

2011 Program Report Card: Workers' Compensation Fraud Unit (WCFU) – (Division of Criminal Justice)

Quality of Life Result: Connecticut residents are protected from fraud, larceny, and theft of government services.

Contribution to the Result: Claims of fraudulent use of the state's Workers' Compensation Program are investigated and violators are prosecuted. Public awareness of the existence and consequences of Workers' Compensation fraud is raised through training and publicity.

*Actual SFY 10 Total Program Expenditures:***\$540,323.68** *State Funding:***\$0** *Federal Funding:***\$0** *Other Funding:***\$540,323.68 – Worker's Compensation Fund (no public dollars)**

Estimated SFY 11 Total Program Expenditures: **\$634,073** *State Funding:***\$0** *Federal Funding:***\$0** *Other Funding:***\$634,073 – Worker's Compensation Fund (no public dollars)**

Partners: Insurance companies, Workers' Compensation Commission, Second Injury Fund, Municipalities, the public.

Performance Measure 1:

Number of complaints referred to the WCFU/cases opened.

606 in Calendar Years 2005 –2009, of which 606, or 100%, were opened.

Story behind the baseline:

The WCFU receives the bulk of its referrals from insurance companies and from anonymous sources. Anonymous referrals are forwarded to the insurance companies for initial processing and investigation and then re-referred to the WCFU.

Although the number of referrals and subsequent case openings has stayed relatively constant during this period, insurance industry turmoil (closings, mergings, claims examination being nationalized rather than locally-based, and loss of Special Investigation Units) has impacted referral quality.

Proposed actions to turn the curve:

Increased training: the WCFU will host a training conference for major insurance companies regarding Workers' Compensation Fraud investigations. The WCFU plans to increase the number of speaking engagements to municipal organizations (Chambers of Commerce, etc.). The WCFU would like to develop a web-based long distance training module for national claims examiners. Link with other Units nationwide to seek PSA campaign status.

Performance Measure 2:

Number of completed investigations.

460 in Calendar Years 2005 -- 2009.

Story behind the baseline:

The number of completed investigations mirrors the number/quality of referrals. Complexity and labor intensiveness vary widely from case to case, with many cases involving thousands of pages to review and taking over six months to complete. The WCFU has four inspectors (compare Rhode Island, with 11 staff.) Please note that 93% of referred cases involve actual fraud and that the WCFU has, as of this moment, 101 pending investigations.

As is the case in the number of complaints referred, Insurance industry turmoil significantly impacts the quality of referrals and thus the length and effectiveness of investigations. The Unit is greatly hampered by lack of investigative subpoena power.

Proposed actions to turn the curve:

Once again, increased training as described in Performance Measure 1, The WCFU has developed a PDF version of its manual and will increase its distribution. The WCFU will maintain access to Department of Labor (DOL) and Workers' Compensation Commission databases.

Aggressively seek investigative subpoena power.

Performance Measure 3:

Amount of \$ returned to payee/potential payee via restitution or settlement due to efforts of WCFU.

\$2,704,467 in Calendar Years 2005 – 2009 (\$1,562,467 in restitution; \$1,142,000 in civil proceedings including settlements and withdrawn claims). Totals are not net of recovery costs.

Story behind the baseline:

The WCFU helps keep insurance premiums (which fund the Workers' Compensation Fund) down and use of the State's Second Injury Fund minimized by recovering fraudulently gained funds (restitution) and by generating dollar-saving settlements through both *actual* and *threat of arrest* and prosecution activity. Such actions also serve as a deterrent to those considering fraud.

As 93% of cases referred involve actual fraud and 90% of those result in some return of funds, the total return amount is strongly linked to the quantity and quality of referrals. Restitution and settlement dollar totals are inherently variable.

Proposed actions to turn the curve:

Increase quantity and quality of referrals through methods listed in earlier measures, including training and seeking subpoena power. Although not low-cost, funding for increased investigative staff would lower the pending case number and increase yearly completed investigation and potential \$ returned totals.

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Performance Measure 4:

Amount of training conducted by WCFU staff (includes training of human resource personnel in municipalities and state agencies, Connecticut Interlocal Risk Management Agency (CIRMA), insurance companies, etc.)

In Calendar Year 2009 WCFU staff presented to the Workers' Compensation Fraud Prevention Symposium hosted by CIRMA. A WCFU inspector also spoke before the Wallingford Rotary. Approximately 200 explanatory telephone conversations with claims examiners and others.

Story behind the baseline:

Recent training activity impacted by staff retirement. Minimal resources for conducting formal training events.

Proposed actions to turn the curve:

WCFU is now fully staffed and trained and will significantly increase external training:

The WCFU will host a training conference for major insurance companies regarding Workers' Compensation Fraud investigations. The WCFU plans to increase the number of speaking engagements to municipal organizations (Chambers of Commerce, etc.). The WCFU would

like to develop a web-based long distance training module for national claims examiners. Increase proactive distribution of WCFU manual (which contains data on harm of fraud, how to ID and report it, etc.) to CIRMA, CBIA, BBB, Chambers of Commerce, etc. Link with other Units nationwide to seek PSA campaign status.

Maintain records detailing number of referrals and amount of \$ recovered pre and post increased training activity plan. Maintain log of explanatory telephone contacts and analyze subsequent referral quality.

2011 Program Report Card: xxx Program (xxx Agency)

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