

Tier 2 Audit Pilot: A Comprehensive Report

Executive Summary

Background

In June 2013, the Self-Insurance Audit Reform Advisory Committee was formed to develop a new audit process. The committee is led by The Department of Labor and Industries (L&I) and is comprised of representatives from both business and labor.

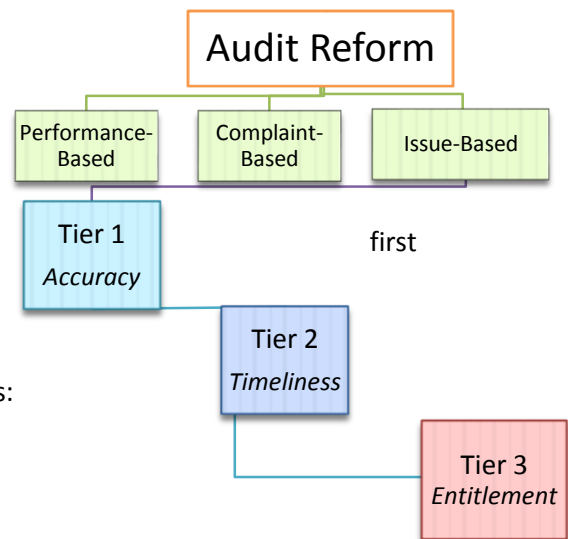
L&I in collaboration with this Committee has developed a new audit model. The new audit model focuses on areas of priority as recommended by business and labor, and is aimed to educate and promote compliance with Washington State Industrial Insurance Laws.

The new model is also designed to shorten the existing audit cycle of approximately 5 to 6 years, which was lengthy due to a broad review. The focused Tier 1 wage review took just under two years to complete. Although this was longer than anticipated, it's still substantially shortened the length of the audit cycle.

The new model consists of three distinct types of audits:

- Performance-based.
- Issue-based.
- Complaint-based.

In addition, the performance-based audit includes three levels of review: Tier 1, Tier 2, and Tier 3. The level of review is determined by the performance in the preceding tier.



Summary of Activities and Findings

Self-Insurance Audit Reform consists of three types of audits: performance-based, issue-based and complaint-based. The performance based audit model has three tiers.

Tier 2 focused on the timeliness of time loss compensation and permanent partial disability payments. The reason this is so important is that the worker is entitled to sure and certain relief pursuant to RCW 51.04.010. The pilot ran from February 2017 through July 2017, during which time 126 of 358 self-insured employers were reviewed.

The following criteria was developed to evaluate Tier 2 audits.

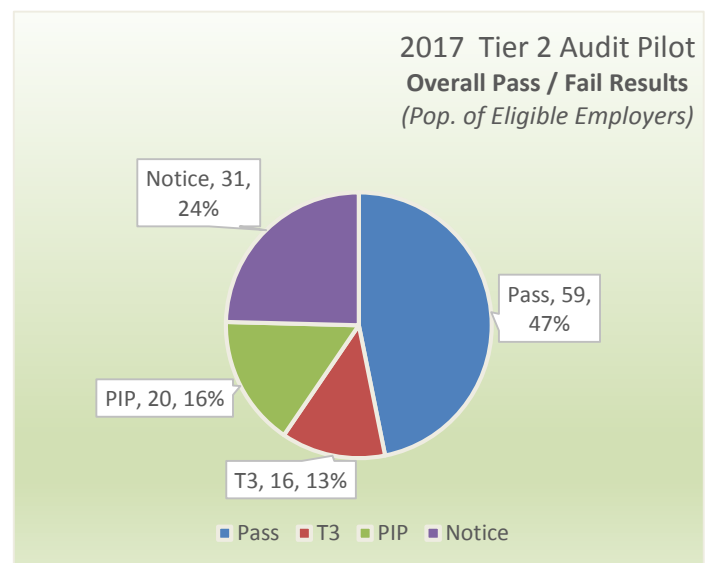
Result	Scenario
Pass	Equal to or greater than 80% on time payments
Performance Improvement Plan (PIP)	Between 70 and 79% on time payments
Notice	SIEs that have 0 on time payments in at least one payment category and few transactions available for review.
No Action	A minimum of one timely transaction in each category and had few transactions available for review.
Tier 3 Audits	Less than 70% success on time payments

SIEs with a small number of transactions were identified by determining if they had less than or equal to 40% of the number of transactions evaluated. Those SIEs were then evaluated to determine if they had timely payments. If they had zero timely payments, then they would be given a notice to review their processes and make adjustments, as needed. If they had timely payments (regardless of percentage), then no action would be taken.

Audit Results

Of 126 employers audited:

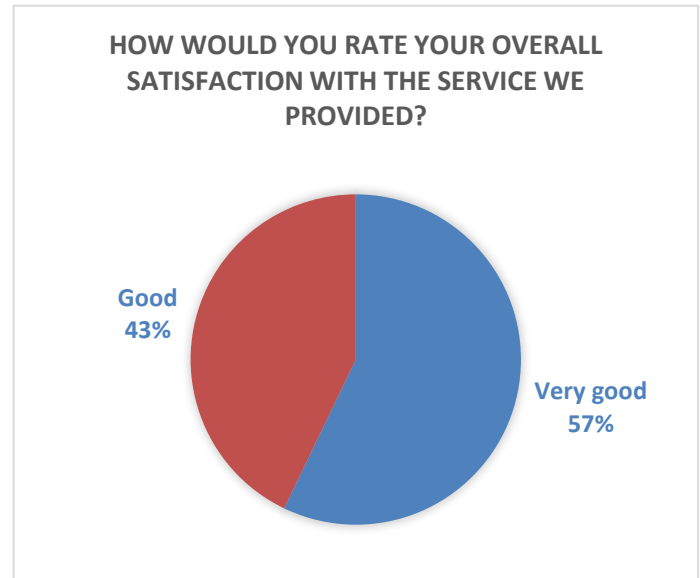
- Fifty-nine firms passed
- Twenty will be required to submit a Performance Improvement Plan
- Sixteen employers did not pass Tier 2 and will qualify for a Tier 3 Audit.
- Thirty-one employers did not pass the threshold due to a limited number of transactions available for review. These will receive a notice.



Customer Service

Another key measurement was customer satisfaction. After each audit walkthrough an electronic survey was sent to the self-insured employer and their third party claims administrator.

In response to the survey question “How would you rate your overall satisfaction with the service we provided?” the response was overwhelmingly positive, with 100% of our customers rating “Good” or “Very Good.” Generally, client satisfaction ratings above 75% are positive, and this level was far exceeded by receiving a 100% satisfaction rate.



Lessons Learned

Optimized the process by developing short and concise letters and reports.

Due to low transactions in certain payment categories. The audit team will plan to focus on only those payment categories that provide the ability to meet a reasonable number of transactions for review.

Gave employers the option to waive the audit walkthrough if they had no further questions or concerns. This allowed for a more efficient finalization of the audit.

Future Opportunities

Additional training or outreach should be provided to the community to reinforce the need to date stamp documents.

Have a clearly defined pass/fail threshold.

Conclusion of Findings

Sixteen employers did not pass Tier 2 and will participate in the Tier 3 audit pilot, dependent upon the number of transactions available for review. The Tier 3 audit will focus on entitlement (the amount of benefits paid). Tier 3 is scheduled to begin in October 2017 and anticipated to conclude in December 2017. A passing threshold will be determined based on the reviews.