

**TEXAS DEPARTMENT OF INSURANCE, DIVISION OF WORKERS' COMPENSATION
SYSTEM MONITORING AND OVERSIGHT
AUDIT PLAN
FISCAL YEAR ENDING 08/31/14**

OBJECTIVES

For fiscal year 2014, 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 and accurate 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. The 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 2014 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, 2014, and describes the scope and methodology related to each audit type. However, this audit plan is subject to change; the 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 | 06/01/13 – 08/31/13 or 10/01/13 – 12/31/13 | 24 |
| 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 | 06/01/13 – 08/31/13 or 09/01/13 – 11/30/13 | 24 |
| Insurance Carrier | Proper completion of DWC Form-32, Request For Designated Doctor Examination | 127.1 | 11/01/13 – 01/31/14 | 16 |
| Insurance Carrier | Accuracy of Lifetime Income and Death Benefit Payments; Timeliness of Reporting Claim Data; and Accuracy of Claim Data | 408.041, 408.081, 408.161, 408.181, 124.2, 128.1, 128.3, 131.2, and 132.1 | 09/01/05 - present | 12 |

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| ENTITY TYPE | AUDIT ISSUE TYPE | APPLICABLE STATUTES AND RULES | AUDIT REVIEW PERIOD | # OF AUDITS |
|--------------------------|---|--------------------------------------|----------------------------|--------------------|
| Other Audits as Directed | (Legislature, Commissioner, or Special Projects that may arise during the year) | | TBD | TBD |

Total number of audits: 76

AUDIT SCOPE AND METHODOLOGY

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 the TDI-DWC; and 3) accurately reported initial payment data to the TDI-DWC. The review will consist of determining if the insurance carriers: 1) initiated income benefits within seven 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 the TDI-DWC within 10 days of making the first payment; and 3) accurately reported several initial payment data elements to the TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of claim information submitted to the 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, 2013 through August 31, 2013 or December 01, 2013 through February 28, 2014. For each claim reviewed, the 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 each 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 the 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 the TDI-DWC. The audit samples will consist of randomly selected records drawn from the medical bill information submitted to the TDI-DWC by insurance carriers.

The sample data will be drawn from billing lines submitted to the TDI-DWC during the period of June 01, 2013 through August 31, 2013 or September 01, 2013 through November 30, 2013, depending on the date of audit initiation. For each billing line reviewed, the 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 each medical bill was timely processed and if the data elements were accurately reported.

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Proper Completion of the DWC Form-32, Request for Designated Doctor Examination

The DWC Form-32 review will determine if insurance carriers properly and accurately completed the Request for Designated Doctor Examination. The review will consist of examining submitted forms for completion in the manner and form prescribed by the TDI-DWC, and in accordance with Rule 127.1. The audit samples will consist of randomly selected records drawn from the TDI-DWC database.

The sample data will be drawn from DWC Form-32s submitted to the TDI-DWC during the period of November 01, 2013 through January 31, 2014. For each DWC Form-32 reviewed, the TDI-DWC will require the insurance carriers to submit the DWC Form-1, Employers First Report of Injury or Illness; adjuster/claim notes; medical reports; and other related claim file records. The records will be reviewed to determine if each form was properly and accurately completed.

Accuracy of Benefit Payments and Claim Data

The Accuracy of benefit payments and claims data review will determine if insurance carriers accurately paid Lifetime and Death benefits and accurately reported claim data to the 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) timely and accurately reported claim data to the TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of claim information submitted to the TDI-DWC by insurance carriers.

The sample data will be drawn from claims for injuries occurring since September 01, 2005. For each claim reviewed, the 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-six (76) audits during fiscal year 2014:

| | AUDITEE NAME | AUDIT ISSUE TYPE | AUDITOR | EXPECTED INITIATION DATE | EXPECTED COMPLETION QUARTER |
|-------|--|--|------------------|--------------------------|-----------------------------|
| 1 -12 | 12 INSURANCE CARRIERS TO BE DETERMINED | Initial TIB Timeliness and IP Data Timeliness/Accuracy | To Be Determined | September 2013 | 2 |
| 13-24 | 12 INSURANCE CARRIERS TO BE DETERMINED | Timeliness of Medical Bill Processing and Accuracy of Data | To Be Determined | October 2013 | 2 |
| 25-36 | 12 INSURANCE CARRIERS TO BE DETERMINED | Accuracy of Lifetime and Death Benefit Payments and Claim Data Reporting | To Be Determined | December 2013 | 4 |
| 37-48 | 12 INSURANCE CARRIERS TO BE DETERMINED | Initial TIB Timeliness and IP Data Timeliness/Accuracy | To Be Determined | January 2014 | 3 |

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| | AUDITEE NAME | AUDIT ISSUE TYPE | AUDITOR | EXPECTED INITIATION DATE | EXPECTED COMPLETION QUARTER |
|-------|--|---|------------------|--------------------------|-----------------------------|
| 49-60 | 12 INSURANCE CARRIERS TO BE DETERMINED | Timeliness of Medical Bill Processing and Accuracy of Data | To Be Determined | February 2014 | 4 |
| 61-76 | 12 INSURANCE CARRIERS TO BE DETERMINED | Proper Completion of the DWC Form-32, Request for Designated Doctor Examination | To Be Determined | March 2014 | 4 |

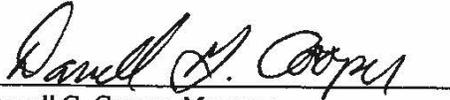
LEGEND: QUARTER NUMBER
 SEP – NOV 1
 DEC – FEB 2
 MAR – MAY 3
 JUN – AUG 4

FISCAL IMPACT

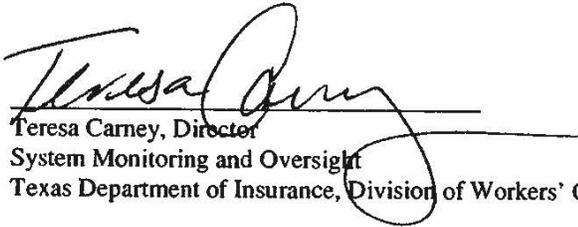
| Auditee Type | Number of Audits | Expected Completion Hours per Audit | Number Billable Audits | Total Billable Hours | Bill Rate/Hr. | Projected Revenue |
|-------------------------|------------------|-------------------------------------|------------------------|----------------------|---------------|-------------------|
| Insurance Carrier | 76 | 22.00 | 57 | 1,254 | \$50.00 | \$62,700 |
| Estimated Revenue Total | | | | | | \$62,700 |

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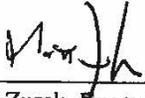
Respectfully submitted by:+



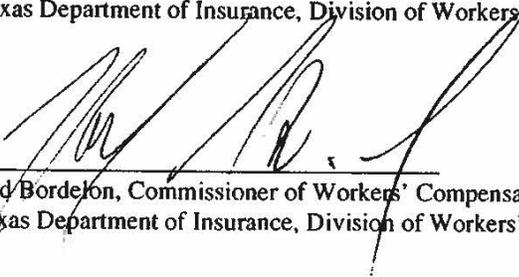
Darrell G. Cooper, Manager
Audits and Investigations
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Texas Department of Insurance, Division of Workers' Compensation



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