

What Does the Audit Supervisor Look For in the Phase I Desk Audit?

- 1) Actuarial report and summary audit findings
- 2) Participation in the Alternative Composite Deposit (ASP)
- 3) The self insured is a Self Insured Group (SIG)
- 4) Failure to file an actuarial report and summary
- 5) Prior audit results
- 6) TPA location's history of audit findings
- 7) Review of the most recent annual report to determine:
 - a) The rate of injury
 - b) The rate of medical-only claims
 - c) EFL compared to prior years
 - d) Accuracy of specific excess coverage
 - e) All locations noted in the annual report.
- 8) Review the claims logs to determine:
 - a) Timely reporting of claims to the administrator
 - b) Accuracy of the number of claims reported in the annual report.
- 9) Claims administrators handling the claims have passed the self insured administrator's test

What Does the Auditor Look For in the Phase II Field Audit?

Claims Administration

1) **CCR §15452: Competency – (who is making reserving and claims decisions?) and LC §3702.1.**

a. Reserving and claims decisions must be made by the claims administrator and not the employer.

2) **Claims Administration per CCR §15458:**

a. Compliance to statutes and regulatory requirements (§15420) pursuant to L.C. §§129, 3700-3709.5. Failure to comply may be good cause for revocation of Certificate or other action by the Director.

i. LC § 129 is specific to delivery of benefits/claims administration. Claim files are reviewed for claims administration and appropriate delivery of benefits. Therefore, other sections of the Labor Code come into play. These include:

1. benefit notices (the employee is advised of his/her benefits and how benefits are administered; the employee is advised of his/her remedies);
2. timely and proper provision of benefits (both indemnity and medical);
3. proper denial of a claim

ii. LC § 3700 series is specific to self-insurance plans.

1. §3702 outlines practices which constitutes good cause for revoking a Certificate to administer claims or to self-insure.
2. §3702.1 speaks to making “the estimate both in good faith and with the exercise of a reasonable degree of care.”
3. §3702.2 is regarding the annual report. Auditors look for accuracy of the annual report as to:
 - a. The number of claims reported
 - b. Reserves and payments made
 - c. Excess carrier liability
4. §3702.7 reiterates §3702 and what fines the Director may impose in lieu of revocation
5. §§3702.8 and 3702.9 talk of the obligations of self-insured employers who have ceased to be self-insured and remedies/penalties for failure to comply with obligations.
 - b. Compliance to Article 6 of the self-insurance regulations:
 - i. §§ 15300(a) and (b) – annual report requirements and components of the annual report which the auditor verifies
 - ii. §§15300(b) through (d) are estimating guidelines
 - iii. §§15300(e) and (f) is regarding excess carrier liability and credit for claims covered by specific excess insurance
 - iv. §15300(g) specifies when to adjust estimates/reserves
 - c. Compliance to Article 9 – Recordkeeping and Audits (Sections 15400-15406)
 - i. In addition to CCR§15400, the claim file contents and maintenance includes those specified under §§10101 and 10101.1 (Audit Unit Regulations)

3) Closed Files:

- a. Was the employee provided all appropriate benefits and advised of all remedies he/she is entitled to?
- b. For claims with future benefits, are they in compliance with §15400.2?
- c. Were all liens paid and/or fully satisfied prior to closure?
- d. Where applications for adjudication of claims were filed, was there a final judgment (ie, dismissal, award) prior to closure?

4) Denied Files:

- a. Proper denial of claim. Look for potential violation of 3702(a)(1) through (5)
- b. If the claim is found to be industrial, were benefits provided timely after knowledge?

5) Problems with paperless files:

- a. Document labeling

- b. Multiple applications
- c. Partial paper and partial paperless files
- d. Not allowing the auditors to see all parts of the paperless system