

# HOUSE BILL REPORT

## SHB 1310

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### As Passed Legislature

**Title:** An act relating to mandatory electronic data reporting under Title 51 RCW for workers' compensation self-insurers.

**Brief Description:** Requiring mandatory electronic data reporting under Title 51 RCW for workers' compensation self-insurers.

**Sponsors:** By House Committee on Commerce & Labor (originally sponsored by Representatives Hudgins, Conway, McCoy, Condotta, Wood and Chase; by request of Department of Labor & Industries).

#### **Brief History:**

##### **Committee Activity:**

Commerce & Labor: 1/24/05, 1/27/05 [DPS].

##### **Floor Activity:**

Passed House: 2/28/05, 94-1.

Passed Senate: 4/14/05, 47-0.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Requires the Department of Labor and Industries to establish an electronic system for reporting self-insurance claim data, which self-insurers will be required to use beginning July 1, 2008.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Crouse, Hudgins, McCoy and Sump.

**Staff:** Chris Cordes (786-7103).

#### **Background:**

Industrial insurance is a no-fault state workers' compensation program that provides medical and partial wage replacement benefits to covered workers who are injured on the job or who develop an occupational disease. Employers must insure with the state fund administered by the Department of Labor and Industries (Department) or, if qualified, may self-insure.

#### **Qualifying for Self-Insurance**

To be certified as a self-insurer, the employer must meet certain criteria, including:

- be in business for at least three years;
- have a net worth of at least \$5 million;
- meet a specified surety requirement;
- have an approved, effective safety and accident prevention program; and
- have sufficient financial ability to ensure prompt payment of compensation to its injured workers.

Group self-insurance is also permitted for school districts and educational service districts, and for hospitals (one group for public hospitals, one group for other hospitals).

### **Benefits and Claims Administration under Self-Insurance**

Self-insurers must provide their injured workers with the same benefits that are provided to injured workers in state fund claims, including medical and partial wage replacement benefits, permanent partial and total disability benefits, and death benefits. Self-insurers manage most aspects of their injured worker claims, including:

- paying time loss benefits directly to their injured workers;
- scheduling medical appointments required by the employer;
- referring injured workers to vocational rehabilitation counselors;
- closing certain undisputed claims; and
- determining and paying permanent partial disability benefits if the claimant has returned to work with the employer.

Self-insurers are required to report various claims actions and other information to the Department.

### **Confidentiality of Records**

Generally, information obtained by the Department from employer records is confidential and not open to public inspection. Similarly, information in injured workers' claim files is also confidential and not open to public inspection, although various interested parties may have access to certain records for purposes related to administering the Industrial Insurance Act.

### **Self-Insurance Assessments**

Self-insurers pay assessments to the Department to cover the Department's administrative costs of regulating self-insurance and for an insolvency trust fund that covers the costs of self-insured employers who become unable to meet their workers' compensation obligations.

### **Self-Insurance Penalties**

Self-insurers are subject to decertification or corrective action for failing to meet financial requirements and for specified prohibited actions against employees. They are also subject to various penalties for failure to make required reports to the Department or for violations of certain statutes or Department rules.

**Summary of Substitute Bill:**

The Department of Labor and Industries must establish an electronic reporting system for self-insured employers to use when submitting specified industrial insurance claims data to the Department.

The claims data reported to the Department by self-insured employers using the electronic reporting system are confidential under applicable Industrial Insurance Act provisions. However, the Department may publish aggregated claims data that do not contain personal identifiers.

Beginning July 1, 2008:

- Self-insured employers will be required to submit claims data electronically as prescribed by the Department, and electronic submittal will be a requirement to maintain self-insurance status.
- A self-insurer that fails to comply with the electronic submittal requirement will be subject to penalties, including withdrawal of certification, under an escalating schedule of penalties developed by the Department.
- The statutory criteria to qualify for self-insurance will include a requirement to demonstrate the ability and commitment to submit claims data electronically.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed, except for sections 2 and 3, requiring self-insurers to submit data electronically, which take effect July 1, 2008.

**Testimony For:** Washington is in the forefront of the digitalized states, and this bill is another step into the 21st Century. It will make the industrial insurance system work better for businesses in Washington. This proposal resulted from close work between the Department and the self-insured employers. It will be paid for with annual assessments on self-insured employers. It will make more data available to policy-makers on an aggregated basis. With mandatory reporting the data's integrity will be ensured. The types of data that will be reported will be the same as the data that is reported now. The benefits of creating the system include: (1) improving information available to policy-makers; (2) identifying opportunities for improvement in self-insurance; (3) improving the Department's ability to target its auditing programs and its effectiveness; and (4) making the system more accountable. This issue was reviewed by the Workers' Compensation Advisory Committee.

**Testimony Against:** None.

**Persons Testifying:** Representative Hudgins, prime sponsor; Vickie Kennedy, Department of Labor and Industries; David Kaplin, Washington Self-Insurance Association; and Robby Stern, Washington State Labor Council.

**Persons Signed In To Testify But Not Testifying: None.**