

One State's Efforts to Fight Against Insurance Fraud

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Stopping the Construction Underground Economy in Washington State

- How it Started
 - Origins - looking back to 2007
- How it's Going
 - Today - system elements, approach, results
- Applying the framework to other parts of the agency
 - Health Care Provider Fraud

Why It Matters

- **Why Stop the Underground Economy in Construction**
 - Defined as: Construction businesses not following the rules meant to protect
 - Bad for everyone: consumers, insurance companies, legitimate businesses, communities.
- **Support the good outcomes, by targeting the “bad actors” and informing consumers**
 - Good contractors are not at a competitive disadvantage
 - Consumers and Insurance companies know they are getting good contractors and can protect their biggest investment – their homes.

How it Started

Stopping the Underground Economy in the Construction

- In 2007, WA Legislature enacted a law aimed at the underground economy in the construction industry.
- Creating a joint legislative task force to investigate the issues of the underground economy
- Shifted laws, approach, to be more connected, transparent and effective.

2007 Task Force Identified Issues

- Increase role of local governments in monitoring the construction economy
- Establish laws regarding data sharing among state agencies
- Increase contractor registration requirements, enforcement and penalties
- Build education for and outreach to consumers

How it's Going - Strengthen the law to protect consumers

- Contractor Registration Requirements:
 - Bond
 - Insurance Policy
 - Business license
 - Other licenses as required (example asbestos)
 - No outstanding contractor infractions, unsatisfied judgements, or unpaid worker's compensation
 - No previous registration(s) with unsatisfied judgements
 - No previous registration(s) with an active suspension due to unpaid workers' compensation
 - Contractor Registration law (RCW 18.27.020)

How It's Going – A system approach

Targeting Businesses and Consumers

- **Detection**

- Data sharing between agencies, and with consumers, to support accountable businesses and good consumer decisions

- **Education**

- Focus on educating and coaching consumers to prevent bad outcomes.

- **Proactive Enforcement**

- Bad actors get a more comprehensive and sustained focus aimed at stopping their violations

How It's Going - Detection

Collaborating with Other Agencies

- 2007 law - Required collaboration to prevent fraud and reduce the effects of the underground economy.
- Created an online data system specifically designed to provide shared information from internal and external agencies overseeing construction industry.
- Share data to increase detection - uncover and take action on tax misreporting and other forms of fraud that contribute to the underground economy.

How It's Going - Education

- **Verify Tool**
 - Online database accessible to all to check status, history of contractors
 - Licensing, insurance, lawsuits or judgements, safety
- **Training**
 - Provide training to new businesses and contractors, local agencies around contractor registration and business requirements
- **Hire Smart tools**
 - Offers checklists and tools for consumers to help them protect themselves
- **Protect My Home media**
 - Public relations campaign to inform and protect consumers

How It's Going – Proactive Enforcement

- State contractor compliance inspectors (20) who perform visit construction worksites to verify compliance.
- Work with consumers, accept and investigate contractor complaints.
- Detect unregistered contractors working, advertising, soliciting bids or offering to perform work.
- Refer other potential violations to agency departments.

Effective Deterrents: Cost of Violating the Law

- Increased Penalties - Infractions for each offense
- Suspended registrations
- Worker's comp audits for unregistered businesses with workers
- Escalation for repeat offenders

Verify a Contractor, Tradesperson or Business

CONTRACTORS

Register as a Contractor

Hiring a Contractor

Hire Smart Step-by-Step

Verify a Contractor, Tradesperson or Business

Protect My Home

Consumer Education Events

Look Up Tracking Requests for

Use our [Verify tool](#) to see if a business you want to work with has an active contractor registration; an active and paid-to-date workers' comp account covering any employees. At the same time, you can check for safety violations, other information, lawsuits against their surety bond and more.

HOMEOWNERS

CONTRACTORS

TRADESPEOPLE

BUSINESSES

Be an informed consumer and hire smart! Use these tools to be sure you're working with a registered contractor who has a valid bond and insurance.

The [Verify a Contractor, Tradesperson or Business tool](#) allows you to:

- Look up subcontractors and tradespeople.
- Verify if the contractor has an active license.
- See if they have safety or construction citations.
- Find out if they have lawsuits against their bond.
- Confirm names of business owners.
- And much more.

You can also verify that the tradesperson performing electrical, plumbing, elevator installation, or manufactured home installations is certified (licensed) in Washington.

[Watch: Verify a Contractor for Consumers](#)

The screenshot shows the website's navigation bar with links for Safety & Health, Claims, Patient Care, Insurance, Workers' Rights, and Licensing & Permits. The breadcrumb trail is Home > Licensing & Permits > CONTRACTORS > Hiring a Contractor. The main heading is 'Hire Smart Step-by-Step'. A sidebar on the left contains a 'CONTRACTORS' menu with options like 'Register as a Contractor' and 'Hiring a Contractor', with 'Hire Smart Step-by-Step' highlighted. The main content area features an introductory paragraph, a four-step process diagram (Before You Hire a Contractor, Hiring Your Contractor, Monitoring a Contractor's Work, Closing the Deal with Your Contractor), a paragraph about financial risks, a list of four steps with links, a 'Plan Your Project' section with a paragraph and a final link.

Safety & Health Claims Patient Care Insurance Workers' Rights **Licensing & Permits**

Home > Licensing & Permits > CONTRACTORS > Hiring a Contractor

Hire Smart Step-by-Step

CONTRACTORS

Register as a Contractor

Hiring a Contractor

Hire Smart Step-by-Step

Verify a Contractor, Tradesperson or Business

Protect My Home

Consumer Education Events

Look Up Tracking Requests for Contractors

It is important to be an informed consumer when you are hiring someone to work on your home or property. L&I's Hire Smart Step-by-Step tools will help you make informed decisions to better protect your investment.

BEFORE YOU HIRE A CONTRACTOR **HIRING YOUR CONTRACTOR** **MONITORING A CONTRACTOR'S WORK** **CLOSING THE DEAL WITH YOUR CONTRACTOR**

We don't usually think about financial risks when planning a home repair or remodeling project. Yet each year L&I hears from hundreds of homeowners who have fallen victim to contracting scams. Here are the basic steps you should take before you hire a contractor:

- [Plan your project](#)
- [Get bids and interview your contractors](#)
- [Verify your contractor](#)
- [Watch for warning signs of a scam](#)

Plan Your Project

If you know what you want done and can clearly explain it, you're less likely to encounter problems. You should know your budget and have a clear idea about what you would like to do, versus what you need to do.

- Review our [What You Should Know About Hiring a Contractor, Remodeler, or Handyman](#)

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Contact My L&I: Sign In Search L&I

Safety & Health Claims Patient Care Insurance Workers' Rights **Licensing & Permits**

Home > Licensing & Permits > CONTRACTORS > Hiring a Contractor :

Protect My Home

CONTRACTORS

Register as a Contractor

Hiring a Contractor

- Hire Smart Step-by-Step
- Verify a Contractor, Tradesperson or Business

Protect My Home

- Consumer Education Events



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Hire smart. L&I can help.

Learn what you can do to get the job done right — the first time.

Problems With a Contractor

CONTRACTORS

Register as a Contractor

Hiring a Contractor

Verify a Contractor

Problems With a Contractor

About Liens

Filing a Lawsuit

Report a Contractor

Contractor Training & Workshops

Unregistered contractors are a threat to both consumers and legitimate contractors. Unregistered contractors carry no bond or insurance to protect consumers. Consumers can face serious issues if anything goes wrong on a job. Additionally, unregistered contractors have an unfair advantage over legitimate contractors when competing with jobs because they skip the expense of protecting their customers.

- [Common problems with contractors](#)
- [Some helpful suggestions](#)
- [Additional resources](#)

Common problems with contractors

If you run into serious issues with your contractor, remodeler or handyman, the following L&I resources can help you to decide what to do.

Your contractor left and did not complete your job. If you are unable to resolve serious problems with a contractor, you can file suit against their bond. See [Filing a suit against a contractor](#) (and their bonding agent), or [Filing a suit against an electrical contractor](#).

Your job was not done to the contract specifications. If you are unable to resolve serious problems with a contractor, you can file suit against their bond. See [Filing a suit against a contractor](#) (and their bonding agent), or [Filing a suit against an electrical contractor](#).

Your contractor's work resulted in damage to persons and/or property. If your contractor causes damage to a person or property due to negligence, the damage may be covered by your contractor's liability policy. You need to contact your contractor's insurer directly to make your claim. You can find the insurance policy of your registered contractor, including their coverage amount, on the [Verify a Contractor, Tradesperson](#)

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Results – Stopping Underground Economy In Construction

Compliance Action	FY 2019	FY 2020	FY 2021	FY 2022
Underground Economy Violations Issued	2,420	2,092	1,832	1,998
Contractors Referred to Collection Program	1,919	1,504	1,395	1,248
Contractors Referred to Worker’s Comp Audit Program	1,775	1,243	1,080	1,021

Results – Stopping Underground Economy In Construction - 2022

- Found and Issued penalties to 900 unregistered contractors.
- Suspended more than 30,000 Contractor registrations due to non-compliance.

Applying the model to fight health care provider fraud

- Partner with other state and federal agencies on fraud and abuse investigations
- Provide outreach to internal and external customers
- Work to close loopholes in payment policies that provide opportunities for fraud.
- Participate in multi-agency task force
 - Share data regarding rising trends and schemes perpetrated by medical providers throughout the state and nation

Provider Fraud- the Stats

	2022	2021	2020
Referrals received	51	48	64
Referrals sent:	35	40	41
Internal agencies	21	24	31
External agencies	4	12	1
Interpreter conduct	2	2	2
Provider Fraud	8	2	7
Initial review			
# of billed lines	9,729	20,241	28,898
# of claimants	984	2,350	3,159
# of providers	37	36	72
Inappropriate payments identified	\$727,153.97	\$1,222,512.04	\$1,835,952.98

What We Learned

- Shared vision amongst stakeholders – what is the harm we all want to stop?
- Don't underestimate the importance of a small win (agency data sharing)
- Don't be afraid to call out the bad actors to protect consumers

Questions?

Thank You

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