

**TEXAS DEPARTMENT OF INSURANCE, DIVISION OF WORKERS' COMPENSATION
SYSTEM MONITORING AND OVERSIGHT
AUDIT PLAN
FISCAL YEAR ENDING 08/31/13**

OBJECTIVES

For fiscal year 2013, it is the goal of System Monitoring and Oversight to improve system performance in the following key areas:

- accurate reporting of electronic data to the Texas Department of Insurance, Division of Workers' Compensation (TDI-DWC);
- timely communication;
- timely medical reimbursement; and
- timely and accurate benefit delivery.

To obtain these objectives, performance audits will be conducted on select system participants. The Texas Labor Code (TLC) authorizes the TDI-DWC to conduct performance audits of participants in the Texas Workers' Compensation System. TDI-DWC is specifically directed in TLC §402.075 to focus its regulatory oversight on insurance carriers and health care providers identified as poor performers in the Performance-Based Oversight (PBO) program. Therefore, the insurance carriers and health care providers selected for fiscal year 2013 audits are those identified either as poor performers in the PBO program or through detected compliance issues. Detailed information regarding PBO can be found at <http://www.tdi.texas.gov/wc/pbo/index.html#pboma>.

This audit plan identifies the issues and system participants to be reviewed during the fiscal year ending August 31, 2013, and describes the scope and methodology related to each audit type. However, this audit plan is subject to change; TDI-DWC may identify compliance areas of concern, audit risk, or data availability issues and adjust audit issue, auditee, objective, scope, and/or methodology, as necessary.

AUDIT OVERVIEW

ENTITY TYPE	AUDIT ISSUE TYPE	APPLICABLE STATUTES AND RULES	AUDIT REVIEW PERIOD	# OF AUDITS
Insurance Carrier	Timeliness of Initial Temporary Income Benefits Payment; Timeliness of Reporting Initial Payment Data; and Accuracy of Initial Payment Data	409.021, 124.2, 124.3, and 124.7	06/01/12 – 08/31/12 or 12/01/12 – 02/28/13	20
Insurance Carrier	Timeliness of Medical Bill Processing; Timeliness of Reporting Medical Bill Data; and Accuracy of Medical Bill Data	408.027, 133.240, and 134.804	09/01/12 – 11/30/12 or 12/01/12 – 02/28/13	20
Insurance Carrier	Accuracy of Medical Bill/Payment Data and Timeliness of Reporting Medical Bill Data	134.804	06/01/12 – 08/31/12 or 12/01/12 – 02/28/13	20

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ENTITY TYPE	AUDIT ISSUE TYPE	APPLICABLE STATUTES AND RULES	AUDIT REVIEW PERIOD	# OF AUDITS
Insurance Carrier	Accuracy of Benefit Payments; Timeliness of Reporting Claim Data; and Accuracy of Claim Data	408.041, 408.081, 408.103, 408.161, 408.181, 124.2, 128.1, 128.3, 129.2, 129.3, 131.2, and 132.1	09/01/05 - present	10
Other Audits as Directed	(Legislature, Commissioner, or Special Projects that may arise during the year)		TBD	TBD

Total number of audits: 70

AUDIT SCOPE AND METHODOLOGY

Insurance Carrier Audits

Timeliness of Initial Temporary Income Benefits Payment; Timeliness of Reporting Initial Payment Data; and Accuracy of Initial Payment Data

The Timeliness of Initial Temporary Income Benefits (TIBs) Payment; Timeliness of Reporting Initial Payment Data; and Accuracy of Initial Payment Data review will determine if insurance carriers: 1) initiated the first TIB payment timely; 2) timely reported initial payment data to TDI-DWC; and 3) accurately reported initial payment data to TDI-DWC. The review will consist of determining if the insurance carriers: 1) initiated income benefits within 7 days of the eighth day of disability (accrual date), or within 15 days from notice of the injury, whichever is later; 2) reported initial payment data to TDI-DWC within 10 days of making the first payment; and 3) accurately reported several initial payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of claim information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from claims for which an initial payment of TIBs was issued during the period of either June 01, 2012 through August 31, 2012 or December 01, 2012 through February 28, 2013. For each claim reviewed, TDI-DWC will require the insurance carriers to submit the DWC Form-1, Employers First Report of Injury or Illness; Plain Language Notice 2, Notification of First Temporary Income Benefit Payment; adjuster/claim notes; medical reports; and initial TIB payment detail. The records will be reviewed to determine if the first TIB payment was issued timely and if the initial payment data elements were timely and accurately reported.

Timeliness of Medical Bill Processing and Accuracy of Data

The Timeliness of Medical Bill Processing review will determine if insurance carriers are timely processing medical bills and accurately reporting medical bill/payment data to TDI-DWC. The review will consist of determining if the insurance carriers paid or denied initial medical bills within 45 days of receipt and accurately reported various medical bill/payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the medical bill information submitted to TDI-DWC by insurance carriers.

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The sample data will be drawn from billing lines submitted to TDI-DWC during the period of September 01, 2012 through November 30, 2012 or December 01, 2012 to February 28, 2013, depending on the date of audit initiation. For each billing line reviewed, TDI-DWC will require the insurance carriers to submit the medical bills, Explanation of Benefit Statements, and payment detail. The records will be reviewed to determine if the medical bills were timely processed and if the data elements were accurately reported.

Accuracy of Medical Bill/Payment Data

The Accuracy of Medical Bill/Payment Data review will determine if insurance carriers accurately reported medical bill/payment data to TDI-DWC. The review will consist of determining if the insurance carriers accurately reported various medical bill/payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of medical bill/payment information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from billing lines with dates of service during the period of June 01, 2012 through August 31, 2012 or December 01, 2012 through February 28, 2013, depending on the date of audit initiation. For each billing line reviewed, TDI-DWC will require the insurance carriers to submit the medical bill; DWC Form-62, Explanation of Benefits; and payment detail. The records will be reviewed to determine if the data elements were accurately reported.

Accuracy of Benefit Payments and Claim Data

The Accuracy of benefit payments and claims data review will determine if insurance carriers accurately paid Temporary Income, Lifetime, and Death benefits and accurately reported claim data to TDI-DWC. The review will consist of determining if insurance carriers: 1) accurately calculated average weekly wage (AWW); 2) paid the correct percentage of AWW; 3) made required adjustments; and 4) accurately reported claim data to TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of claim information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from claims for injuries occurring since September 01, 2005. For each claim reviewed, TDI-DWC will require the insurance carriers to submit the wage statement, indemnity payment records, and adjuster notes. The records will be reviewed to determine if the payment amounts and data reporting were accurate.

AUDIT DETAIL

The Audits and Investigations Team will initiate the following seventy (70) audits during fiscal year 2013:

	AUDITEE NAME	AUDIT ISSUE TYPE	AUDITOR	EXPECTED INITIATION DATE	EXPECTED COMPLETION QUARTER
1 -10	10 INSURANCE CARRIERS TO BE DETERMINED	Initial TIB Timeliness and IP Data Timeliness/Accuracy	To Be Determined	September 2012	2
11-20	10 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Medical Bill/Payment Data	To Be Determined	October 2012	2

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	AUDITEE NAME	AUDIT ISSUE TYPE	AUDITOR	EXPECTED INITIATION DATE	EXPECTED COMPLETION QUARTER
21-30	10 INSURANCE CARRIERS TO BE DETERMINED	Timeliness of Medical Bill Processing and Accuracy of Data	To Be Determined	December 2012	3
31-40	10 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Benefit Payments and Claim Data Timeliness/Accuracy	To Be Determined	February 2013	4
41-50	10 INSURANCE CARRIERS TO BE DETERMINED	Initial TIB Timeliness and IP Data Timeliness/Accuracy	To Be Determined	March 2013	4
51-60	10 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Medical Bill/Payment Data	To Be Determined	April 2013	4
61-70	10 INSURANCE CARRIERS TO BE DETERMINED	Timeliness of Medical Bill Processing and Accuracy of Data	To Be Determined	April 2013	4

LEGEND: QUARTER NUMBER

SEP – NOV 1
DEC – FEB 2
MAR – MAY 3
JUN – AUG 4

FISCAL IMPACT

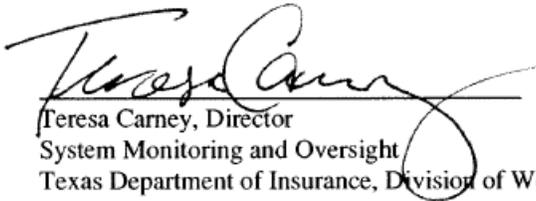
Auditee Type	Number of Audits	Expected Completion Hours per Audit	Number Billable Audits	Total Billable Hours	Bill Rate/Hr.	Projected Revenue
Insurance Carrier	70	25.50	47	1,198.5	\$50.00	\$59,925
Estimated Revenue Total						\$59,925

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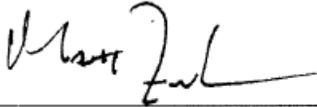
Respectfully submitted by:



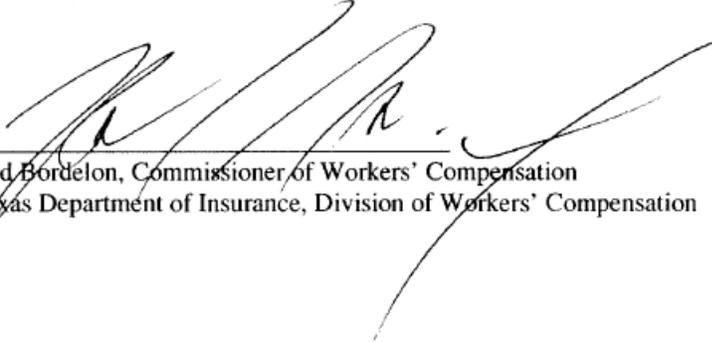
Darrell G. Cooper, Manager
Audits and Investigations
System Monitoring and Oversight
Texas Department of Insurance, Division of Workers' Compensation



Teresa Carney, Director
System Monitoring and Oversight
Texas Department of Insurance, Division of Workers' Compensation



Matt Zurek, Executive Deputy Commissioner
Health Care Management and System Monitoring
Texas Department of Insurance, Division of Workers' Compensation



Rod Bordelon, Commissioner of Workers' Compensation
Texas Department of Insurance, Division of Workers' Compensation