EIGHT-PENNY NEWS

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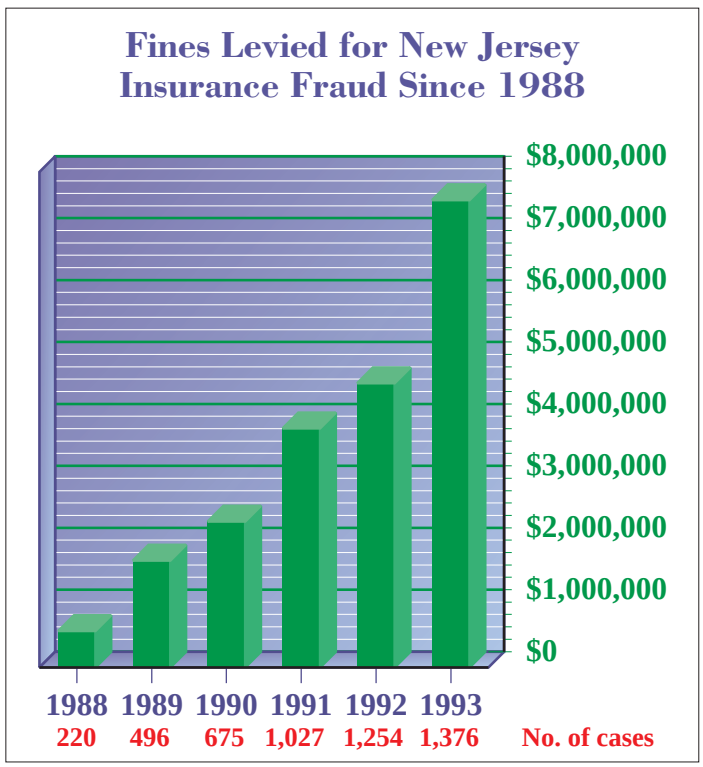
States Fight Back Against Workers Comp Fraud

As the cost of workers compensation insurance reaches crisis proportions, attention in some states has turned to reducing fraud. With an estimated 60 to 70 million claims now pending, insurers and state enforcement officials say that many of the 12 million new claims filed each year are fraudulent.

Fraudulent or exaggerated claims add billions of dollars a year to the nation's comp insurance bill, according to Arnold Schlossberg, Jr., president of the National Insurance Crime Bureau (NICB), a group supported by around 1,000 insurance companies. In some states, Schlossberg reports, fraud is a factor in more than 20% of the claims.

Only 15 states currently have fraud bureaus within their insurance departments.



Fines paid by people caught ripping off New Jersey's insurance system topped the $7 million mark in 1993, as the state continued to ratchet up enforcement efforts.

But a handful of states are taking serious steps to attack the fraud problem, and some are looking at a new Massachusetts program as a possible model for their own reforms.

Industry aids Massachusetts effort. In Massachusetts, recently elected Attorney General Scott Harshbarger has made a big issue out of insurance fraud, calling it a "hidden tax" that forces consumers and businesses to pay the costs of bogus claims. He has used new provisions in state law to pursue not only workers who make phony claims but doctors and chiropractors who profit from concocted injuries, as well as insurance adjusters who wink at false claims in exchange for a kickback.

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Wood Recycling Efforts Gain Steam

Nonwood waste is separated by hand from usable wood scraps at the Recovery 1 plant.

A continuing shortage of saw logs in the Northwest is keeping lumber prices high nationwide. With no end to the timber crisis in sight, the search for alternative sources of raw material continues. The idea of re-using construction and demolition scrap is drawing increasing interest.

In April, *JLC* reported on companies that recover and resaw antique timbers from old buildings ("Harvesting the Old Growth in NYC," *Eight-Penny News*, 4/94). Other companies are working to develop ways of re-using smaller pieces of scrap wood, and the federal government is beginning a major project to develop new uses for wood debris from construction and demolition.

In Tacoma, Wash., a two-story Swedish-built grinding machine belonging to

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Workers Comp Fraud, *continued*

The state is also investigating and prosecuting employers who evade comp premiums by undercounting their employees. State prosecutor Carmen Russo says this kind of employer fraud is often part of a pattern of corrupt practices. "If you're screwing around on comp, you're probably hiring guys on unemployment, paying under the table, breaking the prevailing wage law, and putting out a rotten product that we're going to have to pay to replace in ten years," said Russo. "Then somebody gets hurt, and holy cow, they're not covered."

Massachusetts fraud enforcers have help from a private partner. The Insurance Fraud Bureau, a group funded by member insurance companies, has provided the state with money to hire two prosecuting attorneys whose sole mission is to fight workers compensation insurance fraud. Since the program began last year, Russo said, the state has indicted one chiropractor, one insurance adjuster, one employer who underpaid his premiums, two insurance brokers, and 18 individuals who the state said filed bogus claims.

But will nailing two dozen alleged perpetrators make a serious dent in the multi-million-dollar fraud industry? Russo thinks the effort is worth it. "You take pleasure in small victories," he said. "I have a letter in my office from an insurance adjuster who says he's getting a lot fewer claims since we put that one chiropractor out of business."

New Jersey pursues civil claims. Lou Parisi, a former state trooper who heads up a New Jersey fraud enforcement unit of 132 investigators, says criminal prosecution is too slow to be effective against widespread fraud. However, a state law enacted in 1983 enables New Jersey's fraud unit to pursue fraud cases in civil court, and the state assesses punitive damages of up to $15,000 per count as well as ordering restitution.

Parisi says that New Jersey's law makes his work much easier, because civil cases do not require the same level of proof as criminal cases. "We've levied fines against 7,000 people and recovered over $24 million dollars in five years," says Parisi. "I couldn't possibly prosecute that many people in criminal court. One criminal prosecution alone can take five years. We don't have room in the jails."

Like Massachusetts, New Jersey goes after health-care providers and employers as well as employees. But Parisi has a "zero-tolerance" policy: He prosecutes any fraudulent insurance claim regardless of the amount. "You can count those $100,000 cases you read about on your left hand," says Parisi. "It's the nickel-and-dime stuff that's killing everybody."

Public tolerance hinders effort. Widespread public acceptance of fraud contributes to the enforcement problem. Polls indicate that in big cities, half or more of the public feels that it is okay to rip off an insurance company. Parisi says people need to be educated that fraud is a crime that victimizes everybody through higher premiums. But he says his main message is for the perpetrators of fraud: "If you cheat the system, we are going to make you very poor."

To report insurance fraud, call the NICB fraud hotline at 800/835-6422. □

Recycling, *continued*

Recovery 1 Inc. is grinding up more than 2,000 tons of construction debris and pallets a month. The fiber is sold to Oregon's Willamette industries, which uses it in particleboard, and to Boise Cascade, which makes cardboard with it. Demolition firms pay $10 to $15 per cubic yard to bring their scrap to the plant because it's cheaper than burying it in a landfill. The plant employs 20 people, and company president Dave Neubauer says business is steadily increasing. He hopes to start second-shift operations this summer.

Tacoma's Recovery 1 plant saves over 2,000 tons of scrap wood from going to landfills each month. Federal officials hope scraps pulled from the waste stream can supply 20% of the country's lumber.

Canfibre Group Ltd. of Vancouver, B.C., plans to build two new plants that will make medium-density fiberboard (MDF) entirely from used pallets and other wood waste. Their production method will be based on a new phenolic-adhesive steam-curing technology developed by Forintek Canada Group. Canfibre hopes to keep transportation costs low because the raw material, wood waste, comes from the same population centers where the product will be sold. The two plants, which will each employ over 100 people, are planned for southern California and Ontario, Canada.

The U.S. Forest Service's Forest Products Laboratory (FPL), in Madison, Wisc., plans a multi-million-dollar research and development effort aimed at taking wood scrap out of the waste stream and using it for building materials. Project Director Robert Falk says the lab will be looking for recycled wood-based substitutes for studs, wall and ceiling panels, moldings, casements, window frames, and other building components. "A good example is space board," said Falk, referring to a honeycomb structural panel made from recycled cardboard, invented by FPL, which is now marketed as GridCore.

The Environmental Protection Agency estimates that 6% of the waste going to municipal dumps today is solid wood. "By the year 2000, our goal is for 20% of the wood used in construction to be from recycled material," said FPL's Falk. "We think we can provide the technologies to do that." □

STATE BY STATE

Massachusetts. Land-use planning legislation is currently under consideration in the Massachusetts House of Representatives. The 56-page legislative proposal would regulate development and growth in Massachusetts communities. Eleven hearings have been held around the state to gather public reaction; the measure now goes to Representative Barbara Gray's Local Affairs Committee for modifications. For information on the legislation, call the committee at 617/722-2400.

New Hampshire. U.S. census figures show that remodeling permits issued in the state jumped by 26.8% in 1993. The value of remodeling permits issued rose to $91.1 million for the year, up from $71.8 million in 1992. The increase was the biggest percentage jump seen in any state last year. Because permits aren't required in all towns or for all projects, the permit value does not account for total dollars spent in remodeling, but it does indicate an improvement in the economy here.

Vermont. The state Health Department now offers free lead screening for children age two and younger. A state study last year found 10% of the state's toddlers who were screened for lead had lead poisoning. State officials say lead-based paints found in older buildings are a major cause. Elevated lead levels are considered a serious health concern in small children. For information call the Department of Health at 802/863-7323.

Jury Still Out on Borate-Treated Foam Insulation

Five years ago, *JLC* reported that foam-core panels were vulnerable to infestation by ants and termites ("Carpenter Ants and Foam-Core Panels," 3/89). In the South, where foundation perimeter foam insulation has grown more common, pest control operators are reporting a rash of cases where subterranean termites have used foam as a protected pathway into buildings. When foam is installed below grade and extends up to the mudsill, termites can either tunnel through it or crawl behind it into the building without being detected. Because of callback problems blamed on foam, many pest control operators in the South will no longer guarantee their work on homes with foam perimeter insulation.

AFM Corporation has developed an extruded polystyrene product impregnated with borate, a low-toxicity pesticide widely used to control ants and roaches. AFM's "insect-resistant" R-Control panels, incorporating the borate-treated foam, are now available nationwide.

A test house built in North Carolina by the USDA's Forestry Sciences Laboratory using AFM foam perimeter insulation has resisted termite attack for two years, even though the surrounding soil was not treated with pesticide. Still, AFM does not sell the foam as termite protection for houses — their only claim is that the foam itself will not be destroyed by insects.

Scientists are divided on the treated foam's effectiveness. Lonnie Williams of the Forestry Sciences Laboratory says samples of the AFM product placed in a small container with 5,000 termites were not tunneled, and that the termites died. But Washington State University entomologist Roger Akre, who also tested samples for AFM, says that ants "tore up" some of the samples. He said that the only sample sent to him by the company that actually resisted ant attacks contained so much borate that the chemical "destroyed the functional integrity of the foam itself."

Ants invade borate-treated foam in Washington State University lab tests.

Clemson University entomologist Pat Zungoli says "there is no question" that termites are entering houses via perimeter foam. While she thinks borate will prevent the termites from tunneling through the foam, she says they may still be able to crawl behind it. According to Zungoli, South Carolina pest control companies have solved the problem by cutting the buried foam off at grade to make a "vision strip," forcing the termites to build exposed tunnels where they can be detected.

Akre remains unconvinced. He said, "I would never buy any house built with foam….The termites love it. The ants cavort in it. [Houses containing foam] are setting us up for the next 20 years of litigation." □

Gas Is Cheapest Heat, Says Energy Department

Federal law requires that heating units must have labels showing their energy efficiency and cost of operation. As part of this labeling effort, the Department of Energy (DOE) periodically releases an estimate of the average cost of different types of heating fuel in the U.S. According to DOE's latest revision, natural gas is by far the cheapest fuel in 1994. This means that in many parts of the country, the most efficient gas heating units cost far less to operate than other heat sources.

The costliest heating fuel is electricity, DOE figures show. American Gas Association calculations indicate that a typical house in St. Louis, Mo., for example, would cost almost $1,200 more to heat with electricity than with gas. Oil furnaces and electric heat pumps come closer to gas, but gas is the clear winner (see chart at left).

In areas of the country served by large hydro power plants, electric resistance heat can still be affordable. But most of the country finds gas the better buy, which may explain why in 1993, 66% of new homes built had gas heat. □

Operating Cost Comparison

Based on typical home in St. Louis, Mo.

Type of Equipment	Annual Operating Cost
High-efficiency Gas	$470
Conventional Gas	$619
High-efficiency Oil	$681
Conventional Oil	$738
Heat Pump	$741
Electric Resistance	$1,840

Source: American Gas Association

The Mysterious Origins of the Polyethylene Vapor Barrier

Who decided that houses in cold climates must have polyethylene vapor retarders? Surely it must have been a consensus decision by a group of eminent scientists who understood moisture dynamics in buildings.

Not at all, explains Cliff Shirtliff, research scientist at the National Research Council of Canada (NRC), in Ottawa, Ont. The origin of the polyethylene vapor retarder, according to Shirtliff, is a much more colorful story.

Clear plastic vapor barriers were first used in Canada to allow for easy inspection of insulation, Energy Design Update reports.

During the 1950s, Canadian builders were using both faced and unfaced batts in walls. A few unscrupulous contractors or their employees, says Shirtliff, found that they could get double mileage from batts by peeling off the paper face, installing the "unfaced" batts in one house, and just the kraft paper in another house. Building inspectors had no easy way to tell whether or not there was any insulation behind the kraft paper.

To put an end to this creative scam, the Canada Mortgage and Housing Corporation (CMHC) encouraged builders to use only unfaced batts with clear polyethylene over them so that its inspectors could see the insulation in the walls. Thus the polyethylene "cheating retarder" was born.

Eventually, Canadian manufacturers voluntarily stopped producing paper-faced batts altogether after a few incidents in which exposed paper faces contributed to fire spread in buildings under construction. Unfaced batts with a polyethylene vapor retarder became standard practice and were eventually adopted into the Canadian National Building Code, as well as most U.S. codes. □

Adapted with permission from Energy Design Update, 37 Broadway, Arlington, MA 02174; 800/964-5118.

FROM WHAT WE GATHER

Smokers forced to do their thing outside have provided a whole new market to Albert Miller of Westland, Mich. Sales of his insulated sunrooms were slow until he started calling the structures "smoking shelters." Miller got the idea when he saw a group of smokers huddling in a bus shelter outside a VA hospital. He's now sold hundreds of the shelters to hospitals, schools, and corporations.

Carbon monoxide warning: Plastic vents on some gas furnaces and water heaters can release the deadly combustion gas into homes, Ontario's Ministry of Consumer and Commercial Relations said in March. The Canadian government group named Plex-vent, Sel-vent, and Ultravent as brands of plastic vent that can crack or separate at joints and leak flue gases. The ministry advised consumers to have plastic flue joints checked by a heating contractor and repaired if necessary.

Restrictions on logging in the western states may lead to increased pressure on eastern timber resources. The Northern Forest Lands Council, a panel representing industry, environmentalist groups, and government officials, was formed four years ago by Congress to study the timber resource of New York and northern New England. The panel has been holding public hearings on a draft report and is expected to release a final report this fall.

Polybutylene plumbing supplier U.S. Brass Corp. may seek bankruptcy protection in the face of mounting liability claims. The company's assets are on the line in damage lawsuits involving plastic piping failures in residences. Future losses could run into the billions of dollars. Parent company Eljer Industries Inc. disclosed in its 1993 earnings statement that bankruptcy was one option being considered for the troubled subsidiary. Damage from the plumbing failures averages from $8,000 to $12,000 per house, and U.S. Brass's liability insurance coverage is reported to be insufficient to cover potential claims.

New guideline specs for tilt-up concrete construction are available from the Tilt-Up Concrete Association (TCA) for $25 ($40 on diskette). To order, contact the TCA at P.O. Box 204, Mount Vernon, IA 52314; 319/895-6911.

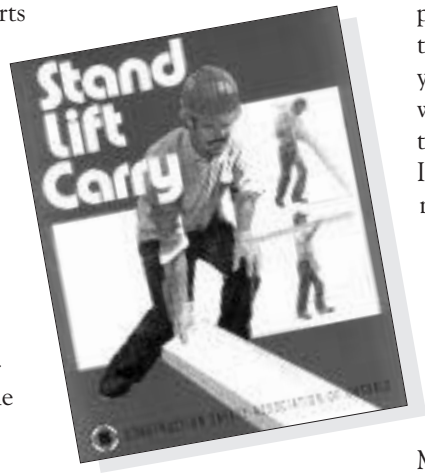
A new solar electric panel is nearly twice as efficient as earlier models, the Department of Energy says. DOE official Christine Ervin says the new panel may lower the cost of solar-generated juice to as low as 12¢/kwh. Utility sources said a price below 7¢/kwh would be competitive with conventionally generated power. The new panel, a three-cell, amorphous silicon photovoltaic array, was developed by United Solar Systems Corp. of Troy, Mich., a joint Japanese-American venture. The company plans to begin large-scale commercial production in 1995.

Value of Back Supports Debated

A quarter of all construction injuries are back injuries, and the average back injury claim cost over $24,000 in 1992. As more and more people use back support belts while lifting heavy weights at work, safety and health experts have been debating the usefulness of the devices in preventing or treating back injuries. Although people tend to blame their back injuries on whatever they were doing when they got hurt, doctors say most back injuries occur as a result of accumulated damage caused by repetitive stresses over time. Back braces used as a quick fix for that type of injury may just make matters worse.

By restricting mobility, the form-fitting belts act like a temporary splint to allow injured back muscles or vertebrae to rest and recover. But if an injured person needs mobility to work, some experts advise, the worker might actually aggravate his injury by working against the belt. Experts also doubt that back support belts can prevent injuries caused by one-time events like attempting to lift too much or using the wrong lifting posture.

The belts also cannot prevent the natural effects of the aging process on the human spinal system. Lab Safety Supply Inc., a major supplier of safety equipment, recently reported in their quarterly publication, *Techlines,* that back supports are useful mainly as a reminder for the wearer to practice proper lifting techniques. But even the manufacturers of back



supports do not advise using them over the long term, *Techlines* reports, because wearing the belts for too long is believed to cause back and stomach muscles to atrophy, which could itself lead to a back injury.

Current research shows that proper conditioning and posture are the keys to keeping your back healthy. In other words, stay in shape, don't lift too much, and lift it properly. If possible, modify your work methods to minimize lifting. *Stand/Lift/Carry,* a manual on lifting techniques produced by the Construction Safety Association of Ontario, can be ordered for $12 from the Center to Protect Workers Rights (Publications), 111 Massachusetts Ave. N.W., Washington, DC 20001.

To subscribe to *Techlines*, or to consult with Lab Safety Supply's staff of safety professionals, call their Safety Techline at 800/356-2501. □

Straw-Based Structural Panel to Enter Market

By this fall, midwesterners may be living in houses built of straw. Iowa-based Agriboard, a limited corporation, is nearing commercial production of a structural building panel made of compressed wheat straw that the big bad wolf can't blow down — or even pick up. The 8x16-foot panels are 8 inches thick and weigh about 400 pounds apiece.

The panels are manufactured in a ram press from wheat straw heated to 300°F. Under the intense heat and pressure, lignin in the straw fuses the fibers together without any added adhesive. The result is a dense panel 3 5/8 inches thick that company Vice President Bill Thompson says has a tested R-value of 3.1 per inch. The wheat-straw core is laminated between two sheets of OSB, using a phenolic adhesive, to make the structural panel.

Interior partition panels are made with a single thickness of wheat straw and are only 4 1/2 inches thick. Exterior bearing panels and roof panels are double thick. At 8 1/4 inches, Thompson says the wall panels provide R-26 insulation. Used for floor or roof decks, Thompson said the panels are strong enough to span the full 16 feet of their length. He said that a builder using the panels can eliminate up to 60% of the wood framing ordinarily found in stick-framed houses.

The panels will be sold to Midwest builders as panelized home packages. Thompson says the building shell packages will sell for around $16/sq. ft., erected. It takes a crew with a crane about four days to close in a building, according to Thompson.

At 400 lbs. apiece, Agriboard's compressed-straw structural panels have to be lifted into place by crane. The company says shell erection takes three to four days.

Compressed wheat straw has been used to make building panels before. The roof of London's Heathrow Airport is sheathed with the panels, and homes built in South Dakota and Canada have held up well for 40 years so far. Agriboard has improved the panel-making technology and built several demonstration homes in Texas with the wheat straw panels.

Agriboard plans to start commercial production this fall. Thompson says his company needs to sell about 300 shell packages to recover its investment. They hope to sell up to 3,000 homes in their first four years. If the plan succeeds, they will set up additional production facilities in other locations where wheat straw is plentiful and there is a demand for homes.

For more information, contact Agriboard at 515/472-0363. □