Oregon
John A. Kitzhaber, MD, Governor

Department of Consumer and Business Services
Workers' Compensation Division
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To: Workers' compensation insurers, self-insured employers, and third-party administrators

Subject: Annual timeliness audit: Industry results and upcoming audits

Industry Notice

This notice provides information about the industry's performance in certain claims processing areas based on findings from the Workers' Compensation Division's (WCD) first full Annual Audit. It also provides information on upcoming annual timeliness audits.

Claims Processing Performance
The Annual Audit primarily focuses on benefit and claims activity timeliness and reporting accuracy. WCD audited all insurers and self-insured employers that had applicable activity in 2009. The industry's overall performance met or exceeded established standards in most areas with the following results:

- Timely paid 91.7 percent of specific benefits audited (including temporary disability and reimbursements to workers)
- Timely processed 95.4 percent of specific claims actions audited (including acceptances, denials, closures, and claim reporting)
- Accurately paid 92.7 percent of reimbursements to workers
- Accurately reported timeliness in 95.6 percent of reports to the division for first time-loss payments and accept or deny decisions

The industry's lowest area of performance noted in the audit was timely first payment of temporary disability where the timeliness was 85.4 percent. This was the only area the industry average was below the required 90 percent standard. WCD attempted to determine the causes for late payments when they occurred. Auditors were not able to determine the cause of the majority of deviations. However, in the category of timely first payment, auditors found about 16 percent of late payments were caused by the employer reporting the claim late and in about 10 percent the claims processor was unaware the worker was losing time or wages. These are opportunities for companies to educate employers and claims staff on processing requirements.

WCD audited 316 insurers and self-insured employers during the 2009 Annual Audit. More than 60 percent of those audited met the required standards in all timeliness and accuracy categories. Also, the division found that 153 companies had overall total performance of 95 percent or higher based on all transactions audited in all areas. Companies that met the required standards during the 2009 Annual Audit were not subject to the 2010

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audit. Companies that fell below the required standard in any audit categories in 2009 received civil penalties, and WCD is currently conducting the 2010 Annual Audit of these companies.

You can review a summary report of the **2009 Annual Audit** at **http://www.cbs.state.or.us/wcd/compliance/fau/ptd/summary.pdf**. The summary report includes a list of the 153 high-performing companies and information on the individual performance for each audited company.

Upcoming 2011 Annual Audits

The Annual Audit regularly monitors performance in key areas of claims processing and benefit payments to provide recent company performance data and help ensure compliance. The division focused its 2010 Annual Audit on the companies that did not meet the required standards in all areas in the 2009 audit. ***We are developing the 2011 Annual Audit, which will review industrywide performance. All insurers and self-insured employers with applicable data will be subject to the upcoming 2011 Annual Audit.***

In preparation for the audit, all companies will need to report 2011 payment data, if any, for:

- Subsequent time-loss payments (excluding the first payment)
- Worker reimbursement payments

We will send detailed data upload instructions to each insurer and self-insured employer in early June 2012 for the secure payment reporting website. Insurers and self-insured employers are responsible for timely and accurately submitting the payment data to the website even if they delegate the reporting to their claims processors.

WCD welcomes your input on our audit programs and how best we can monitor industry performance while minimizing burdens and intrusiveness on companies.

If you have questions about this notice, contact Field Audit Manager Sally Coen at 503-947-7687 or e-mail **sally.c.coen@state.or.us**.

John L. Shilts

John Shilts, Administrator
Workers' Compensation Division

Distribution: PD8903 (Insurers and self-insured employers) and PD8913 (TPAs)