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The Washington State Workers' Compensation Administration: Reforming a Culture of Despair (B)

By late 1987, a financial and political crisis, which only two years earlier had threatened the very existence of Washington state's workers' compensation program, was lifting. The governor, elected in 1984 on a pledge of reforming the program, had staffed it with a new management team who had persuaded the state legislature to scale back benefits to injured workers and had improved the program's money management. Whereas in 1985 the workers' compensation program, which was part of the Department of Labor and Industries, had been losing $18 million a month it was now losing only about $1 million a month.

The department director, Joseph Dear, and Robert McCallister, who took over as director of the Industrial Insurance Division, could now concentrate on the division's more intractable problems in its all-important Claims Administration section. Dear and McCallister, along with the section's new assistant director, Janet Morris, intended to reorient the claims staff to work effectively towards the section's goals of returning injured workers to gainful employment as soon as feasible and assuring that the department paid only for necessary and appropriate medical treatment. Rather than the claims section staff working as specialists on one aspect of a claim, as if they were on a production line, McCallister and Morris wanted the staff to take responsibility for all aspects of each of the claims they handled. The staff would be encouraged to relinquish their role as passive claims "processors" who mechanically followed rules; they would become, instead, claims "managers" who exercised initiative to bring about successful outcomes.

Total Claims Management

Morris and McCallister wanted to turn the department's antiquated claims processing operation on its head, scrapping the production-line method that was used to handle claims for what they called Total Claims Management. TCM, as Total Claims Management was known, had its origin in a memo Morris had prepared for McCallister, before he started work at Labor and Industires, in which she had also detailed the section's problems. TCM called on the claims staff to handle all aspects of a claim—the total claim. It was an effort McCallister and Morris would put

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into effect a step at a time to correct the claims section's most basic problem. That problem, says McCallister, was that the department was practicing "claims *processing*, as opposed to claims *management*." He and Morris wanted the staff had to work "proactively," taking responsibility for their claims and exercising individual initiative.

An important step in the transition to TCM was to give the claims staff new jobs. Claims examiners, treatment authorizers and, later, disability adjudicators, were reclassified as "claim managers" and were divided into five levels, depending upon their experience. Claim managers, who received salary increases to compensate for the greater responsibility the new position would require, were assigned all temporary disability claims and were to perform all the jobs that claims examiners, treatment authorizers, and disability adjudicators had performed—reviewing the claimant's medical and employment status, handling vocational rehabilitation issues, resolving legal issues, and whatever else needed to be done to move these claims toward closure. As before, claims that involved no time loss, only the payment of medical bills, were handled separately, by medical aid adjusters.

Claim managers, with authority over the total claim, McCallister and Morris believed, would have a sense of responsibility for, and be encouraged to actually manage, claims. Rather than blindly approving medical and benefit payments, claim managers would scrutinize all available information, and, where that information was incomplete, make their own inquiries, in order to make considered determinations and, ultimately, get employees back on the job as quickly as their medical conditions permitted. Whereas before they merely reacted—to mail and to phone calls—now they would be expected to take the lead.

This change of responsibilities, which occurred over the course of just a few months, was traumatic for many of the section's staff, who received only four weeks training for their new job. Treatment authorizers, who were accustomed to dealing with doctors were forced to adjust to dealing with the public, and had to learn legal issues; claims examiners had to learn how to deal with medical issues in much greater detail than they ever had before. "There were a whole lot of people who had a lot of anxiety about having to take on these other aspects of the job," says Kris Masten, who trains claim managers.

There was a great deal of staff involvement, however, in working out the claim manager's responsibilities. A "design team" of about 25 line staff, chosen by their colleagues, spent three days at a "retreat center" about 45 minutes north of Olympia on the Hood Canal. Morris, although initially reluctant, asked the Washington Federation of State Employees (a council of the American Federation of State County and Municipal Employees), the union that represented the claims staff, to select an official representative to be included in the team. She reasoned that eventually the union would have to sign off on the new job description, since the labor-management process in Washington required the department to negotiate with the union on anything that impacted working conditions, as the changes in job classifications and duties under consideration

certainly would. Morris' reluctance to involve the union was due to her belief that the union did not share ideas freely and openly. The retreat was to be, in her words, "an environment for planning and vision, not secrets and agendas."

At the retreat, Morris mostly stayed in her room and let the staff, led by a "facilitator," work out the responsibilities of the claim manager's job. But not before she laid down about a dozen parameters for the new position—among other things, the new job had to eliminate duplication and be "customer-service driven"—and gave the design team her overview of how she wanted the section to function. "And by the end of the three days we walked out of there with a plan on how to do it designed by the staff," she says. Back in Olympia, the members of the team talked with their peers about the new job description they had hammered out on the Hood Canal and continued working out the details of the change-over.

Although the new claim manager position was staff-designed, many staff members did not adapt well to their new job. "There was a lot of stress on the staff in terms of transitioning over to the new job duties that they weren't totally comfortable with," says Russell Redding, who has held numerous positions in claims since joining the department in 1979 as a claims examiner. "If you're supposed to be looking at the whole picture and you've only been looking at a piece of it there's some self-doubt about whether you can or want to look at the whole piece," says Michael Watson, who has held positions in claims, as a pension adjudicator, and in management. As a result of their inability to adapt, some staff members transferred to other positions, some retired, and some left the agency.[1]

Changing Attitudes. Using the staff to decide something as important as the duties of the claim manager flew in the face of convention at Labor and Industries and helped boost morale. Masten, who worked her way up, during her 18 years with the department, from a secretary in the claims section to head the training section, says "the design team going away on that retreat—it was the first time in all the years I'd been here that that kind of thing happened" and served to give the staff a feeling, "that they had more of a voice in the changes."

At the same time that TCM began the legislature authorized the department to go on a veritable hiring spree that would ultimately double the size of the claims section. The addition of so many new people to the section—60 or more a year, year after year—helped reinforce the idea that better times were coming. Although the new hires provided some relief for the oppressive claims load, any advantage their numbers offered was offset by the enormous problems the section encountered in attempting to train so many new employees. Still, with the department hiring in such large numbers, "the staff started to believe to some extent that maybe this time some things would happen to make a difference here," says Morris.

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1 An informal estimate put the number of people who changed jobs or left the agency as a result of the shift to Total Claims Management at approximately five percent.

Also, the new claim managers had no reason to harbor resentment against the department. This was evident in the different responses new and veteran staff had toward a statewide "brainstorm" program that gave rewards of up to $10,000 to people who offered ideas for improving government service. The staff who submitted ideas to this contest and won cash prizes were, invariably, newer employees, who "believed him [Dear] when he said, 'I want your ideas.' ... I think the older employees still thought they've never listened before so why would they now," says Masten. But the message that the new management was different was beginning to sink in with the department veterans, who eventually began submitting their own entries. And by using staff to design the claims manager's job and by rewarding good ideas, says Masten, "the message was coming out [from management] that, 'Yes, we want to hear what you have to say, it's important.'"

The brainstorm program was one of many department-wide initiatives that were being taken to improve employee morale. The program to reward money-saving ideas had been in existence for years, but prior to Davis, Dear and McCallister Labor, and Industries had rarely if ever selected its own employees as prize winners. Under the department's new management the program was heavily promoted, to the point that Labor and Industries awarded more prize money than any other state agency. The department also began giving formal recognition to employees simply for having served for five, 10 or 20 years. Awards were presented for superior service as well. The purpose of these programs, says Dear, was "to start saying to the workers in the department that they were valued."

Dear was also more accessible to and more open with the department staff. At the department-wide award ceremonies, and at meetings with just the claims staff, he described where the department was failing, where it was doing well, and the actions he was taking to improve the department's financial standing. "The attitude was we got a young go-getter in here, maybe things will change," says a long-time member of the claims staff who started working with the department before she was even old enough to legally drive a car.

Moving Closer to TCM. The transformation of adjudicators and examiners into claim managers, however, merely set the stage for Total Claims Management. "It was a mini-step to Total Claims Management," says a member of the staff who was one of the first to be re-trained. The staff was instructed as to their new responsibilities, but many of them were a long way from understanding, much less carrying out, what Morris expected of them. Having laid the groundwork for TCM, however, Morris could take additional steps to further train her staff about how to do business her way. To complete a full transition from claim processing to claim management would be, as one participant described it, like turning a large ship in a tight passage. Executing this maneuver would require the department's new management to put the claims section through a series of small turns that would take five years to complete.

The Tickler System. The first turn Morris tried was to have the staff adopt a new computerized system that would automatically remind claim managers, on the basis of a

programmed schedule, to review their claims. The Tickler System, as it was known, was a computerized diary system—one of a number of computer upgrades for the claims section—that the staff could use to automatically remind themselves to review particular aspects of a claim. Claim managers using the system would see prompts on their computer screens at pre-set intervals reminding them to attend to these matters.

The Tickler System, as it was known, was intended to make it more difficult for claim managers to put their claims on auto-pilot. Under the old system, whenever a doctor notified Labor and Industries that an injured worker needed a given number of weeks off work to recuperate a member of the claims staff entered the appropriate commands into a computer instructing it to pay the claimant time-loss benefits for that period. When the period expired the claim manager again reviewed the claim. Some claimants, however, were put on permanent auto-payment and received time-loss benefits for years without anyone in claims reviewing their status. For the claim managers this system worked well: claims set up for automatic benefit payments generated no letters for them to respond to and no angry claimants called on the phone. For Labor and Industries, however, it was extremely expensive.

The Tickler System would automatically bring each claim to the claim manager's attention every two weeks, prompting them to review, or "manage," their claims. Managing the claim might involve contacting the employer to inquire if the company had a light-duty job the claimant could perform, determining if the doctor had changed her judgment about the patient's rate of recovery, or, perhaps, ordering a second medical exam to confirm the first doctor's initial diagnosis. The claim manager might also check to see if the worker had returned to his job, in which case he would be collecting both a paycheck and time-loss benefits. Before the Tickler System was implemented, "they weren't doing any of those things," Morris laments. "It was strictly getting these payments out." The idea behind the Tickler System, she explains:

> is [that] you [the claim manager] get your cases lined up and if the doctor says six weeks on you, you put that in the system. But you see that claim every two weeks. ... You should look at it and say, how are things going with the injured worker? Do I need to call the employer? Where are we with voke [vocational rehabilitation]? And you go through your different things and as you do that you manage the whole claim. You pay the time loss. You review any bills and authorize those. You take care of medical issues. You take care of vocational issues. You do an action plan ... that says this is where we are. This is my plan to bring this case to resolution.

Morris also hoped that the Tickler System would reduce the large volume of phone calls that claimants and others made to the claims section. Those who received regular checks generally

left well enough alone and did not call the department. Yet the section was flooded with calls, many of them from claimants who were uninformed about and distrustful of the claims process. This distrust was often established when claim managers, failing to review claims until they were set to expire, left claimants in the lurch. Claimants receiving time-loss checks for fixed periods frequently did not know they would either have to return to work or have their doctor approve extended benefits and were frequently taken unawares when their benefit checks stopped arriving. "The injured worker gets to this point and he's left hanging high and dry," says Morris:

> We have set up an expectation that [the payment is] going to keep coming and we've stopped it. So, the first time that occurs, any good will we may have gotten by doing the payments the way we did is shot. Because from then on that worker calls every time he thinks there is a payment due because they've spent all their money and no check was coming in and ... so to them, the department set them up. If you manage the claim every two weeks, ... [when] you're only into three weeks of this [six-week period] you call the claimant and say, you need to know here, you need to go back to your doctor.

Implementation. Morris, who had used a Tickler System for years at the private insurance companies where she had worked, anticipated that her staff would be eager to use this new tool when she introduced it to them in early 1988. McCallister, who she reported to, had a similar background and believed likewise. "I had worked with Tickler Systems all of my working life," he says, "and I was just delighted when we computerized it [at Labor and Industries]. In private industry you lived and breathed with tickler or diary systems. I mean you couldn't survive without them because you couldn't keep your job if you let claims go to hell." Morris also assumed that her claims staff would have no trouble learning to use the tickler, which she considered simple to use.

Instead, about half of the claims staff did not want to use the tickler. McCallister and Morris believed that the claims staff resisted the Tickler System because it required them to do more work, which they did not feel they had time for, and to do a different type of work than they had been used to and were comfortable doing. In the new system, explains McCallister:

> you've got to pick up the phone and call somebody. 'Well, what do I say to them? How do I do this? I sure don't want to call the employer. By calling the employer I'll only get a complaint. They're going to complain about that claim last year, how they believe we mishandled that, and how the person shouldn't have been paid. So I don't really want to do that. I don't want to put myself through that. So how am I going to do it?'

Morris did not understand why claim managers would not embrace her initiative and she was not sympathetic to their problems. Morris informed her staff that they would be using the Tickler System and expected them to comply. "I forced it down their throats," she admits. In riding roughshod over the line staff Morris was flying in the face of the management philosophy that Dear and McCallister had brought to the department. "Bob [McCallister] was big for empowerment. He really pushed it hard," says Roger Neumaier, who was the Industrial Insurance division's chief financial officer and managed its revenue collection office. The department had abandoned, by this time, its earlier practice of requiring a consensus among staff before implementing new policies, replacing it with an "alignment" policy, an approach intended to accommodate employee concerns—up to a point. "They had [a] voice and they got to express their concerns about it," says McCallister, "but when the process was adopted, then they had to participate."

Morris' personal approach to gaining alignment was not what McCallister envisioned, especially when it came to dealing with what he calls the section's "reluctant dragons." McCallister recalls that during one of his walks through the claims section during this period when the Tickler System was being adopted he noticed that everyone looked "kind of dejected." McCallister asked a supervisor, who was also looking "kind of down in the mouth," if there was a problem:

> I said, 'Gee, Mark, what's the problem?'
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> He said, 'It's this damn Tickler System.'
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> I said, 'Well what's the matter? Isn't your computer working right?
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> 'Oh yeah, the computer is working fine.'
>
> 'Well, what's the problem?'
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> 'We don't want to use it and we didn't get a chance to vote on it.'
>
> I said, 'Well, what makes you think you should have a vote on it?'
>
> 'Well, that's the way we've always done things. If something comes along and we don't want to do it, we don't do it.'

To gain this supervisor's "alignment" McCallister says he would have recommended trying to gain a commitment to cooperate with the program, at least for a limited period, by saying:

> 'I know you don't like this. I know you don't agree with this. I know you think that this is not a good idea. But would you at least try it for a while and don't be talking

> negatively about it to your staff? And if, in fact, your concerns prove to be a reality, in six months, I'll be back here and we will revisit this issue and if you can make a case that it isn't working, then we'll change it.'

But even those who tried to adapt to the department's new ways had problems. Using the Tickler System involved learning to operate a new computer program that many of them found difficult to master, notwithstanding how easy Morris thought it was to operate. "No one could figure it out," she says.

Morris believed these claim managers needed temporary assistance in making the conversion to the new system, but decided against providing this assistance in order to break her claim managers of what she saw as a poor work habit. Claim managers, Morris believed, had become dependent, on the "savior squad," employees from elsewhere in the department with claims processing experience who were brought in to bail out claim managers who got behind in their work. Morris eliminated the squad, believing the claim managers had gotten so accustomed to being rescued that they had lost their incentive to work efficiently. Providing claim managers with assistance to convert to her new claims processing system would, therefore, be to go back to the days of the saviour squad and to reinforce this dependence, Morris predicted.

Book of Business. Another aspect of Total Claims Management was an information system known as the Book of Business. Like the Tickler System it was a computerized aid for managing claims. But instead of providing claim managers with prompts to attend to various aspects of their claims the Book of Business provided the staff with a printout of data about their claims.

The Book of Business was an insurance salesman's tool adapted for claim managers. Good salesmen recognized a need to have a variety of accounts, some new, others ongoing; some large accounts, some medium-sized ones, and some small accounts. If their book of accounts, or business, became unbalanced with too many accounts of one type, they would know where they needed to focus their effort.

Morris wanted her claims staff to take the same type of initiative in their work—the same type of initiative the Tickler System demanded of them. A claim manager, comparing her Book of Business to the section as a whole, might have a disproportionate number of claims that remained open more than 30 days, a larger number of costly claims, or a higher ratio of time-loss to medical-only claims. A disproportionate number of claimants receiving vocational rehabilitation benefits, for one, would indicate the claim manager was not doing enough to find injured workers alternative jobs with their old employers. Any such imbalance would be a red flag signaling the claim manager where to concentrate her efforts.

Morris thought the Book of Business would give claim managers the information they needed to, as she puts it, "self-correct" their own job performance. She expected claim managers to

determine why their claims were staying open longer and, if the problem was not attributable to having drawn a batch of difficult claims, have the "self-motivation" to close their claims more quickly. "They needed," she says, "to get out of the habit of someone else telling them what to do next. And they were big people. It's like a child: you grow up, you make decisions, you become responsible. I was tired of being their mother." All told, Morris looked forward to the Book of Business improving her claim managers' performance and, as a result, their productivity.

Morris further anticipated that the Book of Business would give her, and the section's supervisors, information about the job performance of individual claim managers that would help them manage their staff. Because Morris had had no information about how the staff was managing its claims, she had been at a loss as to how to improve their performance. "I had so little information as to who was doing what to whom and why that I would go out and say, 'OK, we need to close claims, or we're not paying the time-loss [in a] timely [fashion], or another issue of the week. I didn't know, I just knew it wasn't working and knew roughly what wasn't working, but I didn't know how to pin point it." She saw the Book of Business as an opportunity for supervisors and managers to tailor training for the staff's individual needs. "Why put someone through a class on paying time-loss benefits appropriately if that's what they do exceedingly well? But if they never get around to closing the claims that might be a better place to spend your energy," she says.

The advent of the Book of Business dovetailed with another project Morris was working on—revamping the way the section evaluated the performance of its claim managers. Morris wanted to use the quantitative measurements that the Book of Business would provide to evaluate where her employees' job performance was weak and where it was strong. In practice this would mean performance evaluations that contained quantitative measurements of for instance, the number of days it took to issue the first time-loss payment, or the number of claimants a manager succeeded in getting back to work in three months. Morris tried to assure her staff, who were in a "real panic" about switching to a numbers-based evaluation that they would be treated fairly. She told them, she says, that "this isn't about comparing [one claim manager to another], [that] every case is different, [that] this person may have had 40% of their claims that were easy, you may have had just 10 difficult ones—I mean that's the way it works somedays. ... We would do an overall comparison: Where are you weak? Where are you strong? How can we help you?"

Implementation. Morris, who began working with her staff on the Book of Business in 1991, took a different approach to introducing this system to her staff than the "shove-it-down-their-throat" approach she had used with the Tickler System. As she had done when designing the claim manager's responsibilities in the first step toward TCM Morris involved her line staff, who helped decide which parameters the Book of Business would measure. "I did the Tickler System first and I learned," she says. "The lesson I had learned was, I know claims but I may not know the computer system at [Labor and Industries]. And I really need the line staff who work on it day by day to help design how to do it." Morris' motive was not only to have the Book of Business program function well, but to gain staff acceptance by bringing them in as "partners" in the design. "I kind of

laid out how a salesman's Book of Business works and ... then the staff sat down and worked out what measurements [to use] and ... how to display it [on their computers] and how to compare it and use it as a tool. My objective was to get a group of measurements that told a story that we could all believe in and then they figured out how to do that. ... So this had a warmer, fuzzier feeling when it was done."

Union Qualms. At the outset of this process, however, the Washington Federation of State Employees, the union the claim managers belonged to, raised a collective eyebrow. The union was concerned with how the job performance information from the Book of Business would be used in employee evaluations. The federation feared the Book of Business would be used not just to measure the quality of their performance, but to measure their productivity, which the union adamantly opposed, and, if they did not measure up, to dismiss them.

The Book of Business threatened to upset the balance of power between labor and management. The staff in the department had, until this time, felt well protected from supervisors who might try to have members of the claims staff transferred to other jobs at Labor and Industries or forced out of the department altogether. Whether a supervisor's action was well justified or not, the staff member had been protected, if only because the standards for documenting an employee's poor performance were so high. "We're a state agency, we're full of bureaucracy," says Janet Blume, a union representative who works in the claims section. "It's hard to document someone—it can be done but its really difficult." But it seemed to the union that the department's management might use the Book of Business as the sole criteria to terminate an employee, making the disciplinary process considerably easier than it had been. The union argued that the Book of Business should not be used in this manner because it could provide incomplete, inaccurate and misleading information. They were concerned that the Book of Business would not take into consideration such variables as claim managers taking over work for people who were out sick or on vacation; nor would it account for cases where staff members were covering for positions that were vacant. The Book of Business would only show that these claim managers were falling behind in their work. The union also maintained that the computer's statistics on their performance were sometimes inaccurate, and could be manipulated to show whatever results a supervisor intended. If a claim manager was doing a good job making initial phone calls to claimants within the requisite number of days, yet forgetting sometimes to flag those calls for the computer to count them, the Book of Business would give her a negative report. The Book of Business would also hold everyone to the same unbending standards, ignoring the strengths and weaknesses of individual staff members. Nor would the Book of Business account for the sometimes drastic economic differences between regions of the state. A claim manager whose claimants lived in eastern Washington, where there were large numbers of seasonal employees and where jobs were scarce, would have a much more difficult time closing her claims than would a claim manager whose claimants lived in Seattle. Speaking of herself and other claim managers, Blume says: "We were afraid they would say, 'OK, this is what you're doing, this is what you're unit's doing, and this is what your region's doing—what's your problem, how come your costs are more than everybody else, how come your rate of whatever is lower than

everybody else?'" The union also feared the Book of Business would be used to hold them to production standards that would effectively set a quota for how much work they would have to do.

Initial Resolution. These reservations were resolved at a meeting in late 1992 of the department's Labor-Management Committee where Morris agreed to the union's key concern. She agreed that the Book of Business would not be used as the sole criteria for evaluating staff. Instead it would be "one of several considerations in evaluating staff." This assured the union that Morris would not be able to use the Book of Business as a tool to force people out of their jobs. "Management can have whatever kind of statistical report they want," says a union representative, "as long as they aren't using it against us." In effect, Morris agreed that any claim manager who was, according to the data the Book of Business provided, failing to measure up to her peers, would not be reprimanded as a result. The union, in turn, agreed that Morris could use the numbers as "red flags" to show the areas where claim managers needed extra training.

Although Morris' emphasized that the Book of Business would be used for targeted training, to enable the staff to do better work, she also harbored the thought, as the union suspected, that it would lead to increases in performance. "It should have, it could have, and there was a hope that it would," increase productivity, she says. Although emphasizing that "productivity in terms of the number of claims wasn't as important to me as the quality in which they did those claims" and noting that she was not measuring claim managers on their productivity when she filled out their evaluations, she concedes that the Book of Business "was supposed to change that [productivity] as well." This was not the message as Morris necessarily wanted her claim managers to hear, but the supervisors responsible for completing the claim managers' evaluations apparently understood Morris' point. Terry Delio, who started working in the claims section in the late 1970s, says, "I can take a look at it [the Book of Business], particularly in evaluations, to see ... are they increasing their workload, or is the case load increasing."

A Test Case. The agreement between Morris and the union was put to the test when two members of the claims section were forcibly transferred after having received poor evaluations, based on numbers generated by the Book of Business, the union protested that Morris had violated her agreement. The two employees, who had consistently performed below the standard of the rest of the section, were required to leave their jobs at the department after it was determined that their performance was not attributable to a disproportionate number of difficult claims, and after extra training failed to improve the quality of their work.

In this test with the union, Morris, and the Book of Business, prevailed. "We didn't take these numbers and say you have these numbers and everybody else has this number—I'm gonna write you up right now," says Morris. "We didn't do that, which is what we had agreed to the union we would not do." She adds that, "the two people we ended up terminating, the staff were thrilled we did. Because in the environment in claims, when you have huge workloads and lots of stuff going on, you can't afford for any member of team not to pull their own weight."

Priorities. But while Morris was ultimately able to diffuse the union's objections, she could not resolve the qualms claim managers had about the Book of Business, and the reluctance of some to use the numbers to modify their work habits. Some claim managers simply believed they had more important things to do and that devoting attention to quantitative analyses of their claim load took them away from their "real" work. They preferred to focus on what had to be done immediately with their individual claims rather than take the time to manage their work load as a whole. "They would rather spend the time doing the work rather than trying to figure out why is my case load going up or why is my case load going down," comments a supervisor.

Other Reforms

At the same time that Morris and McCallister were trying to implement the many facets of TCM, the department was taking other steps to control costs. Two of these initiatives occurred in revenue collection and workplace safety. Primarily, the workplace safety initiatives were designed to prevent on-the-job injuries, which was an end in itself but also held the potential to reduce claims against the department. Because premiums were based on the safety record of individual employers, and varied from employer to employer, businesses had a financial, as well as a social, incentive to join this effort. One of the department's programs even went so far as to use claims data to identify individual businesses with high rates of one type of injury—carpal tunnel syndrome—and develop new work procedures to reduce these injuries. In the area of revenue collection the number and quality of audits of premium payments was improved. Instead of doing audits of firms that had made minor errors in paying their premiums the section emphasized educating employers about how to pay the proper amount, in the hope that this would be a more effective means of reducing the number of incorrect payments.

Signs of Progress?

A Management Perspective. By the time Morris and McCallister left the department, in 1993, they felt there were signs that the "culture of despair" in the claims section was dissipating, that the staff was becoming more amenable to change and was taking more initiative in their work. Morris attributes some of these changes in attitude to the staff reorganization that had contributed to making significant changes in the way the section operated, which was helping the department save money; the department's most senior managers walking through the section and talking with them; the most senior management working for the department for a longer period than most of their predecessors had; the staff feeling they were truly managing claims, rather than just making payments, and that they were therefore able to be of assistance to employers and injured workers.

Morris also cites an agreement she had made with the section's clerical staff when TCM had begun that their job classifications would be reevaluated once the new claims management process had been operating for a time. Morris notes with pride that when the time came to re-

evaluate the clerical positions, the staff, not she, took the initiative. The clerical staff, on its own initiative, but working with an "operations managers" who reported to Morris, undertook a complete re-evaluation of the role of their position in the section. She says they visited a private insurance company in Portland, Oregon and did surveys of other insurance companies on how the clerical staff in their claims sections were structured. Based on their research, the staff, with the help of the operations manager, devised a new organization with fewer clerical staff and a new position, which they called a customer service representative. "And they figured all that out and came to me," Morris says, "and said, 'This is what we want to do. This is our research, this is what we found.'... I felt like finally, finally this group figured out that I don't have to tell them what to do. I was real pleased that they took the initiative, they were willing to do it and they were comfortable doing it and giving me a solution rather than me baby-sitting it along the way. I guess I felt like my staff had grown up."

"There was a phenomenal change in the staff," says Morris:

> It changed from being real negative to staff laughing, enjoying being at work, enjoying being with their co-workers, coming in and telling me about a claim that went exceedingly well, coming in and warning me about when it was going to go to hell in a hand basket, admitting they screwed up, knowing they wouldn't get blindsided for it. It turned from, 'we can't do anything,' to a partnership.

Other Perspectives. Many claim managers welcomed the idea of managing, rather than processing, their claims, but felt their claim load remained far too high to permit them to make this switch. They were also frustrated, and some were angry, that their job had, as a result of TCM, become much more difficult. Although the hundreds of extra claims staff the department had hired had helped reduce the individual claims load from more than 1,000 to about 400, the job of managing a claim had, meanwhile, become much more complex, with each claim manager doing the job of three specialists. To handle this work load, which was still almost double the standard for the private sector, claim managers felt compelled to take shortcuts that went against the grain of their TCM training. A long-time staff member says that having total responsibility for more claims than they had time to manage caused "a lot of people to get upset because they have a good work ethic and they can't handle their claims properly, and so they leave." And with TCM new employees had to learn all aspects of how to manage a claim, rather than advancing, over the years, from claims examiner to disability adjudicator to treatment authorizer. "I think there are more problems associated actually with the way things are now than there were before," says Kris Masten, who trains claim managers and has many years of experience in the claims section. "I say that because the job is so big now that we've seen somewhat of a decrease in the quality because the learning curve is a lot greater."

Some claims staff also caution against exaggerated claims of a new esprit de corps. "You walk in the door [of the claims section] and it hits you in the face—people are very unhappy," says an employee familiar with the environment. New staff members come in with a "gung-ho-I'm-going-to-do-a-great-job attitude," this employee observes, but because they have so many claims to manage, before long they develop a "cynical, 'Yeah, right' kind of an attitude."

One change that did help improve morale, however was the construction of an impressive, new building for the department, which opened in 1992. The department's operations, which had been divided among a number of run-down offices—one was nicknamed the "Plum Street Ghetto"—would now be housed for the first time under a single roof. The department's impressive new quarters, which an architectural magazine featured on its front cover, helped the staff begin to think of themselves as professionals. One indication of this change was the clothes they chose to wear to work. "When I got there ... nobody wore a suit; when I left claims my managers wore suits every day," says Morris.

Financial. The insurance division's financial picture, meanwhile, continued to brighten. The Insurance Division reserve fund, which McCallister says had been losing $1 million a month when he joined the department in 1987, went into the black quickly thereafter. (See Exhibit 1.) By 1992 the department had a $347 million surplus and was considered a financial success story. Premium increases, meanwhile, also stopped their steady rise. As a percentage of payroll costs 1992 premiums were actually slightly below 1985 levels. Benefit levels during this time were also increased.

But the contribution Total Claims Management made to this turnaround was impossible to quantify. William White, the department's senior actuary, says Total Claims Management, including the Book of Business and the Tickler System, had not had time to prove their financial effectiveness. "I don't think they have yet played a big role in this recovery," he says.

Outcomes. But even if there was no accounting of how much, if anything, TCM saved the department, there were at least two measures of the claims section's overall performance. One was the length of time injured workers received time-loss benefits. (See Exhibit 2.) In 1979, time loss duration, as this measurement was called, began a sharp rise that continued virtually unabated until 1987, indicating that claims were not being managed successfully. But then matters improved dramatically. Between 1988 and 1990 time loss duration fell about as quickly as it had risen. Although time loss duration leveled off after 1990, it did so at a rate significantly higher than the 1979 low. Although changes in the law regarding vocational rehabilitation played a large role in this improvement, better claims management could also be credited.

Another measurement of the claims section's performance was the rate of compliance with the state's requirement that the department pay compensation to injured workers within 14 days. The department set a goal of making initial payments within this time limit in 96 percent of all cases—counting from the day the department was first notified of an injury—and was managing to

meet the deadline in 86 percent of the cases. This was a vast improvement over the department's 1984 record, of roughly 25 percent. Most of the gain was the result of moving the report of time loss from the mailroom to the desk of the claim manager more quickly. This was accomplished in large part with an automated imaging system that almost immediately relayed screen images of paper documents to claim managers, cutting the up-front processing time from 8 days to one day. But McCallister also attributes some of this gain to better management. By having a single person accountable for a claim and keeping a record on each claim manger's performance, including how often they met the 14-day requirement, supervisors were able to discover that lag and correct the problem. Part of the improvement was also due, he says, simply to making timeliness a high priority goal for claim managers.

The number of claims for which each claim manager was responsible, another way of measuring the section's performance, indicated that Labor and Industries was still not meeting the private industry standard. Although the claim load had declined from more than 1,000 to about 400, which McCallister calls "a remarkable transition," the claim manager's work load was triple what the claim examiner, treatment authorizer and disability adjudicator had. The department would still need to reduce the claim load by another 150 claims per claim manager to reach the level private insurance companies considered appropriate.

The department could not, however, measure the extent to which the staff had learned to manage, as opposed to process, claims. Even McCallister, surely among the department's greatest champions, conceded that TCM had not been fully implemented. "The thing that is still unfinished at the state fund is the management of claims, as opposed to the processing of claims."

Exhibit 1

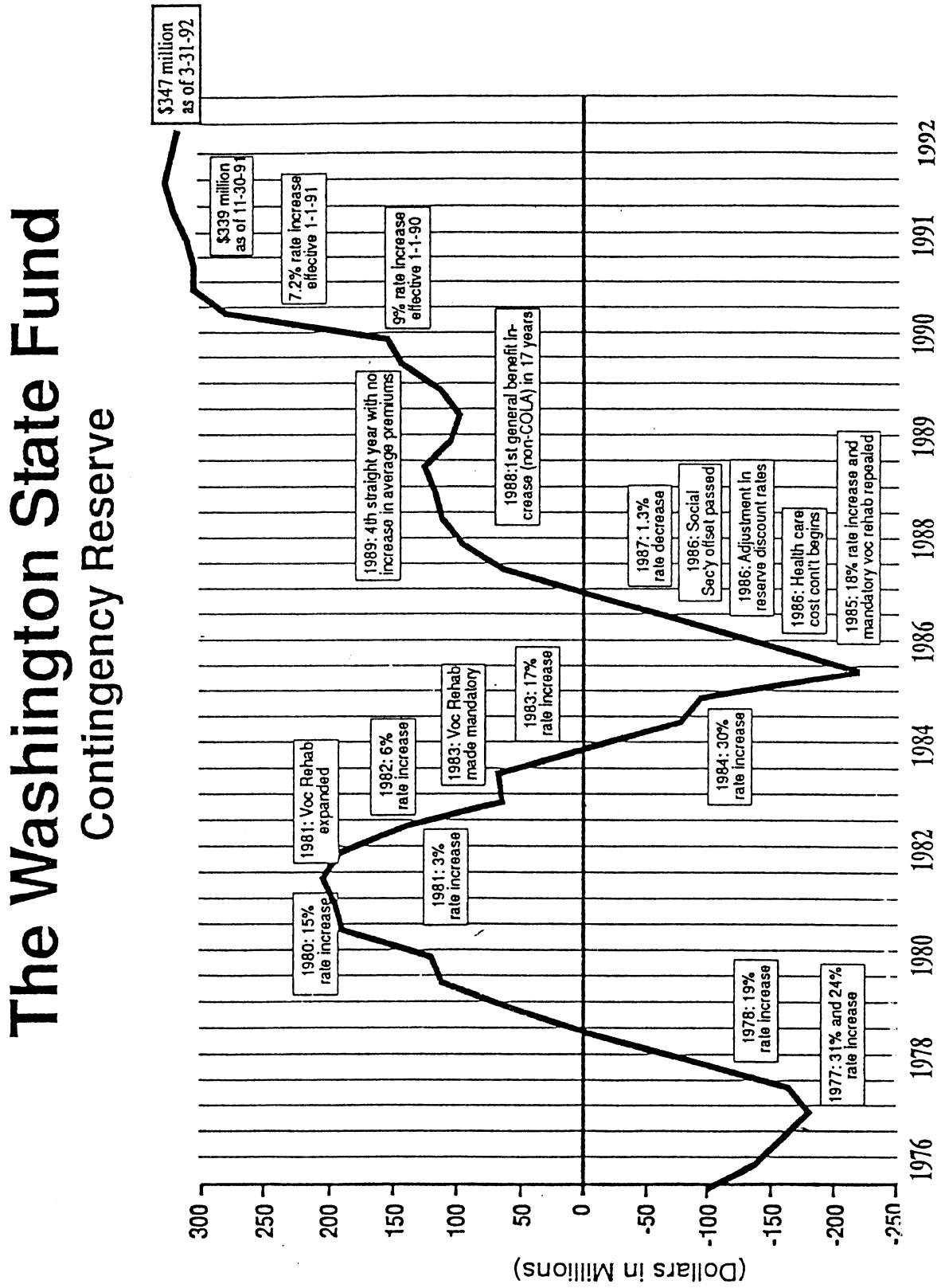
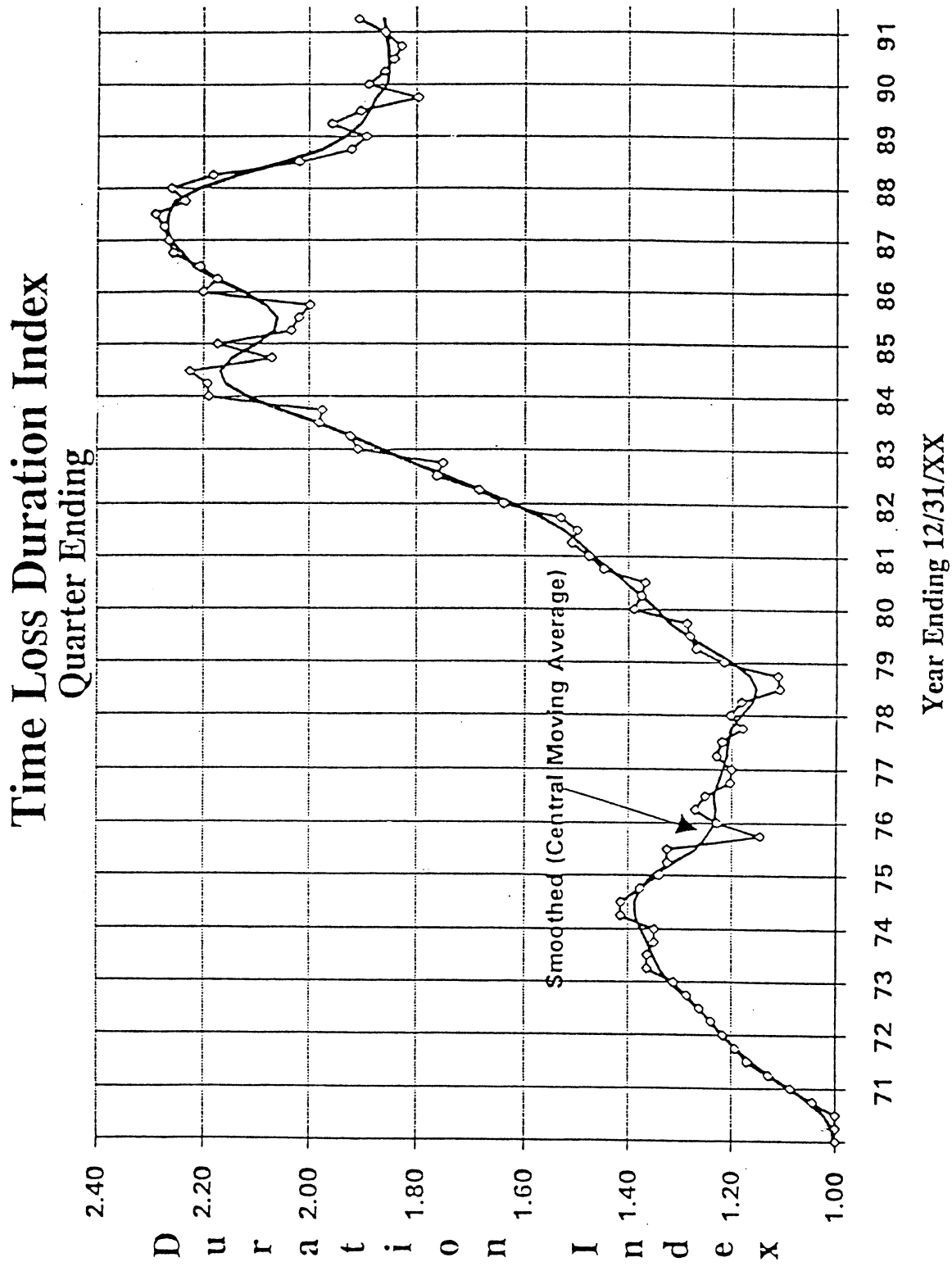

The Washington State Fund
Contingency Reserve
(Dollars in Millions)
300
250
200
150
100
50
0
-50
-100
-150
-200
-250
1976
1978
1980
1982
1984
1986
1988
1989
1990
1991
1992
$347 million as of 3-31-92
$339 million as of 11-30-91
7.2% rate increase effective 1-1-91
9% rate increase effective 1-1-90
1989: 4th straight year with no increase in average premiums
1988:1st general benefit increase (non-COLA) in 17 years
1987: 1.3% rate decrease
1986: Social Sec'y offset passed
1986: Adjustment in reserve discount rates
1986: Health care cost cont'l begins
1985: 18% rate increase and mandatory voc rehab repealed
1984: 30% rate increase
1983: 17% rate increase
1983: Voc Rehab made mandatory
1982: 6% rate increase
1981: Voc Rehab expanded
1981: 3% rate increase
1980: 15% rate increase
1978: 19% rate increase
1977: 31% and 24% rate increase

Exhibit 2


Time Loss Duration Index
Quarter Ending
Duration Index
2.40
2.20
2.00
1.80
1.60
1.40
1.20
1.00
Smoothed (Central Moving Average)
71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91
Year Ending 12/31/XX
Actuaries
4/27/92