

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 this 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 timeloss 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 filing)

Accuracy of:

- Worker reimbursement payments

WCD develops the audit samples based on data that insurers report to the division. We use 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 two categories (timeliness of subsequent timeloss 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 timeloss 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)

We do 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, we also verify 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 timeloss 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 (prior to 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 or 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. We continue 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, we will also issue penalties for inaccurate reporting. Industry performance standards have not changed. The categories that directly relate to 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. Penalties for performance standards are below:

Claim payments: Timely and accurate

Category	Penalty
First payment of time loss - timely	\$650 per category below the 90 percent standard*
Subsequent timeloss payments - timely	
Worker reimbursement payments - timely	
Permanent total disability payments - timely	
Fatal benefit payments - timely	
Worker reimbursement payments - accurate	

Claim processing actions: Timely

Category	Penalty
Claim acceptance or denial - timely	\$650 per category below the 90 percent standard*
Notice of Closure - timely	
Initial claims reports to the division (Form 1502 filing) - timely	\$250 if category is below the 80 percent standard*

Reports to the division: Accurate

Category	Penalty
Timeliness of first payment of time loss – accurate reporting	\$500 if category is below the 80 percent standard <u>plus</u> \$50 per number of late payments reported as timely*
Timeliness of claim acceptance or denial – accurate reporting	\$250 if category is below the 80 percent standard*
Timeliness of Notice of Closure – accurate reporting	

*Note: for a penalty to apply, a category showing performance below the standard must contain five or more items audited and two or more deviations.

We will reward good performing companies by omitting them from some subsequent annual audits. We will also post insurer, self-insured employer, and third-party administrator performance on our website.