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