

**TEXAS DEPARTMENT OF INSURANCE, DIVISION OF WORKERS' COMPENSATION  
SYSTEM MONITORING AND OVERSIGHT  
AUDIT PLAN  
FISCAL YEAR ENDING 08/31/16**

**OBJECTIVES**

For fiscal year 2016, it is the goal of System Monitoring and Oversight to improve system performance in the following key areas:

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

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 selected for fiscal year 2016 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/pbo.html>.

This audit plan identifies the issues to be reviewed during the fiscal year ending August 31, 2016, 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**

<b>ENTITY TYPE</b>	<b>AUDIT TYPE</b>	<b>APPLICABLE STATUTES AND RULES</b>	<b>AUDIT REVIEW PERIOD</b>	<b># OF AUDITS</b>
Insurance Carrier	Accuracy of Death/Lifetime Income Benefit Payments; Timeliness of Reporting Claim Data; and Accuracy of Claim Data	408.041, 408.161, 408.181, 124.2, 128.1, 128.3, 131.2, and 132.1	09/01/05 – 8/31/15	10
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	09/01/15 – 11/30/15	10
Insurance Carrier	Timeliness of Initial Temporary Income Benefits Payments; Timeliness of Reporting Initial Payment Data; and Accuracy of Initial Payment Data	409.021, 124.2, 124.3, and 124.7	10/01/15 – 12/31/15	10
Other Audits as Directed	(Legislature, Commissioner, or special projects that may arise during the year)		TBD	TBD

Total number of audits: 30

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**AUDIT SCOPE AND METHODOLOGY**

**Accuracy of Lifetime Income/Death Benefit Payments and Claim Data**

The Accuracy of Lifetime Income/Death Benefit Payments and Claims Data review will determine if insurance carriers accurately paid Lifetime Income 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) accurately calculated and paid benefit amounts; 3) made required adjustments to benefits; 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.

**Timeliness of Medical Bill Processing and Accuracy of Medical Data**

The Timeliness of Medical Bill Processing and Accuracy of Medical Data review will determine if insurance carriers timely processed medical bills and accurately reported 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 the following medical bill/payment data elements to the TDI-DWC:

Data Element

1. Rendering Line Provider NPI Number (EDI DN592-Unique national provider ID of the rendering provider at the line level)
2. Rendering Line Provider State License Number (EDI DN599-License number issued by a jurisdiction that permits the rendering line provider to practice in that state)
3. Referring Provider Last/Group Name (EDI DN690-Provider referring claimant for care)
4. Referring Provider State License Number (EDI DN695-License number issued by a jurisdiction that permits the referring provider to practice in that state)
5. Service Facility Postal Code (EDI DN688-Postal code of facility's mailing address)
6. ANSI Reason Adjustment Code 1 (EDI DN732-Service adjustment reason code)
7. Date Bill Received (EDI DN511 – Date Insurer Received Bill)
8. Date Paid or Denied (EDI DN512 – Date Insurer Paid Bill)

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 September 01, 2015 through November 30, 2015. 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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**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 the following initial payment data to the TDI-DWC:

Data Element

1. First Day of Disability (EDI DN56 – Date Disability Began)
2. Date of Written Notice of Injury (EDI DN41 – Date Reported to Claims Administrator)
3. Date of Initial Payment (EDI DN03 – Maintenance Type Code Date)
4. TIB From Date (EDI DN88 – Payment/Adjustment Start Date)
5. TIB End Date (EDI DN89 – Payment/Adjustment End Date)

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 October 01, 2015 through December 31, 2015. 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 initial TIB payment was issued timely and if the initial payment data elements were timely and accurately reported.

**AUDIT DETAIL**

The Audits and Investigations Team will initiate the following thirty (30) audits during fiscal year 2016:

	<b>Auditee</b>	<b>Audit Type</b>	<b>Auditor</b>	<b>Expected Initiation Date</b>	<b>Expected Completion Quarter</b>
1 -10	10 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Lifetime Income/Death Benefit Payments and Claim Data	To Be Determined	October 2015	3
11-20	10 INSURANCE CARRIERS TO BE DETERMINED	Timeliness of Medical Bill Processing and Accuracy of Data	To Be Determined	December 2015	3
21-30	10 INSURANCE CARRIERS TO BE DETERMINED	Initial TIB Timeliness and IP Data Timeliness/Accuracy	To Be Determined	January 2016	4

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

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**FISCAL IMPACT**

<b>Auditee</b>	<b>Number of Audits</b>	<b>Expected Hours per Audit</b>	<b>Number Billable Audits</b>	<b>Total Billable Hours</b>	<b>Bill Rate/Hr.</b>	<b>Projected Revenue</b>
Insurance Carrier	30	35.00	23	805	\$50.00	\$40,250
Estimated Revenue Total						\$40,250

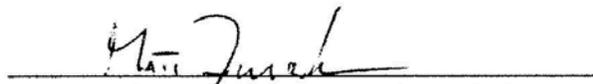
Respectfully submitted by:



Darrell 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



W. Ryan Brannan, Commissioner of Workers' Compensation  
 Texas Department of Insurance, Division of Workers' Compensation