

Good research paper on how can californias workers compensation policies be chang...

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Abstract

All parties involved in worker's compensation have the desire to eliminate fraud. A recent research shows that, fraudulent compensation of workers cost over \$5 Billion annually. In California, over 25% of compensation claims are usually falsified, yet an average claim in California goes for almost \$65 000. Therefore fraud needs to be avoided because it costs the state a huge amount of money which could have been spent on development projects. Fraud units have been put in place, but they have not been able to eliminate fraud. Worker compensation frauds can be eliminated by putting in place tougher compensation policies. In an effort to evaluate the theoretical framework of compensation fraud, this essay contains a comprehensive literature review with information from relevant texts. Literature review will only extrapolate on mere policy theories as to why eliminating compensation fraud in California is becoming almost impossible. After developing the literature content, we will conduct an actual research using a qualitative research design. Data collection processes will involve interview and site visit, which will be contained in detail after the research methodology section. Data collected will facilitate analysis of observations made and used in deriving findings and recommendations. These findings will also serve the purpose of enabling comparison between actual information from the field and that contained in the literature review sections. In addition, research will indicate practical loopholes present in the field, and suggest mechanisms through which such loopholes can be sealed. Finally, a conclusion will sum up the entire research paper, upon which personal reflection will present the significance of the process from an individual perspective.

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Introduction

Compensation frauds in California fall into three classes, namely; claimant fraud, provider fraud and internal fraud. Employees commit claimant fraud in different ways; employees can seek compensation after injuring themselves intentionally. Claimants can also claim they had an injury yet it did not occur. There are cases of employees claiming compensation for working while they are allegedly disabled. Common provider/employer frauds in California include; underreporting of payroll and misclassification of payroll. Payroll is used to determine the insurance claims. Compensation companies rely on employers to give the full report regarding pay, however employers usually under report so that they can pay less premiums. Employees who work in hazardous environment receive more premiums. For instance, there is a big difference in insuring a roofer and a clerk. The cost of insuring a roofer is over \$80 for every \$100 in the payroll. Internal fraud is a small percentage of compensation frauds in California; they are usually committed by insurance workers in liaison with employers or employees for a percentage of the claim.

Compensation policies have to be changed to curb fraud. According to California Department for Insurance, a fraud occurs when someone knowingly lies to obtain some benefit. Stricter measures have to be adopted such when assessing a claim (Neuhauser & Donovan, 2007). Compensation policies should stress on the following measures; employees should have a strict time limit in reporting injuries. Employee accidents should have witnesses, and if there are no witnesses, a compliant medical institution should be able to determine the cause of the injury. Before employees can

be compensated, employers should provide information regarding the employee's compensation history and the state of job. If an employee was on the verge of losing his job, insurers should examine his claim well. For instance, California Insurance Commissioner formed a blue-ribbon Advisory Task Force on Insurance Fraud in 2007 that targeted many individuals who committed compensation frauds, including employers who failed to report or misclassified payrolls. Managers and supervisors should be trained on fraud prevention policies.

Anti fraud, technology should be added to compensation policies.

Technology has an arsenal of tools for fighting fraud such as all-claims database, link analysis, data visualization and claim scoring tools.

Technology offers automated inquiries against data provided by the claimant. Insurers should change policies to indicate the fact that they check databases to spot any errors in the employer's or employee's claims.

Policies should go in line with ISO's Premium Audit Advisory Service (PAAS) in order to reduce cases of fraud (DeCarlo, 2013). PAAS has a predictive model that reviews workers claims, employee payrolls, and employee

classifications. PAAS predictive models will generate scores that will determine whether the employee or the employer is falsifying information.

The above measures will help in combating fraud and saving the state's money.

Literature Review

Workers or employees compensation refers to a form of insurance that provides wage replacement, as well as medical benefits to employees who

are injured in the course of their work. This is done in exchange for compulsory relinquishment of the worker's rights to sue his or her employer for the tort of negligence. In cases where there is a lot of differing among the jurisdiction, there can be plans made for payments on a weekly basis instead of the wages. Provisions can also be made for compensation due to economic loss whether in the past or the future, reimbursement of the medical and such like expenses and other benefits that are payable to the dependents of the employees killed in line of duty. The California worker's compensation policy was a print publication that was distributed through the postal mail about six times in a year. The initial policy issue was in January 2001 and the last one in December 2008 (Pace, 2003).

Additionally, in California it is the requirement of every employer to carry his workers compensation insurance in order to cover any costs of occupational injuries or illness that came in the course of employment. Therefore, the insurance requirement is compulsory even if an employer has a one part time worker. Then again, any company that has employees who have been hired in California should also have a worker's compensation insurance (Jasper, 2008).

Policy in workers' compensation, in California

One of the most significant worker compensation policies is the insurance policy. Basically, its purpose is to provide indemnity in the event of an unforeseen loss. This is made possible as it is funded by the state fund; hence this shows that it plays a very significant role in stabilizing the economy. This is undertaken via the state by maintaining an open door

policy, making certain that all employees in California have a stable and sound option for their employees' compensation needs (Greenberg, 2008). There is a workers' compensation coverage inquiry website, which acts as a service for the employee's compensation insurance rating bureau of California. This website assists in the obtaining of the name of the insurer who wrote the California workers' compensation insurance policy for an employer, and within a specific date in the past five years. However, this website does not contain any information regarding a self-insured employer, or any other utilities that are not legally supposed to obtain any employees' compensation insurance. The policy has been extremely efficient in California and has thus made California's work places safer for the employee, and has made California work through protection of the people (Seabury, 2011). The policy is currently undergoing reformation which is meant to ensure that it contains information regarding a self insured employer and other utilities that are not meant to incorporate any other workers' compensation insurance.

Weaknesses of the workers' compensation in California

One of the most significant weaknesses of the California's workers' compensation is the overreliance of the employees on their compensations. This is the case as most of the people in California look at employment as the primary source of income, although this might not necessary be the case. Additionally, this may discourage employees from pursuing further employment; hence it might hold them back from realizing their potential. This is so as according to most of the workers, it is easier to earn income

through employment, than start a business (Greenberg, 2008).

Another significant weakness is that if the firms with workers' compensation do not have insurance that protects the employees in case of an injury, most of the employees may end up not receiving appropriate treatment for their injuries. Additionally, this makes them not to work hard as their lives are not safe in case of an accident while working. Getting the most appropriate treatment for some of the injuries acquired through the line of duty may be extremely costly for the employees. This is so as their salaries alone cannot cater for their costs (Pace, 2003).

Studies on workers' compensation fraud and loopholes

According to the California's insurance industry, there have been numerous researches conducted to detect the workers' compensation fraud. This industry highly focuses on the malingerers and the cheaters who assisted in the pushing through of national workers' compensation reforms. This extremely profitable campaign was supported by the outrage over the suspected misuse of the system. However, one significant issue is that according to most of the workers' compensation cases, this fraud is all false. Then again, these studies indicated that only 2 to 3 percent of each of the workers' compensation claims is fraudulent. The study also shows that there are two types of fraud that exist and these are employer fraud and claimant fraud (Jasper, 2008).

Claimant fraud is the one that occurs when an employee misrepresents a fact concerning an injury intentionally with the objective of obtaining workers' compensation benefits. Conversely, employer fraud is where an

employer refuses to acknowledge that his employee got injuries in line of duty knowingly in order to avoid paying the workers' benefits. However, these frauds may be prevented from happening in various ways. One of the most beneficial ways of preventing fraud is by screening any new applicants by having regular workers' compensation background verification. There should also be thorough checks of any criminal records before a worker is hired into an organization. It is also necessary to ensure that various safety programs are conducted in an organization so as to ensure employees are educated on how to remain safe at work. The company could also set up several reporting hotlines in order for the workers to report any suspected abuse (Pace, 2003). These are a few of the most significant ways of preventing any fraud from happening during workers' compensation in California.

Reforming workers' compensation in California

Studies have shown the importance of reforming workers' compensation in California. According to these studies, workers need to understand that any fraudulent compensation costs more than five billion dollars annually. In California, for instance, any compensation for a worker goes to about \$65000; it is necessary to avoid any fraud to obtain compensation. This would cost the state a lot of money, which could have otherwise been used on numerous development projects that would boost the growth of the state (Seabury, 2011).

In addition, workers can be reformed by ensuring that the policies of the compensation are in line with the ISO's premium audit advisory service. This

minimizes the rate of fraud in workers' compensation since the premium audit advisory service would provide a predictive model that would assist in reviewing any employee's claims, employee classification, and workers payrolls. These predictive models would also assist in the generation of scores that determine whether the employer or the worker is falsifying any information. Finally, workers' compensation can also be reformed by establishing various fraud units that would assist in eliminating fraud in University of California System (1994). These units should be firm enough to ensure that all the compensation policies are followed to the letter and that no employee or employer tries to falsify any information for their personal gains. This shows that by putting in place tough compensation policies, it would be extremely easy to eliminate workers' compensation fraud.

Research Methodology

Qualitative Research Design

After carrying out a comprehensive literature review on the issue of workers' compensation fraud within the state of California, I decided to acquire factual information about the topic from the field. In order to ensure acquisition of objective facts from relevant stakeholders, I adopted a qualitative research methodology. Choice of qualitative method over quantitative is based on the rationale that the nature of information pertaining to the subject matter are more of intangible phenomenon as opposed to discrete numerable variables. According to Kothari (2004), qualitative methods of acquiring data from the field are suitable for subjective variables which cannot be investigated using numbered scales. In this context, I selected observational and survey

methods as the best options of acquiring information from California workers within the insurance industry. In addition, case study approach was instrumental in supplementing theoretical information about the nature of compensation frauds within an actual setting.

Data Collection

Observational method employed involved a comprehensive interview on one of the public relations officer in the county compensation offices named Jacky Mills. My choice for the interviewee was based on the fact that he works as public relations officer within California's compensation offices. In this regard, the respondent would possess substantial knowledge on the depth and breadth of fraud within his workplace surrounding. Despite my uninformed choice on the interviewee, he turned out to being instrumental in filling out all interview questions. I had identified the interviewee through a social network page of the county offices. After a little exchange of formalities online, he agreed to fill out my interview form and submit it back through email. In spite of the fact that the interview was done through email, I was able to gain insight about the worker's hidden experiences with fraudsters.

Apart from interview, the succeeding site visit also played a significant role in yielding additional facts from the field. Prior to identifying my target site, I was oblivious about any potential offices to visit. After a tireless search through internet sites, I came across an insurance body or basically a department in California, involved in mitigating economic effects of workers' compensation frauds. During the visit, I was certain that California

Department of Insurance offices would be helpful in shedding more light on counter fraud policies employed within the jurisdiction. Based on the strategic plan guideline and objectives outlined on their website, I was assured of acquiring the required knowledge from any informed employee within the insurance site. As expected, I met with both the middle and senior level employees within the department, who proved supportive in responding to my endless inquiries. Based on the work of Danny and Jorgensen (2012), I wish to acknowledge the fact that site visit was resourceful because direct interaction with employees unearthed hidden feelings and thoughts about the increase in fraud cases.

Obstacles in Data Collection

Despite being a smooth and experiencing process of acquiring information, I will be quick to admit that site visit and interviews were not free from obstacles. With respect to the online interview, I was not in a position to get first hand non verbal communication from the interviewee. Consequently, I could not establish the interrelatedness between his emotions, facial expressions and objective facts regarding fraud claims. In addition, doing an interview with a public relations officer could yield controlled responses. According to Danny and Jorgensen (2012), public relations people usually talks to the public from the company's perspective, not from the actual perspective on the ground. With respect to site visit, one major obstacle that I encountered was time barriers. I had to approach the middle and senior level employees during their break hours. As a result, I could not find substantial time to exhaustively ask direct questions.

Overcoming Obstacles

In order to overcome barriers, I employed adaptive techniques, especially during the site visit. I realized that time was a limiting factor, and that questions asked should require direct and specific responses from the approached employees. In this case, I used leading questions, which were suggestive in nature and contained an implied answer. According to Maxwell (2012), such questions allowed respondents to either say a yes or a no; hence compensating the effect of limited time. On the aspect of online interview, it was hard dealing with the obstacle of non verbal expressions from the interviewee. However, questions contained in the interview paper form were designed such that respondents would be encouraged in using their own perspective and expressing deep seated sentiments. After taking care of potential obstacles, I can assert that the qualitative methodology adopted yielded useful observations, which would later be used in succeeding steps of analysis in the research paper.

Interview

This interview was conducted through email. The respondent was Jacky Mills, a deputy public relations officer at California Workers Compensation county offices in Los Angeles. The interviewee was responsive and timely in supplementing answers relating to compensation fraud in California. Here are her responses on the ten interview questions.

Question 1: A single claim in California goes for about \$65, 000. This means that the government loses a lot of money through fraud annually and the fraudsters are not brought to book. Since this is a lot of money what can the

government do to prevent fraud?

Answer: Despite presence of an effective compensation system in California, workers and fraudsters still find a way of cheating their way through the insurance program. On average, workers within the state receives a sum of approximately \$65, 000 for injury. Increase in the number of fraudulent cases has forced the government and insurers in spending excess funds for compensation purposes. Consequently, the government is losing substantial money to criminal workers who conspire with employers in exploiting unsuspecting insurers. Currently, individuals arrested for fraudulent cases are convicted to a medium jail term. What the government should do is extend the penalties for unethical claims to include termination of employment and even public misrepresentation of convicted individuals. Such penalties will deter reoccurrence and increase in fake compensation claims.

Question 2: What are the various types of fraud and how do they take place?

Answer: California department of justice, have categorized insurance fraud activities into distinct groups. In this case, the major types of fraud are life fraud, healthcare insurance and automobile frauds. Life fraud entails the act of faking one's death in order to receive claim for life insurance. Employees may conspire to stage a death claim and falsify identity of the victim by forging documents. Healthcare claims involve inflation of medical bills and misrepresenting healthcare information in order