

Current methodology for annual performance audit

History

The Workers' Compensation Division (WCD) has replaced its former audit programs that monitored insurer and self-insured employer claims-related activities with a more flexible, risk-based methodology. WCD has moved to a methodology with two major components:

- **Annual audits** – focusing on timeliness of benefit payments and processing actions
- **Focused audits** – emphasizing specific performance areas

The changes do not affect the current self-insured employer claims reserve audit.

Annual audits

The focus of an annual audit is to regularly and quickly assess current performance in the timeliness of benefit payments and certain other processing actions. These are core processing requirements that support a key performance measure of the workers' compensation system. In the annual audit, WCD reviews a sample of a company's activities in nine categories over the course of a calendar year.

Timeliness of:

- First payment of time loss
- Subsequent time-loss payments
- Worker reimbursement payments
- Permanent total disability payments
- Fatal benefit payments
- Claim acceptance or denial
- Notices of Closure
- Initial claims reports to the division (Form 1502 filings)

Accuracy of:

- Worker reimbursement payments

WCD develops the audit samples based on data insurers report to the division. The division uses data from the "Insurer's Report" (Form 1502), the "Insurer Notice of Closure Summary" (Form 1503), and the "Request for Reimbursement From the Retroactive Program" (Form 3285) that insurers already send to WCD. In three categories (timeliness of subsequent time-loss payments, and timeliness and accuracy of worker reimbursement payments), WCD obtains annual payment data from insurers to develop appropriate audit samples.

Companies need to report the following data elements:

- Insurer name
- Worker name
- Insurer claim number
- Date of injury
- Total number of subsequent time-loss payments
- Total number of worker reimbursement payments to the worker during the audit period
- Processing location name (for insurers that use multiple claims processing locations)

WCD does not need payment dates, time periods covered, reimbursement request receipt dates, or due dates. WCD will only use the reported payment data to develop samples for audits, not to determine the insurer's timeliness before an audit.

During the annual audit, WCD verifies actual performance. When companies self-report their timeliness on Form 1502 and Form 1503, WCD also verifies reporting accuracy. WCD auditors make the following findings in nine performance categories:

1. First payment of time loss
 - a. Timely – yes/no.
 - b. Accurately reported – yes/no. If no, corrected by processor – yes/no.
 - c. Reasons for late payment or inaccurate reporting.
2. Subsequent time-loss payments (not first payments)
 - a. Timely – yes/no.
 - b. Paid to within seven days of the date of payment – yes/no.
 - c. Reasons for late payment.
3. Worker reimbursement payments – timely
 - a. Timely – yes/no.
 - b. Reasons for late payment.
4. Permanent total disability payments
 - a. Timely – yes/no.
 - b. Reasons for late payment.
5. Fatal benefit payments
 - a. “Interim” benefit payments (before acceptance), if paid, are applicable and counted as timely.
 - b. Benefit payments after acceptance: timely – yes/no.
 - c. Reasons for late payment.
6. Claim acceptance or denial
 - a. Type of claim: initial, aggravation, or new/omitted condition.
 - b. If initial or aggravation claim:
 - i. Timely – yes/no.
 - ii. Accurately reported – yes/no. If no, corrected by processor – yes/no.
 - c. If new/omitted condition claim: timely – yes/no only.
 - d. Reason(s) for late decision or inaccurate reporting.
7. Notices of Closure
 - a. Timely – yes/no/not applicable (not applicable if claim did not qualify for closure).
 - b. If not applicable, reasons why claim did not qualify for closure.
 - c. If applicable, timeliness accurately reported – yes/no.
 - d. Reasons for late closure or inaccurate reporting.
8. Initial claims reports to WCD
 - a. Timely – yes/no (from WCD data).
 - b. Reasons for late filings, if found.

9. Reimbursements to worker – accurate

- a. Accurate – yes/no.
- b. Reasons for inaccurate payment.
- c. If inaccurate, amount of overpayment or underpayment for each payment.

WCD no longer issues quarterly penalties under the former quarterly claims processing performance (QCPP) audit. The division continues to provide companies copies of their reported data each quarter for their own use and monitoring. Processors should continue to document any reporting errors they identify and submit correcting forms to the division as appropriate; however, WCD no longer makes any requested changes to the quarterly performance reports. Instead, WCD verifies the performance and reporting accuracy during the annual audits. Since the performance categories in the annual audit are long-standing core processing requirements, the division will penalize in each case where performance does not meet the standards.

To encourage accurate self-reporting in the annual audit, WCD will also issue penalties for inaccurate reporting. Industry performance standards have not changed. The categories that directly relate to the provision of benefits to workers remain at a 90 percent timeliness standard, and claims reporting to the department remains at an 80 percent timeliness standard.

WCD will reward companies that exceed performance standards by omitting them from some subsequent annual audits. WCD will also post insurer, self-insured employer, and third-party administrator performance on its website.