

**Texas Department of Insurance, Division of Workers' Compensation**  
**Compliance and Investigations**  
**Audit Plan**  
**Fiscal Year Ending 08/31/25**

**Goal**

For fiscal year (FY) 2025, Compliance and Investigations' goal is to improve system performance in the following key areas:

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

To achieve this goal, we will conduct performance audits on select system participants. The Texas Labor Code authorizes DWC to conduct performance audits on participants in the Texas workers' compensation system. Labor Code Section 402.075 specifically directs DWC to focus its regulatory oversight on insurance carriers and health care providers it identifies as poor performers in the Performance-Based Oversight (PBO) program. You can find detailed information about PBO at [www.tdi.texas.gov/wc/pbo/index.html](http://www.tdi.texas.gov/wc/pbo/index.html).

This audit plan identifies the issues to review during FY 2025. It describes the scope and methodology related to each audit type. Please note this audit plan is subject to change because DWC may identify compliance areas of concern, audit risk, or data availability issues. We may need to adjust audit issues, who we are auditing, objectives, scope, the review period, and the 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>No. of Audits</b>
Insurance Carrier	<ul style="list-style-type: none"> <li>• Accuracy of Death/Lifetime Income Benefit Payments;</li> <li>• Timely Reporting Claim Data; and</li> <li>• Accuracy of Claim Data</li> </ul>	408.041, 408.161, 408.181, 124.2, 128.1, 128.3, 131.2, and 132.1	09/01/17-4/30/24	20
Insurance Carrier	<ul style="list-style-type: none"> <li>• Timely Processing Medical Bills;</li> <li>• Timely Reporting Medical Bill Data; and</li> <li>• Accuracy of Medical Bill Data</li> </ul>	408.027, 133.240, and 134.804	09/01/24-11/30/24 or 12/1/24-2/28/25	20
Insurance Carrier	<ul style="list-style-type: none"> <li>• Timely Paying Initial Temporary Income Benefits;</li> <li>• Timely Reporting Initial Payment Data; and</li> <li>• Accuracy of Initial Payment Data</li> </ul>	409.021, 124.2, 124.3 and 124.7	07/01/24-09/30/24 or 10/01/24-12/31/24	25

## **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 DWC. The review will determine if insurance carriers:

- accurately calculated the average weekly wage;
- accurately calculated and paid lifetime income and death benefits;
- made required adjustments to benefits; and
- timely and accurately reported claim data to DWC.

The audit samples will consist of randomly selected records drawn from DWC's database of claim information insurance carriers submit to DWC.

We will draw the sample data from claims for injuries that occurred between September 1, 2017, and April 30, 2024. For each claim reviewed, DWC will require insurance carriers to submit the wage statement, indemnity payment records, and adjuster notes. We will review the records to determine if the payment amounts and data reporting were accurate.

### **Timely Processing Medical Bills, Timely Reporting Medical Bill Data, and Accuracy of Medical Bill Data**

The Timely Processing Medical Bills, Timely Reporting Medical Bill Data, and Accuracy of Medical Bill Data reviews will determine if insurance carriers:

- timely processed medical bills;
- timely reported medical bill data; and
- accurately reported the following medical bill data elements to DWC:
  - Rendering Line Provider NPI Number (EDI DN592 - Unique national provider ID of the rendering provider at the line level);
  - 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);
  - Referring Provider Last/Group Name (EDI DN690 - Provider referring claimant for care);
  - Referring Provider State License Number (EDI DN695 - license number issued by a jurisdiction that permits the referring provider to practice in that state);
  - Billing Provider FEIN (EDI DN629 - federal tax ID of the billing provider);
  - Date Bill Received (EDI DN511 - date insurer received bill); and
  - 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 insurance carriers submit to DWC.

We will draw the sample data from billing lines submitted to DWC during the period of September 1, 2024, through November 30, 2024, or December 1, 2024, through February 28, 2025, depending on the date of the audit initiation. For each billing line reviewed, DWC will require insurance carriers to submit the medical bills, explanation of benefit statements, and payment detail. We will review the records to determine if the insurance carriers timely processed each medical bill and accurately reported the data elements.

### **Timely Paying Initial Temporary Income Benefits, Timely Reporting Initial Payment Data, and Accuracy of Initial Payment Data**

The Timely Paying Initial Temporary Income Benefits (TIB) Payment, Timely Reporting Initial Payment Data, and Accuracy of Initial Payment Data review will determine if insurance carriers:

- timely initiated the first TIB payment;
- timely reported initial payment data to DWC; and
- accurately reported the following initial payment data elements to DWC:
  - First Day of Disability (EDI DN0056 – initial date disability began);
  - Date of Written Notice of Injury (EDI DN0041 - date claim administrator had knowledge of injury);
  - Accrual Date (EDI DN0297 – first day of disability after the waiting period);
  - Date of Initial Payment (EDI DN0195 – payment issue date);
  - TIB from Date (EDI DN0219 - payment covers period start date); and
  - TIB End Date (EDI DN0220 – payment covers period through date).

The audit samples will consist of randomly selected records drawn from DWC's database of claim information insurance carriers submit to DWC.

We will draw the sample data from claims where an insurance carrier issued an initial TIB payment during the period of either July 1, 2024, through September 30, 2024, or October 1, 2024, through December 31, 2024, depending on the date of the audit initiation. For each claim reviewed, DWC will require insurance carriers to submit:

- DWC Form-1, *Employers First Report of Injury or Illness*;
- Plain Language Notices;
- Notification of First Temporary Income Benefit Payment;
- adjuster/claim notes;
- medical reports; and
- initial TIB payment details.

We will review the records to determine if the insurance carriers timely issued each initial TIB payment and timely and accurately reported the initial payment data elements to DWC.

## Audit Detail

	<b>Auditee</b>	<b>Audit Type</b>	<b>Auditor</b>	<b>Expected Initiation Date</b>	<b>Expected Completion Quarter</b>
1-20	20 insurance carriers to be determined	<ul style="list-style-type: none"> <li>• Accuracy of Lifetime Income/Death Benefit Payments</li> <li>• Accuracy of Claim Data</li> </ul>	To be determined	September 2024	3
21-35	15 insurance carriers to be determined	<ul style="list-style-type: none"> <li>• Timely Paying Initial TIBs</li> <li>• Timely Reporting Initial Payment Data</li> <li>• Accuracy of Initial Payment Data</li> </ul>	To be determined	November 2024	2
36-45	10 insurance carriers to be determined	<ul style="list-style-type: none"> <li>• Timely Processing Medical Bills</li> <li>• Accuracy of Medical Bill Data</li> </ul>	To be determined	December 2024	3
46-55	10 insurance carriers to be determined	<ul style="list-style-type: none"> <li>• Timely Paying Initial TIBs</li> <li>• Timely Reporting Initial Payment Data</li> <li>• Accuracy of Initial Payment Data</li> </ul>	To be determined	February 2025	4
56-65	10 insurance carriers to be determined	<ul style="list-style-type: none"> <li>• Timely Processing Medical Bills</li> <li>• Accuracy of Medical Bill Data</li> </ul>	To be determined	March 2025	4

**Legend:**

<u>Quarter</u>	<u>Number</u>
Sept.-Nov.	1
Dec.-Feb.	2
Mar.-May	3
Jun.-Aug.	4

## Fiscal Impact

<b>Auditee</b>	<b>Number of Audits</b>	<b>Expected Hours per Audit</b>	<b>Number of Billable Audits</b>	<b>Total Billable Hours</b>	<b>Bill Rate per Hour</b>	<b>Projected Revenue</b>
Insurance Carrier	65	20	50	1000	\$50	\$50,000
Estimated Revenue Total						\$50,000

Respectfully submitted by:



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Diana Ramos  
Director  
Audits and Investigations



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Dan LaBruyere  
Deputy Commissioner  
Compliance and Investigations



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Jeff Nelson  
Commissioner  
TDI, Division of Workers' Compensation