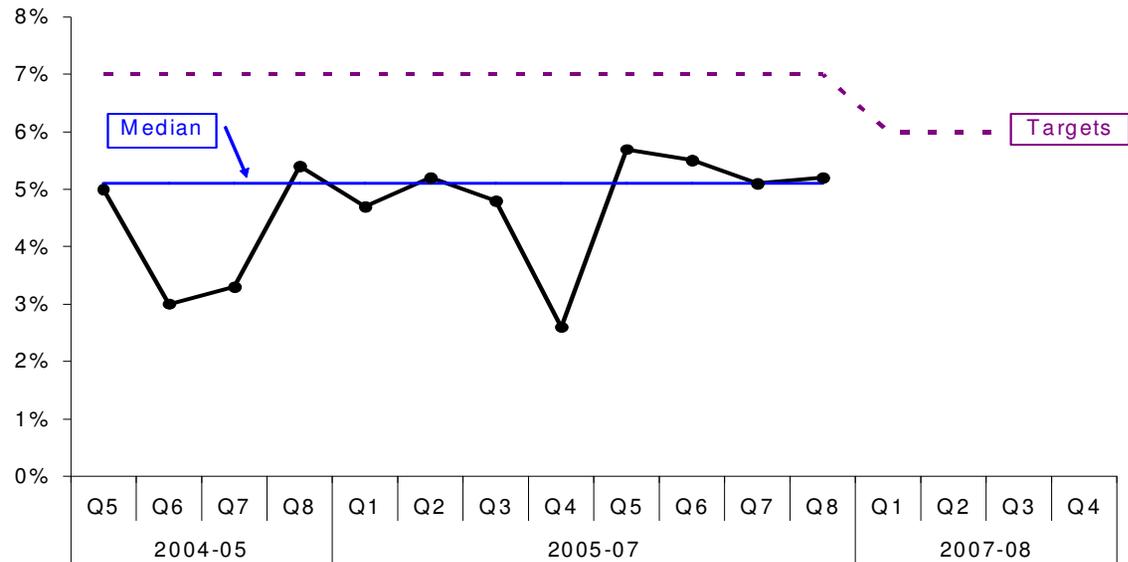
Budget Activity Links: A010 - Health Care Analysis

Category of Measure: An outcome

Analysis of Variation: The data patterns are stable and predictable. Future results should be similar to current performance levels.

Analysis of Targeted vs. Actual Performance:
Problem 1: The 7% target on the chart does not match the 6% target in the title.
Problem 2: The text says this is an annual growth rate, but the chart reports it quarterly. Five percent every quarter would yield a 20% annual growth rate.

3710 - Maintain the Annual Growth of the Medical Aid Fund At or Below 6 Percent to Stabilize Workers' Compensation Premium Increases



Comments About Desirable Characteristics

Relevance: L & I is responsible for the solvency of this account. So controlling the growth rate of expenses is very relevant.

Understandability: The language of the measure is clear, but the problems with the targets and the reporting frequency make the chart very confusing.

Comparability: How does the compare with other states and the inflation rate of medical costs in Washington State?

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: There market forces outside the agency's span of control that can influence this rate.

Cost Effectiveness: Calculating this rate of increase is probably a regular part of the fund management process with or without this measure being reported to OFM.

General Comments & Explanations:

Activity Measure Critique - Avoided Inappropriate Prescriptions

Performance Measure Description: From drug utilization reviews.

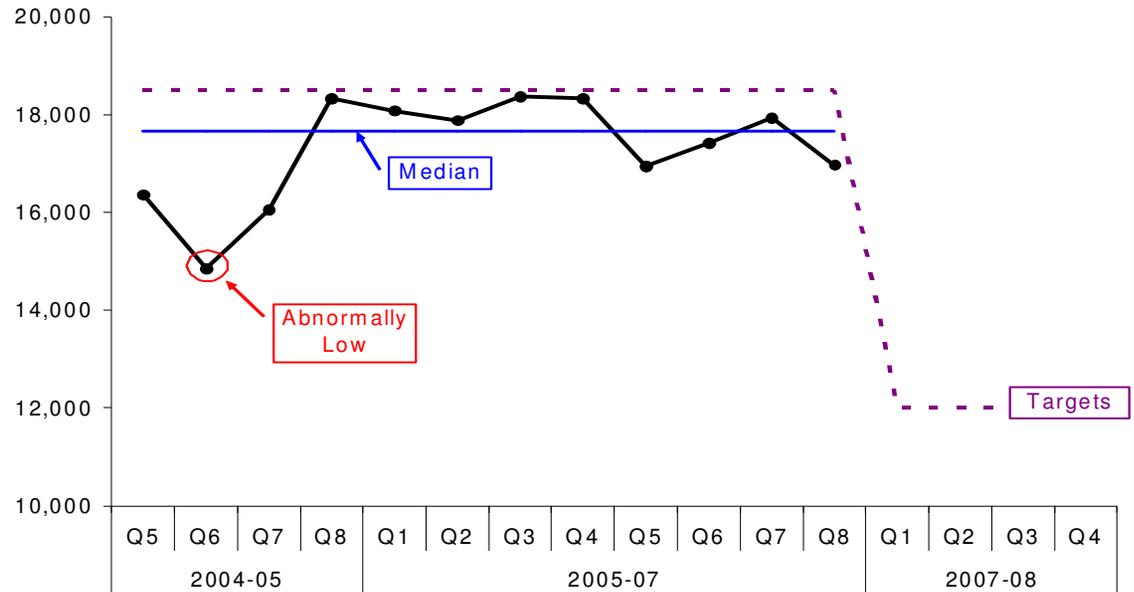
Budget Activity Links: A010 - Health Care Analysis

Category of Measure: An outcome

Analysis of Variation: The abnormally low data point in the 6th quarter of 2004-05 is an indication that something in the process changed. Since that time, performance has stabilized at a new, higher level. Future results should be similar to the new performance levels after the change.

Analysis of Targeted vs. Actual Performance: The targets have never been achieved in the reported time span. However, if nothing changes, the process should easily outpace the dramatically lowered targets for 2007-09.*

3712 - Number of Inappropriate Prescriptions Avoided Including Duplicate Drug Therapies and Dangerous Drug Combinations



Comments About Desirable Characteristics

Relevance: This is another measure of the amount of error built into the process. Finding more errors does not mean the process is improving or that duplicate therapies and dangerous combinations are being prevented, just that more problems are being detected.

Understandability: The large drop in the target is difficult to understand.

Comparability: How does this compare with other states?

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Depends greatly on resources available and the percentage of cases that can be reviewed.

Cost Effectiveness: The undesirable outcomes from not finding these errors is probably 100 times what it costs to find them and report the data.

General Comments & Explanations:

* Why are the targets for 2007-09 so much lower than the previous targets?

Activity Measure Critique - Centers for Occupational Health Education

Performance Measure Description: These providers are trained in common injury treatment methods and communication strategies.

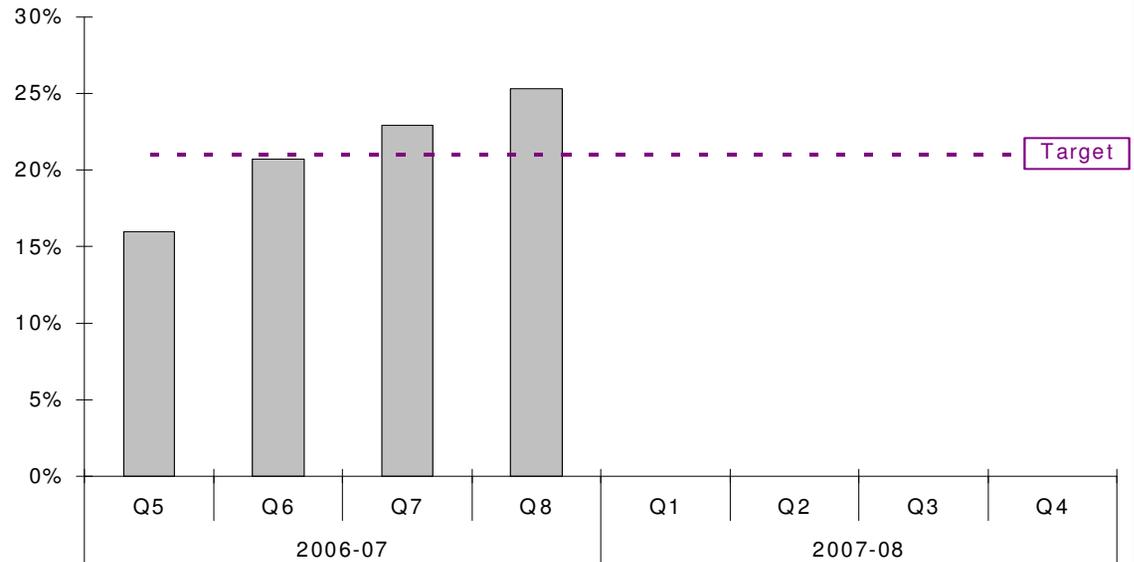
Budget Activity Links: A010 - Health Care Analysis

Category of Measure: An immediate outcome

Analysis of Variation: Not enough data for much analysis, but it appears to be increasing over time.

Analysis of Targeted vs. Actual Performance: The increasing performance levels from the last two quarters reported exceed the target.

3713 - Percentage of Injured Workers Who are Treated by Health Care Providers Participating in the Centers for Occupational Health Education



Comments About Desirable Characteristics

Relevance: How does the agency influence this outcome?

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Understandability: The footnotes do a good job explaining the benefit of being one of these providers.

Reliability: Depends on the operational definition of the terms, "Treated" and "Participating".

Comparability: How does this compare with other states?

Cost Effectiveness: It should be fairly easy to gather and compute this data.

General Comments & Explanations:

Activity Measure Critique - Employer Account Classification Accuracy

Performance Measure Description: The accuracy of the actuary work assigning the proper risk level and premiums to job classifications.

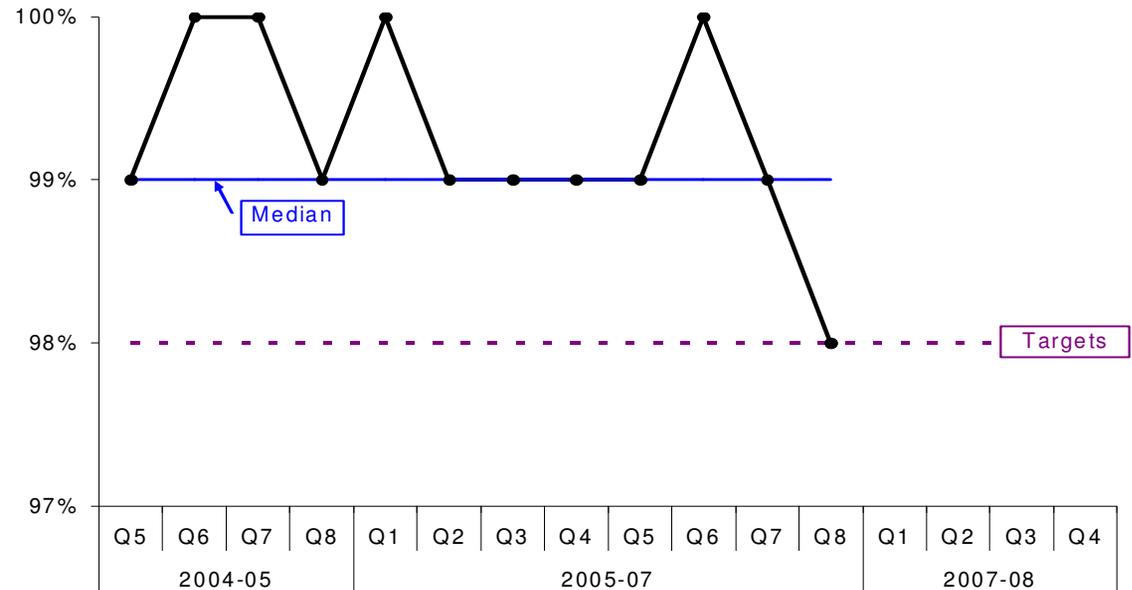
Budget Activity Links: A013 - Premium Assessment

Category of Measure: A process-level measure of accuracy.

Analysis of Variation: Stable and predictable. The drop off in the last reported quarter only reflects a drop of 1% from the median.

Analysis of Targeted vs. Actual Performance: Every reported quarter has met or exceeded the 98% target.

3012 - Percentage of Accurate Employer Account Classifications Assignment



Comments About Desirable Characteristics

Relevance: While accurate classification is a vital part of the process, the relevance to a budget/policy stakeholder audience is not clear.

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Understandability: The order of words seems confusing in the title. The definition of “accurate” should be included as a footnote.

Reliability: Good

Comparability: This particular measure does not appear to be a viable candidate for benchmarking.

Cost Effectiveness: Requires the existence of a quality control function, but collecting the data would be a normal part of that process.

General Comments & Explanations:

Activity Measure Critique - Employer Account Opening Timeliness

Performance Measure Description: No additional explanation is needed.

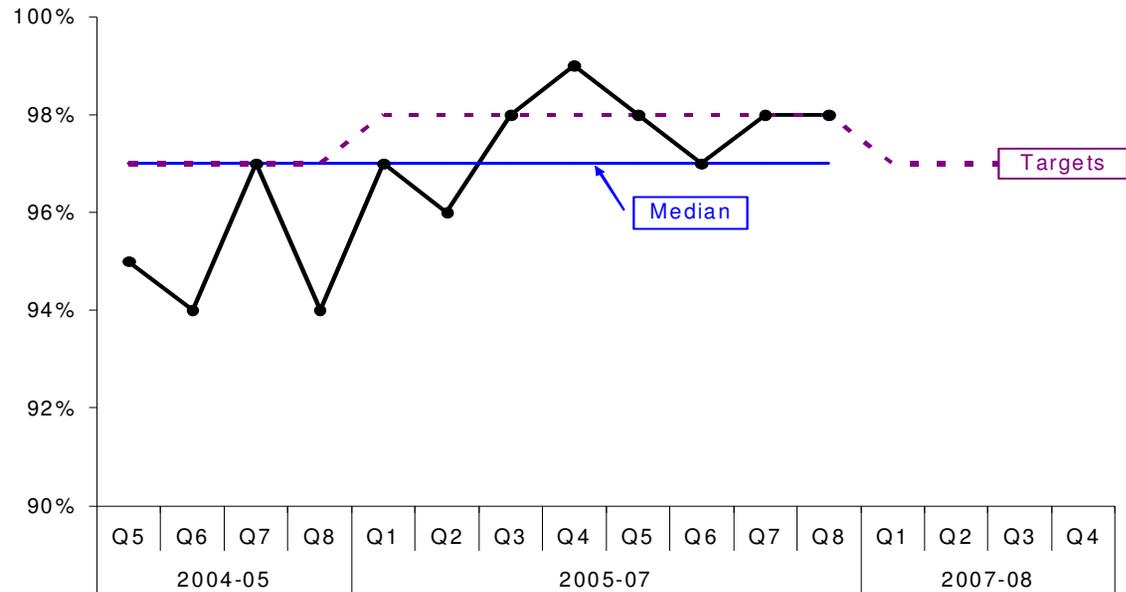
Budget Activity Links: A013 - Premium Assessment

Category of Measure: Timeliness is a process-level measure.

Analysis of Variation: Strictly speaking, the variation patterns are stable and predictable. Future results should be similar to current performance levels. The visible improvement is not strong enough to qualify as a trend, but that might change with a few more data points.

Analysis of Targeted vs. Actual Performance: In 2005-07, the 98% target was met 5 out of the 8 quarters reported. The reason for reducing the target in 2007-09 is not apparent.

3010 - Percentage of Timely (Accounts Opened Within 20 Days) Account Openings for Employer Accounts



Comments About Desirable Characteristics

Relevance: Could be enhanced with another measure that reports the realized benefits of making the process faster (i.e. cost savings, customer satisfaction, compliance/participation rates, etc.).

Understandability and Comparability: This measure could drive continuous improvement efforts in timeliness better and be more comparable if it were changed to report the average number of days the process requires.

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Should be good because of the established operational definitions for the terms, "Timely" and "Opened".

Cost Effectiveness: Collecting and calculating this information should not impose and significant additional costs.

General Comments & Explanations:

Activity Measure Critique - Self-Insurance Compliance Audits

Performance Measure Description: Audits of companies that are not required to purchase insurance form L & I in order to ensure sufficient funds are available in case of an injury.

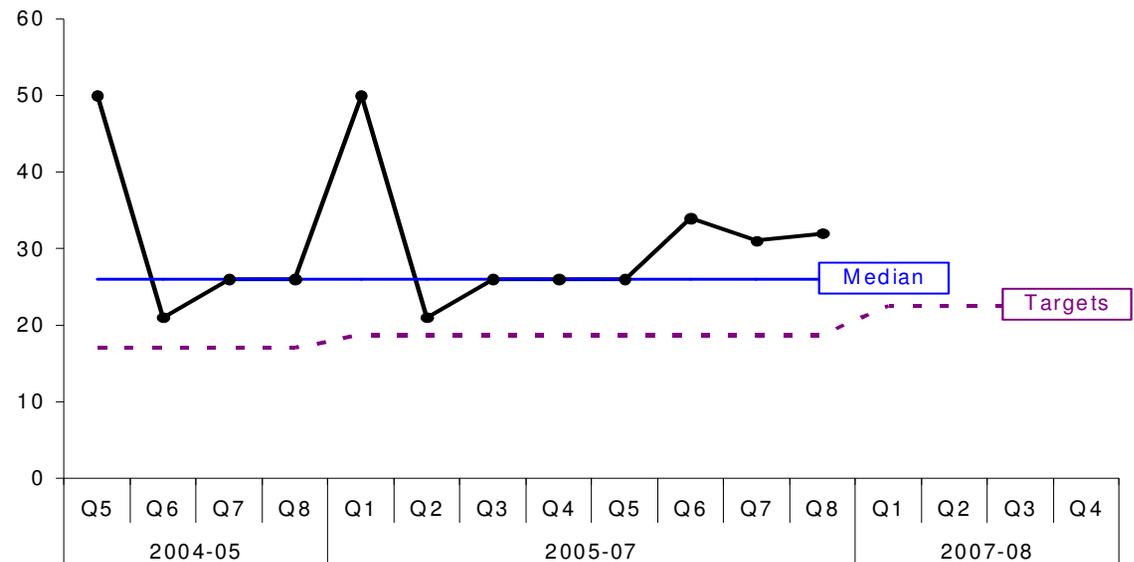
Budget Activity Links: A015 - Self-Insurance

Category of Measure: The number of audits completed is an output measure.

Analysis of Variation: Despite the high peaks, the variation patterns are stable and predictable. Future results should be similar to current performance levels.

Analysis of Targeted vs. Actual Performance: Actual performance has exceeded the targeted levels in every quarter reported.

3510 - Number of Self-insured Compliance Audits Completed.
Compliance Audits ensure workers employed by self-insured receive the identical rights and benefits to which they are entitled.



Comments About Desirable Characteristics

Relevance: The actual compliance rate or the default rate would be more relevant to a budget/policy development audience.

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Understandability: The title should be shortened and explanatory comments moved to the published footnotes section.

Reliability: Depends on the sampling methodology for choosing which firms will be audited.

Comparability: Since Washington state is unique in its workers' compensation insurance structure, opportunities for benchmarking may be limited.

Cost Effectiveness: Collecting and calculating this information should not impose and significant additional costs.

General Comments & Explanations:

Activity Measure Critique - Request for Claim Closure Timeliness

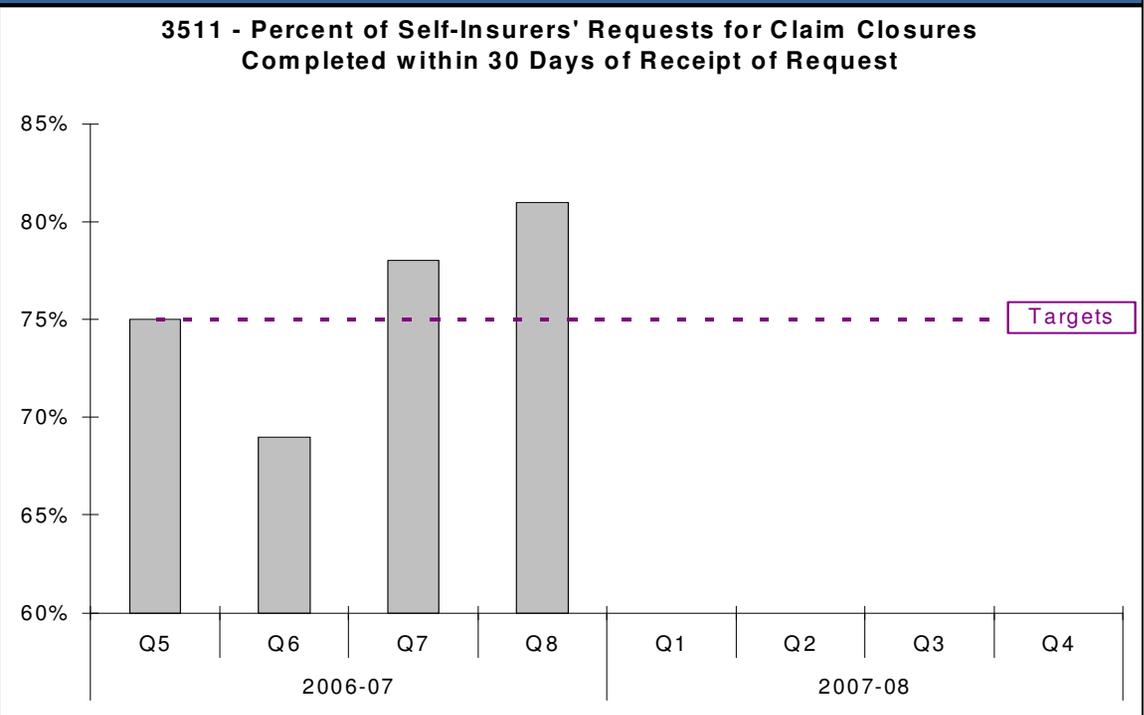
Performance Measure Description: No additional explanation required.

Budget Activity Links: A015 - Self-Insurance

Category of Measure: Timeliness is a process-level measurement perspective.

Analysis of Variation: Not enough data for much analysis.

Analysis of Targeted vs. Actual Performance: Actual performance met or exceeded the targeted levels in 3 out of the 4 quarters reported.



Comments About Desirable Characteristics

Relevance: Could be enhanced with another measure that reports the realized benefits of making the process faster (i.e. cost savings, customer satisfaction, compliance/participation rates, etc.).

Understandability and Comparability: This measure could drive continuous improvement efforts in timeliness better and be more comparable if it were changed to report the average number of days the process requires.

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Depends on a universal application of the operational definitions for the start and end of this process cycle.

Cost Effectiveness: Collecting and calculating this information should not impose and significant additional costs.

General Comments & Explanations:

16

Activity Measure Critique - Claim Process Timeliness

Performance Measure Description: No additional explanation required.

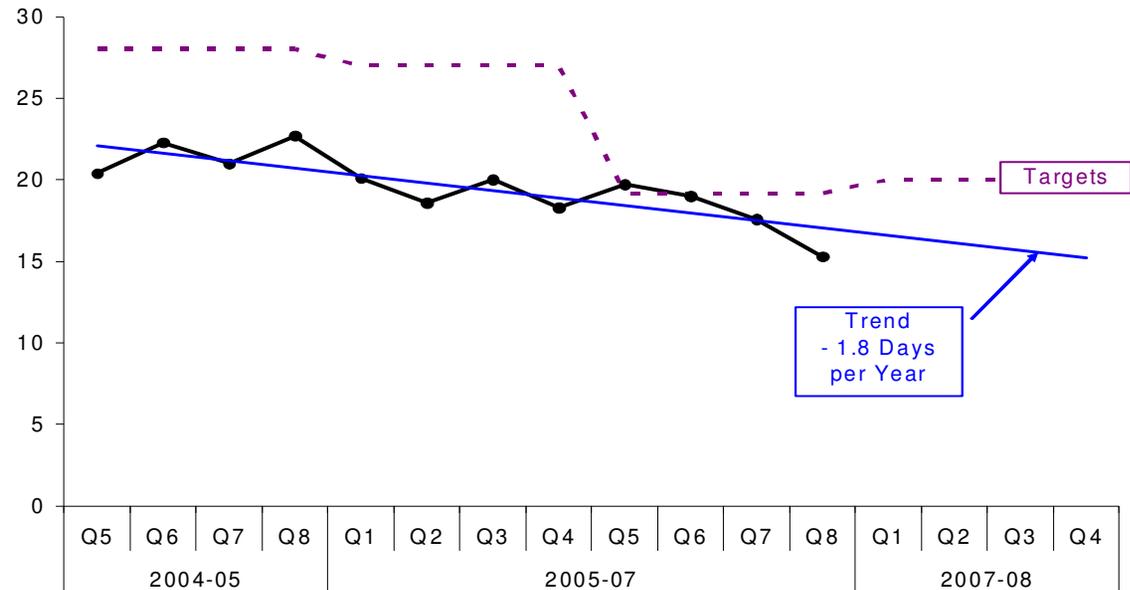
Budget Activity Links: A019 - Worker Compensation Benefit, Policy, and Operations

Category of Measure: Timeliness is a process-level measure.

Analysis of Variation: A stable and predictable trend in the data has been caused by some change in the supporting process elements. Future results should follow the trend down (Desirable), if the causes for the trend do not change.

Analysis of Targeted vs. Actual Performance: For the most part, actual performance has always been below (Desirable) the targeted levels. If the trend continues, the targets for 2007-08 will soon be obsolete.

1911 - Average Number of Days from the Date of Receipt of a Claim to the Allowance or Rejection Decision



Comments About Desirable Characteristics

Relevance: Could be enhanced with another measure that reports the realized benefits of making the process faster (i.e. cost savings, customer satisfaction, compliance/participation rates, etc.).

Understandability: Good

Comparability: How does this compare with other decision-making processes at L & I?

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Depends on a universal application of the operational definitions for the start and end of this process cycle.

Cost Effectiveness: Collecting and calculating this information should not impose and significant additional costs.

General Comments & Explanations:

Activity Measure Critique - New Pension Benefit Process Timeliness

Performance Measure Description: No additional explanation required

Budget Activity Links: A019 - Worker Compensation Benefit, Policy, and Operations

Category of Measure: Timeliness is a process-level measure.

Analysis of Variation: Not enough data for much analysis, but it appears the amount of time is going down (Desirable).

Analysis of Targeted vs. Actual Performance: It also appears that significant changes will be needed (from around 60 to less than 45 days) to reduce the current performance levels to the targeted 2007-08 levels.

2002 - Median Number of Days to Establish New Pension Benefits for Workers and Survivors



Comments About Desirable Characteristics

Relevance: Could be enhanced with another measure that reports the realized benefits of making the process faster (i.e. cost savings, customer satisfaction, compliance/participation rates, etc.).

Understandability: Good

Comparability: [How does this compare with other similar processes at L & I?](#)

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Depends on a universal application of the operational definitions for the start and end of this process cycle.

Cost Effectiveness: Collecting and calculating this information should not impose and significant additional costs.

General Comments & Explanations:

Activity Measure Critique - Early Return to Work Numbers

Performance Measure Description: A program designed to get workers back on the job, even if they can't fully perform their previous duties.

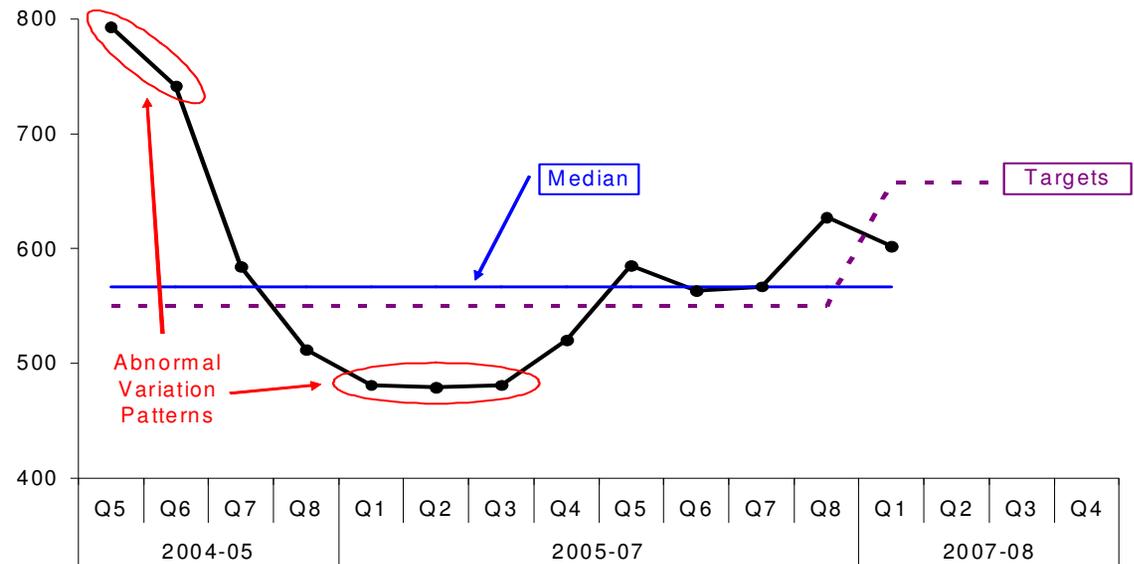
Budget Activity Links: A019 - Worker Compensation Benefit, Policy, and Operations

Category of Measure: Outcome

Analysis of Variation: A number of abnormal variation patterns indicate the process elements of this measure are in the middle of change. Until the causes of the change can be identified, the process should not be considered stable or predictable.

Analysis of Targeted vs. Actual Performance: Actual performance in the last 4 quarters of 2005-07 exceeded the target. The increase for 2007-08 suggests that more process changes are expected.

2004 - Number of Injured Workers Who Are Returned to Work with the Employer of Injury through the Department's Early Return-To-Work Program



Comments About Desirable Characteristics

Relevance: Good

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Understandability: Good, but a brief explanation of the program in the footnotes would help.

Reliability: Should be good since program eligibility is already determined before any data is collected.

Comparability: How does this compare to other states with similar programs?

Cost Effectiveness: Good

General Comments & Explanations:

Activity Measure Critique - Early Return to Work Percentages

Performance Measure Description: A program designed to get workers back on the job, even if they can't fully perform their previous duties.

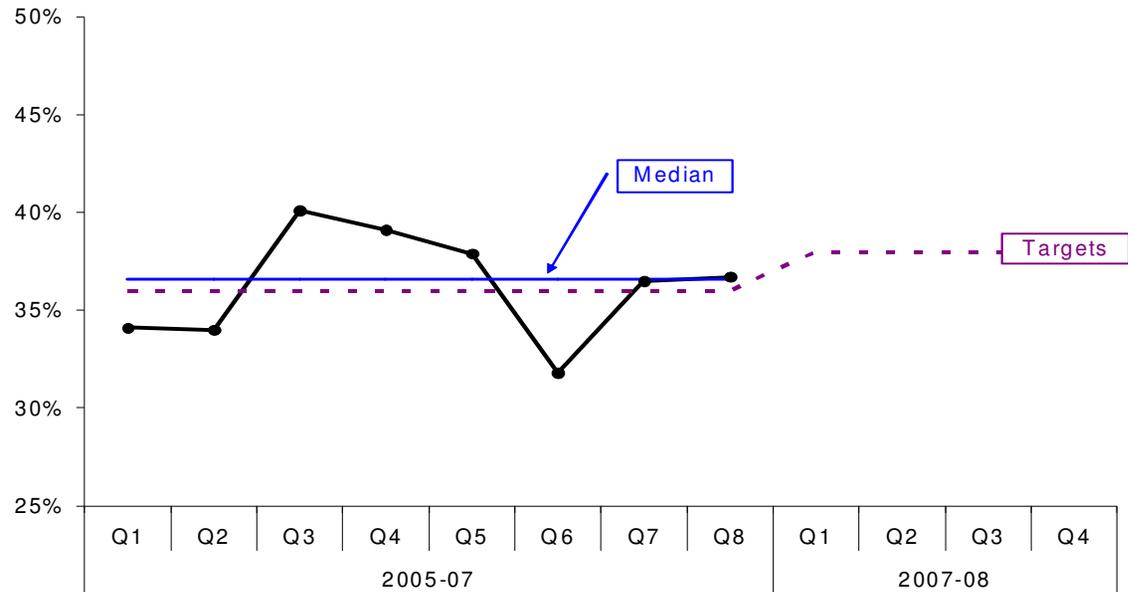
Budget Activity Links: A019 - Worker Compensation Benefit, Policy, and Operations

Category of Measure: Outcome

Analysis of Variation: Variation patterns appear to be stable and predictable. Future results should be similar to current performance levels.

Analysis of Targeted vs. Actual Performance: In 2005-07, the actual performance met or exceeded the targets 5 out of 8 quarters, and the median level of all the reported data exceeds the target. The increasing target indicates the agency has a strategy and the resources to improve the process elements in some significant way.*

2003 - Percentage of Workers Who Return to Work with Early Return to Work Assistance



Comments About Desirable Characteristics

Relevance: Good

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Understandability: Good, but a brief explanation of the program in the footnotes would help.

Reliability: Should be good since program eligibility is already determined before any data is collected.

Comparability: How does this compare to other states with similar programs?

Cost Effectiveness: Good

General Comments & Explanations:

* What is the agency planning to change to improve process performance?

Activity Measure Critique - Wage Replacement Benefit Timeliness

Performance Measure Description: The amount of time it takes to get the first check from L & I after getting injured.

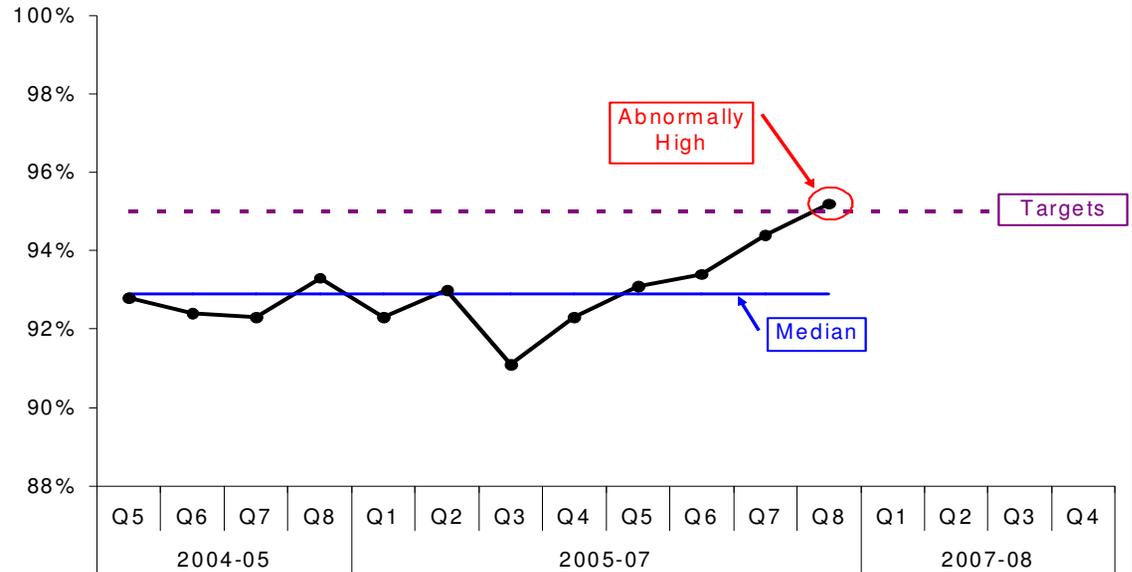
Budget Activity Links: A019 - Worker Compensation Benefit, Policy, and Operations

Category of Measure: A process-level measure

Analysis of Variation: The abnormally high performance in the 8th quarter usually indicates a change in the underlying process elements that contribute to this result.*

Analysis of Targeted vs. Actual Performance: Performance has been steadily improving since the 3rd quarter of 2005-07, and the abnormally high data point finally exceeded the target. This measure should be closely monitored to ensure recent performance levels are sustainable.

2001 - Timely Payment of Initial Wage Replacement Benefits. The percentage of claims where the initial payment of benefits to a worker is made within 14 days of receipt of the report of accident at L & I.



Comments About Desirable Characteristics

Relevance: Very relevant, especially from the customer's perspective.

Understandability and Comparability: This measure could drive continuous improvement efforts in timeliness better and be more comparable if it were changed to report the average number of days the process requires. The title should be shortened and the detail operational definition moved to the footnotes.

Timeliness: There appears to be a slight lag in reporting since the data for the most recently completed quarter were not available at the time of this assessment.

Reliability: Should be good since program eligibility is already determined before any data is collected.

Cost Effectiveness: Good

General Comments & Explanations:

* Is there some specific cause for this increase - Either in the 2nd or 8th quarters of 2005-07?