



Washington State Department of  
**Labor & Industries**

## Self-Insurance Compliance Final Audit Summary

For Audit Years January 2018 – December 2019

Self-Insurance Program Compliance

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December 31, 2019

The Self-Insurance Compliance Audit model focuses on areas of priority as recommended by business and labor and is aimed at being a more agile response with completion within a two-year cycle.

The model consists of three distinct types of audits:

- Performance-Based – three progressive levels of review
- Issue-Based
- Complaint-Based

## Performance-Based Audit objectives and scopes

The Performance-Based Audit is a multi-tiered system. Firms are audited and provided an opportunity to walk through their Preliminary Audit Report one-on-one with the auditor. After the preliminary walkthrough is completed, the firms may provide additional information prior to the issuance of a final audit report that could change the result of the audit. A firm that fails to meet a passing threshold of 80% moves to the next Performance Based Audit Type.

### Tier 1 – Timeliness

- Objective: To verify time-loss payments were paid in accordance with applicable RCWs and WACs.
- Scope: The scope of review for time-loss payments included claims with dates of injury or manifestation between MM/DD/YY and MM/DD/YY.

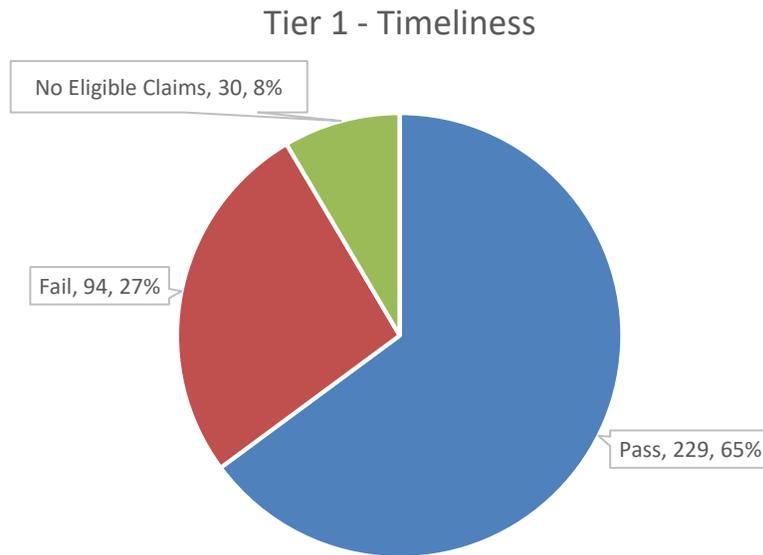
### Tier 2 - Wage

- Objectives:
  - To verify monthly wages were calculated in accordance with RCW 51.08.178, applicable case laws and department policies.
  - To verify appropriate methodology was applied when calculating the monthly wage.
- Scope: The scope of review included claims with dates of injury or manifestation on or after December 2, 2013. These may have included claims without final and binding wage orders that were open, employer-closed within two years and department-closed within 60 days.

### Tier 3 – Entitlement

- Objective: To verify benefits have been paid in accordance with applicable RCWs and WACs.
- Scope: The scope of review for time-loss and/or loss of earning power payments includes claims with dates of injury or manifestation on or after December 2, 2013.

## Performance-Based Audit Results

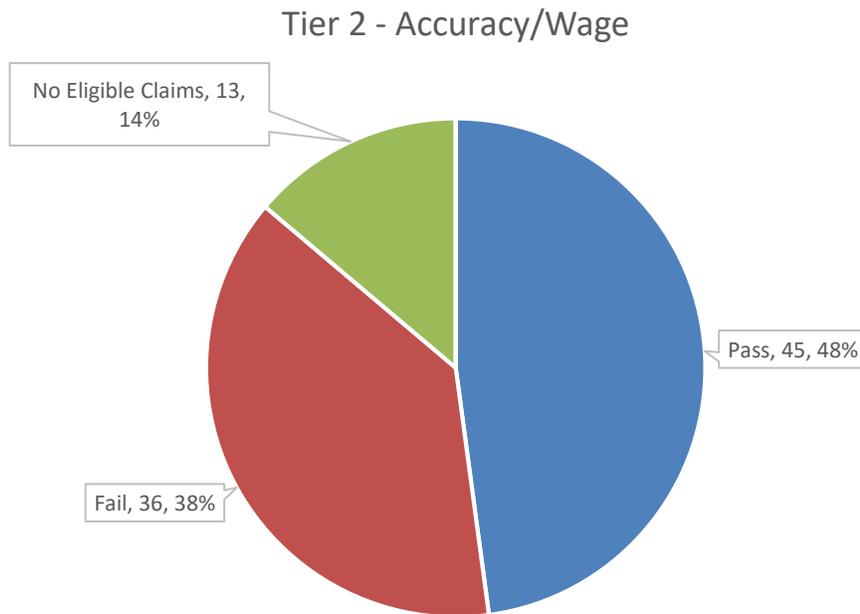


The Timeliness chart shows the status of all firms audited to determine if time-loss compensation was paid on time. A maximum of 10 claims and 50 transactions were selected and evaluated in two categories: initial time-loss payments and continuous time-loss payments.

An 80% passing threshold is required in both categories to pass this audit. If one or both categories has less than 80% correct, the firm fails the Timeliness Audit and moves to the Wage Audit.

Firms with no time-loss claims available for review are listed as no audit eligible claims and are moved to the next audit cycle.

As noted in the Timeliness Chart above: 65% of employers passed and 27% did not pass. It should be noted of the 94 that did not pass 20 of them had 3 or fewer claims reviewed.



The Accuracy/Wage chart shows the status of all firms audited to determine whether the correct Wage was calculated. A maximum of 10 claims were selected and evaluated for each firm that moved into this audit category.

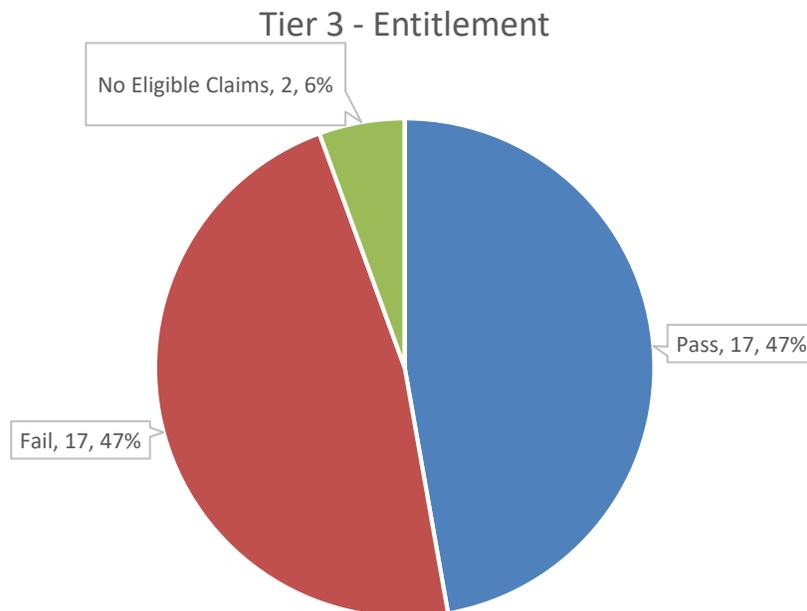
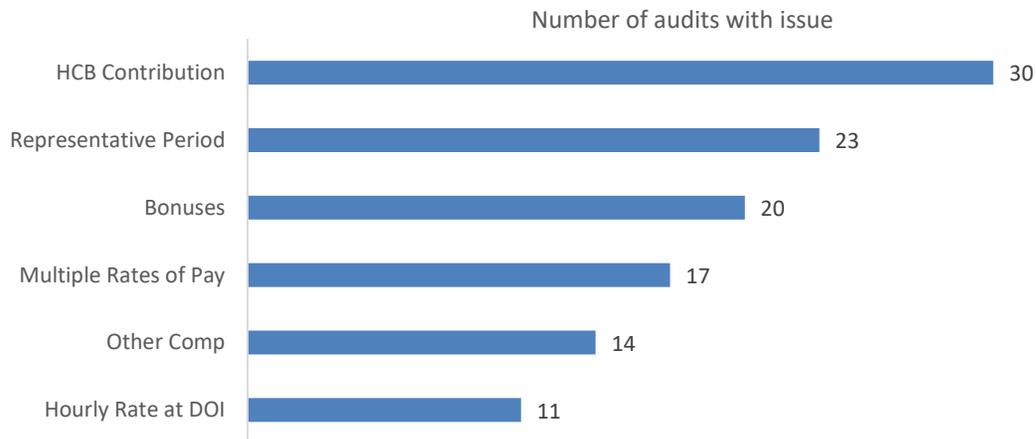
Firms are allowed up to a 5% variance below the auditor's calculation. An 80% passing threshold is required to pass a Wage Audit.

A firm that fails the Wage Audit is moved to the Entitlement Audit.

Firms with no claims available for review are listed as no audit-eligible claims and are moved to the next audit cycle.

As noted in the Accuracy/Wage Chart above: 48% of employers passed and 38% of did not pass. It should be noted of the 36 that did not pass 18 had 3 or fewer claims reviewed.

## Tier 2 - Accuracy/Wage Top Issues



The Entitlement chart shows the status of all firms audited to determine whether the firm paid the worker time-loss compensation as entitled and/or whether a Loss of Earning Power worksheet was completed to determine if the worker was entitled to those benefits. A maximum of 10 claims were selected and evaluated for each firm that moved into this audit category.

An 80% passing threshold is required to pass this audit.

A firm that fails the Entitlement Audit has failed in all three sections of the Performance-Based Audit Review. These firms will be required to take further action. Those actions fall into one of two categories:

**Performance Improvement Plan:** Firms that did not pass the 80% threshold and had less than five claims available for review.

Or

Mandatory Training provided by the Department of Labor & Industries Training Section with a six-month follow-up review: Firms that did not pass the 80% threshold and had five or more claims available for review.

Firms with no time-loss claims available for review are listed as no audit eligible claims and are moved to the next audit cycle.

As noted in the Entitlement Chart on the previous page: 47% of employers passed, 47% of employers did not pass. It should be noted of the 17 that did not pass 8 had 3 or fewer claims reviewed.

## What went well

- Email communication between auditors and employers/representatives appeared to work more consistently and smoothly.
- Clear communication resulted in employers waiving walkthroughs.
- Employers who did not pass participated in walkthroughs allowing clear and concise dialogue with the auditor for explanation.
- SIEs and TPAs were more familiar with the audit process and were getting more involved.
- Employers seemed satisfied when they realized they were not being penalized and only required a PIP when they had few claims to review.
- Report was easier to understand than before.
- Auditors not having to go onsite due to electronic access has been a great added tool.

## Future opportunities

- Continue to improve on response time for all parties to keep audits moving forward to meet audit cycle timelines.
- Include if and when employer HCBs terminated in the initial letters on Entitlement Audit for each claim. Also verify all LEP worksheets are in the files.
- Clarify the report to advise employers that if they agree with the Preliminary Report findings, they may waive a walkthrough to be more considerate of their time/schedules.
- Update the initial letters for request to be certified to mitigate records delays and clarify what further action should be done for failure to comply.
- Decide claims criteria for Entitlement Audits, since very few wage orders are being issued.
- Have SIEs and TPAs provide directions on how to use and find documents in their systems and maintain the information in a central area for all audit staff.

## Complaint audit under review

A concern has been raised that an employer is intentionally and repeatedly requiring workers to resort to legal proceedings to obtain benefits

## Issue audit under review

Reconciliation of medical EDI reporting and payment

Voluntary EDI reporting trends indicated that approximately 99% of self-insured workers compensation medical bills in Washington State were paid within the 60-day statute.

This review was a proof of concept/pilot audit to determine if data could be used to conduct an audit. The employers selected for this review had no actions to take. The review and its results are being used for informational purposes only to better refine and understand EDI data we collect.