

Self-Insurance Audit Reform

Tier 1 Performance-Based Audits





Audit Reform History

- Project started in 2013 with Self-Insured Employers (SIEs).
 - Audit Reform Advisory Committee formed with insurance stakeholders from both labor and business.
 - A determination was made to redesign the audit process.
 - National models were researched.





Meets *Results L&I* Goals

1. Make workplaces safe.
2. Help injured workers heal and return to work.
- 3. Make it easier to do business with L&I.**
- 4. Identify non-compliance and make corrections.**



Self-Insurance Audit Reform Goals

- Ensure timely and accurate payment of benefits.
- Find non-compliance supported by data.
- Communicate clear expectations for SI companies.
- Create clear path to correction with meaningful enforcement.
- Offer effective claim management tools with consultation and training for SI companies.

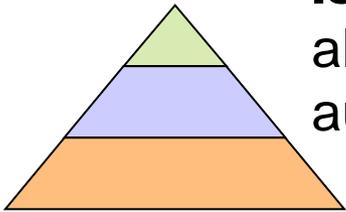




New Self-Insurance Audit Model

Unique model developed specifically for Washington.

- Types of audits:
 - **Performance Based:** All SI employers will undergo an annual audit with 3 tiers of progressive reviews, depending on an employer's pass/fail outcome at the checkpoint or subsequent tiers.
 - **Complaint Based:** L&I will audit specific SI employers based on worker complaints.
 - **Issue Based:** Data collection and stakeholder input will allow L&I to look for trends and identify areas of need for auditing, and subsequent training to address correction.





The New Audit Model Is:

- Supported by business and labor.
- Agile and responsive to non-compliance.
- Rewards and promotes voluntary compliance.
- Protective of workers.
- Effective for employers.
- Less intrusive auditing.
- More efficient for businesses.





One Year Pilot for Tier 1



- Pre-pilot testing will be complete Dec 2014.
- All SI employers starts Jan 2015.
- Tier 2 and 3 of performance-based audits are under development.
- Complaint-based and issue-based audits have already started.



What We Need From You:

- Is based on a judgmental sample with proportionality to select the claims for review.
- Is outlined in the Tier 1 Audit letter.





Tier 1 Audit Compliance Letter

- No penalties during the pilot unless requested documents are not received timely.
- Audit focused on workers' monthly wage.
- Payroll records required on requested claims.
- Enclose a copy of the SIF-5 or SIF-5A if not submitted already.
- Information may be sent by mail or secure email account.





Payroll Records Include:



- Payroll registers/earning statements by pay periods for 12 months prior to Date-Of-Injury (DOI).
- All hours worked and all wages paid by pay period.
- Key for pay type codes.
- Bonuses paid 12 months prior to DOI if not detailed on payroll register/earning statements.
- Monthly contribution made by employer for employee's healthcare insurance plan (medical, dental, vision).



Last but not least...

- Hourly contribution rate on DOI to a union trust for healthcare benefits and date employers' contribution ends.
- If the worker indicates more than one employer at time-of-injury, provide payroll registers or earning statements by pay period for 12 months prior to DOI with that employer. If unable to obtain, explain why.





What you can expect from L&I

- Timely review of the claims.
- Preliminary report of pass/fail.
- Explanation of any necessary corrections.
- Timely responses to questions and information.
- Clearly presented final report.
- Training and education when needed.





Pilot for Tier 1 performance-based auditing begins January 2015 for selected first quarter employers.



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Thank you