

COMPCONTROL

The Official KMIT Member Newsletter

Workers' Compensation Fraud

By Victoria Vanderhoof, IMA Claims Adjuster

How does workers' compensation fraud affect me?

If we don't all address fraud, we will all pay the price by way of rising medical costs and higher insurance premiums. The W/C system was designed to benefit all of us should the need arise, so it is up to all of us to join in and stop the abuse.

What types of activities constitute W/C fraud?

- Employees: Obtaining benefits by making false statements (orally or written)
Receiving weekly wage loss benefits while working
Resistance to return to work or rehabilitation programs
- Employers: Failure to obtain W/C coverage
Misrepresenting to an insurance company the classification, location, or number of employees with the intent to reduce premiums
Collecting any fee or premium from employees to obtain W/C coverage
- Insurance Co: Denying benefits by making false statements (oral or written)
Failure to initiate or reinstate compensation when due
Refusing to pay an order awarding compensation

What can I do to combat fraudulent activity in W/C?

If you believe, or have knowledge, that a violation of the W/C Act has occurred or is occurring, you should notify the Fraud & Abuse Investigation Section

Division of Workers' Compensation
Fraud & Abuse Investigation Section
800 S.W. Jackson, Suite 800
Topeka, KS 66612-1227
(785) 296-6392 or toll-free 1(800) 332-0353

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CompControl is a publication of the League of Kansas Municipalities and the Kansas Municipal Insurance Trust for the purpose of educating and informing cities about loss control methods and risk management. If you have any questions concerning KMIT workers' compensation or risk management that you would like to see answered in this newsletter, please direct those inquiries to:

Kansas Municipal Insurance Trust
300 SW 8th Avenue
Topeka, KS 66603
Phone: (785) 354-9565
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wflowers@lkm.org

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Letter from the Pool Administrator

Dear KMIT Members and Others,

It's SPRINGTIME in Kansas! I'm not sure the tree blossoms have ever been bigger or more beautiful than they are this year. Those big blooms almost cover up the lack of branches on the trees—from the January 3rd ice storm. This is definitely a state of contrasts.

The welcome mat is out to a *bunch* of new KMIT cities which have recently joined our pool. **Damar** came on board on March 1. On April 1, we added **St. Francis, Arkansas City, Blue Rapids, Parsons, Eureka** and member #128, **Meade**. We are extremely pleased to have these new cities in KMIT, and look forward to working with them. New independent-agent partners are: **Dan Deener** (Arkansas City), **Kelly Frewen** (St. Francis), and **Roger Winfrey** (Eureka)—Damar's agent, Leo Von Feldt, was already a part of our KMIT team, as agent (and mayor) for Palco.

In this issue, **Victoria Vanderhoof** answers some crucial questions concerning **work comp fraud**. (We cover this topic, among many others, in some detail, on our annual Regional Supervisor Seminar tour, in February. Please plan to send your supervisory staff to the next round, early next year.) Fraud is a very real concern in work comp across the entire country, including Kansas, and is a *significant cause in the rising cost of work comp coverage*. This is an important subject, and should be taken very seriously.

Speaking of our training tour...our 'troupe' made three stops again this year, in February...at Clay Center, Iola and Garden City. A total of 109 folks, from 24 cities (about 1/2 were KMIT member cities) participated in the seminars.

Your **KMIT Board of Trustees** last met in Ulysses in late February, and meets again on April 15, in Russell.

It's not too early to mark your calendars for this year's **KMIT Annual Meeting**, which will be held during the League conference, in Wichita, on Monday, October 10. Once again, the annual meeting will be an afternoon affair...with a start time of approximately 3:45.

See you down the road.



Pool Administrator



Damar
(KMIT Member #122)

Arkansas City
(KMIT Member #123)

Parsons
(KMIT Member #124)

Blue Rapids
(KMIT Member #125)

St. Francis
(KMIT Member #126)

Eureka
(KMIT Member #127)

Meade
(KMIT Member #128)

Safe Cities as of March 31, 2005

If you would like assistance returning an injured employee to work, or need ideas for modified duty, please contact Victoria Vanderhoof, 1-877-502-9897 or victoria.vanderhoof@imacorp.com.

Abilene	Concordia	Great Bend	McFarland	Russell
Allen	Conway Springs	Greeley	Medicine Lodge	Satanta
Altamont	Council Grove	Grenola	Melvorn	Sedan
Andale	Cullison	Halstead	Minneapolis	Sedgwick
Andover	Derby	Hays	Mission	Spearville
Atchison	De Soto	Haysville	Moline	Spring Hill
Atlanta	Dodge City	Hesston	Montezuma	Stafford
Augusta	Douglass	Hiawatha	Mound City	Stockton
Baldwin City	Eastborough	Hill City	Neodesha	Tescott
Basehor	Edgerton	Hillsboro	Newton	Tipton
Baxter Springs	Elkhart	Holcomb	Oberlin	Tonganoxie
Bel Aire	Esbon	Horton	Ogden	Treece
Belleville	Eudora	Hoxie	Olpe	Turon
Beverly	Ford	Independence	Osage City	Ulysses
Bird City	Fowler	Jetmore	Oskaloosa	Valley Center
Bonner Springs	Frankfort	Johnson City	Oswego	WaKeeney
Brewster	Fredonia	Kinsley	Ozawkie	Wakefield
Caldwell	Galena	Lenora	Palco	Walton
Centralia	Girard	Leoti	Park City	Wamego
Chautauqua	Glasco	Lincoln Center	Peabody	Wellington
Cheney	Glen Elder	LKM	Princeton	Wellsville
Cherryvale	Goodland	Lucas	Ransom	
Clay Center	Grainfield	Maize	Roeland Park	
Columbus	Grandview Plaza	Marysville	Rose Hill	

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What to expect when an allegation of fraud is reported to the Fraud & Abuse Investigation Section?

The complaint is referred to one of three Special Investigators who will conduct an investigation. A summary of the investigation is then presented to the Assistant Attorney General assigned to the Fraud & Abuse Investigation Section. The AAG will close the case if there is no further activity anticipated. If the investigation indicates that there is a violation involving an insurance carrier or agent, the complaint will be forwarded to the KS Insurance Department. Civil and criminal prosecution will be undertaken if there is merit to the allegations and evidence of the fraudulent activity can be proven.

What is immunity?

Any person who submits a referral of fraud to any governmental investigative agency is immune from civil or criminal liability as long as:

- 1.) The referral is made in good faith with the belief that a fraudulent or abusive act has, is, or will occur.
- 2.) The referral is not made by a person in violation of the W/C Act in order to avoid criminal prosecution or administrative action.

“Any person who knowingly and with intent to defraud any insurance company or other person files a statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a *crime*.”

Much of this information was taken from the Fraud & Abuse brochure (form K-WC 706), which is available on-line at www.dol.ks.gov/WC/html/wcfraud_ALL.html (Kansas Department of Labor—Division of Workers’ Compensation [DWC].)

Victoria Vanderhoof is the KMIT Claims Adjuster. For follow-up questions about this article, or about a claim, about work comp procedures, or any other work comp issue, you may contact Victoria at victoria.vanderhoof@imacorp.com or 316-773-5234.

**We encourage you to make
copies of this newsletter
and distribute to all city
employees.**

Q&A

Q: When do benefits start after a work comp claim, and how are they calculated?

A: The injured employee must be off work, with a doctor's excuse, for 7 FULL calendar days, following the date of the accident, before wage-loss benefits are payable. Payments begin as of the 8th day off work, and, if the employee is off 21 CONSECUTIVE days, he/she is then entitled to payment for those first seven days. Benefits are paid at the rate of 2/3 of the employee's pre-injury wage (hourly, plus the weekly average of any overtime earned during the previous 6 months), up to a current maximum amount of \$449 per week. **Please contact KMIT Claims Adjuster Victoria Vanderhoof with any specific questions regarding claims.**

Q: Are volunteers covered for work comp by KMIT?

A: Yes and No. ALL emergency services volunteers (EMTs and first responders, and police and fire volunteers) are automatically covered, by Kansas law. All other volunteers are NOT covered by KMIT, unless and until the city fills out a form DWC-123 (available on the KMIT web site), and files that form with the Division of Work Comp—KS Dept. of Labor. (Please send a copy of the form to KMIT.) **Please contact KMIT Pool Administrator Don Osenbaugh with any specific questions regarding volunteers.**

Q: Should our city track the hours worked by volunteers?

A: Yes, you should track the hours of any volunteer (that you have elected to cover with form DWC-123). Of course, first responders do not need to be tracked because they are automatically covered. Those hours worked by volunteers will then be multiplied by the average hourly rate that you would pay an employee doing similar work. Those figures will then be added to the appropriate class code at the time of the audit.

If you have a question you think would be beneficial to other cities, please forward it to wflowers@lkm.org and we will add it, along with the answer, to our next newsletter.

KMIT Calendar

April

15 KMIT Board of Trustees Meeting, *Russell*

June

23 KMIT Board of Trustees Meeting, *Augusta*

August

26 KMIT Board of Trustees Meeting, *Oswego*

October

10 KMIT Annual Meeting, *Wichita*

December

9 KMIT Board of Trustees Meeting, *DeSoto*



Revenues & Expenses March 31, 2005

Combined Assets

Cash In Bank	\$2,863,767
Premiums Outstanding	
Investments	<u>3,319,305</u>
Total Assets	\$6,183,072

Combined Liabilities & Equity

Claims and Accrued Expenses Outstanding	\$1,670,326
Reserved for Losses	1,493,853
Incurred But Not Reported (IBNR)	<u>2,451,171</u>
Total Liabilities	5,615,350
KMIT Statutory Fund Balance	<u>567,722</u>
Total Liabilities and Equity	\$6,183,072

Kansas Municipal Insurance Trust

300 SW 8th Avenue
Topeka, KS 66603

