

Preparing for Your Self-Insurance Audit



This booklet is also available online at: www.Lni.wa.gov/forms-publications/F207-110-000.pdf.
Visit www.Lni.wa.gov to learn more about the services we offer.



Washington State Department of
Labor & Industries

Workers' Compensation Services

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Introduction

L&I regulates self-insured employers to ensure that their injured workers receive the same benefits as other injured workers in the state. L&I also makes sure that self-insurance certification requirements continue to be met after an employer becomes self-insured. To ensure that all of these requirements are met and maintained, the department conducts compliance audits every two years. The biennial audit plan consists of a performance audit which reviews timeliness, accuracy, and entitlement of benefits. In addition, we conduct issue- and complaint-based audits as part of the audit plan.

This booklet has been prepared to help you understand and prepare for this biennial audit.

We hope that you will find this information helpful. If you have any questions, please call L&I at 360-902-6840.

Types of Audit

What is the purpose of an audit?

L&I audits self-insured employers to determine whether you are complying with Washington state industrial insurance laws.

What is a performance-based audit?

A performance-based audit is a three-tiered audit conducted by an L&I auditor. A passing score at any tier level ends your audit, and you are removed until the next audit cycle. A failing score moves you to the next tier.

For each tier, remote access to your systems might be requested. If access is not available, you may be required to submit written records, or the auditor may travel to the location where your claims are administered.

Once the audit is completed, L&I creates a preliminary report. L&I may initiate a walkthrough of that report to discuss the findings and provide additional clarifying information.

After the walkthrough, we will issue a final report. This report documents if you will be proceeding to the next tier.

Performance-based program audit

Tier 1 – Timeliness:

L&I reviews time-loss payments to determine if they are being paid timely.

Tier 2 – Wage:

L&I reviews earning statements and time records to determine if the monthly wage has been calculated correctly.

Tier 3 — Entitlement:

L&I reviews time-loss payments to determine if the worker received benefits for all of the days for which they were entitled, and to ensure that the correct rate was used.

What is a complaint-based audit?

A complaint-based audit focuses on a concern raised about an individual employer, or across a number of firms managed by a third party administrator. These audits are conducted at L&I's discretion.

What is an issue-based audit?

An issue-based audit reviews a specific compliance requirement for all employers. The type of requirement and the scope of the audit are assessed and assigned at L&I's discretion.

Audit Cycle

When can I expect an audit?

A performance-based audit will be conducted every two years beginning the first year after you become certified as a self-insured employer. Subsequent audits will be scheduled every two years.

Additional audits also may be scheduled to investigate allegations of improper claims handling, denial of benefits, or practices contrary to the rules governing self-insurance. These audits may be "issue-based" or "complaint-based" audits.

Audit Reports and Responses

How will I stay informed about the audit process?

If you have questions during the audit, contact the auditor directly, or call L&I at 360-902-6840.

Will the audit result in fines or penalties?

Maybe. It depends on what is learned from the audit. L&I has the responsibility to issue fines or penalties to self-insured employers who are not in compliance with industrial insurance laws or regulations.

If you unreasonably delay benefits to an injured worker, you may be penalized \$500, or 25% of the delayed benefit, whichever is greater (RCW 51.48.017). If you violate, or fail to obey, observe, or comply with any regulation administered by L&I, you may be subject to a penalty, not to exceed \$500 (RCW 51.48.080).

Any questions or concerns related to a penalty order should be directed to the penalty adjudicator issuing the order.

Self-Insured Employer Requirements

What are the self-insured employer's requirements?

Compliance with Title 51

All self-insured employers are required to comply with Washington's industrial insurance laws and rules. The department has established an Audit Governance Committee to advise on audit areas. The following are examples of potential areas that may be subject to audit.

Ability to manage a self-insurance program

When you become self-insured, you must manage your self-insurance program and report all workplace injuries to L&I. You are responsible for promptly and fairly delivering benefits to injured workers, and are accountable for all aspects of your workers' compensation program.

Contact person

When you become self-insured, you must designate a representative and provide L&I with their name, title, address and phone number. L&I will reach out to that representative directly for all self-insurance matters, and in all correspondence. If the contact person changes, you must notify L&I in writing within 10 working days.

Other wage benefits

Provide L&I with your policy on keeping employees on full salary or applying sick leave, health and welfare insurance benefits, or any other compensation, in conjunction with time-loss compensation. The policy must be on file with L&I.

If a worker receives wages through the use of sick leave, vacation pay or some other accrued benefit, they will still be entitled to time-loss benefits.

Notifying employees

- All self-insured employers must have a comprehensive program to inform employees about their rights and responsibilities.
- New employees must be provided with a copy of the *Workers' Compensation Filing Information* form (F207-155-000) within 30 calendar days of employment.
- Additional information must be provided at the time a claim is filed.

Record of payment

Per RCW 51.14.110(1), you must maintain a record of all compensation payments made to injured workers.

The record should include:

- Claim number
- Check number
- Date of payment/check
- Who the payment was made to
- What the payment is for
- What period the payment covered
- Amount of the payment
- Date payment is mailed or disbursed to the injured worker.

Self-Insured notices

A self-insurance poster must be displayed at each of your locations. These posters state that you are a self-insured employer, and are subject to the provisions of the self-insurance

laws. It must also identify a contact person for reporting injuries. The poster should be displayed where all employees can see it.

The poster can be downloaded at www.Lni.wa.gov/forms-publications/F207-037-909.pdf.

Claim costs

Reportable and audited claim costs are:

- Time-loss compensation
- Permanent partial disability awards
- Medical bills
- Prescriptions
- Medical appliances
- Independent medical examinations and/or consultations
- Loss of earning power benefits
- Travel expenses incurred by injured workers for treatment or rehabilitation
- Vocational rehabilitation expenses
- Penalties paid to injured workers
- Interest on Board Orders

The following are not reportable claim costs, and would not be audited:

- Legal fees
- Investigation fees
- Nurse consultant/case management costs
- Program operating expenses
- Service organization fees
- Pension payments to L&I

Credits you may take to reduce your reported claim costs:

- Recovery of overpayments
- Third-party recoveries (if over \$5,000, obtain L&I approval first)
- Supplemental benefit reimbursements
- Recovery of provisional time-loss compensation
- Claim costs incurred on a preferred worker, after receiving reimbursement from L&I

Worker hours

In the case of hourly employees, regular and overtime hours actually worked by the employees are considered 'worker hours'. Holiday, vacation, sick leave, stand-by, or any other hours paid but not worked, should not be reported. Complete and accurate time records must be maintained.

For salaried employees, you may choose between two reporting methods:

- Actual hours worked
- An assumption of 160 hours worked per month

If you report actual hours worked, you must maintain complete and accurate records. If you use the assumed basis of 160 hours per month, the number of hours cannot be reduced for hours or days not worked.

Contract employees, commissioned personnel, and any employee who is not paid based on their hours worked do not qualify as hourly or salaried employees. If you have any questions on how to report hours for specific personnel, contact L&I at 360-902-6840.

Asbestos and supplemental pension funds, and deductions from employees' paychecks

The asbestos fund pays benefits for asbestos-related disease claims. The supplemental pension fund is used to pay time-loss compensation and pension cost-of-living increases to injured workers or their beneficiaries.

You are required to pay into these funds. One-half of the assessed rate may be deducted from the employee. You may request reimbursement from L&I for cost-of-living increases from the supplemental pension fund.

To determine if you are deducting the correct amount from employees' paychecks, take one-half of the asbestos and supplemental pension rates from the quarterly report to establish the employees' rate. Multiply the rate by the number of hours worked (or assumed) in a pay period to get the correct deduction for each employee.

If the maximum deductible amount is exceeded, you will be required to reimburse the employees for over-deductions within the past three years.

On-site medical facilities

An on-site medical facility exists if you provide access to medical treatment on your premises. The treatment must be for industrial injuries, and must be provided by a physician, physician assistant, advance registered nurse practitioner or a nurse.

If you have an on-site medical facility, the auditor can review the medical records for industrial injuries and occupational diseases. This review will ensure that claims are being properly reported and managed.

Claim data

All self-insurers must report claim data electronically to the Self-Insurance Electronic Data Reporting System (SIEDRS) at least once a month, in the required format. This electronic reporting is in addition to other existing claim reporting requirements. More information about SIEDRS is available online at www.Lni.wa.gov/insurance/self-insurance/employers/self-insurance-reporting-requirements#siedrs.

Medical bill data

All self-insurers must report data about medical bills paid on self-insured claims. The medical bill data is sent electronically in the required format to the Self-Insurance Electronic Data Interchange (EDI). This EDI reporting is in addition to other existing claim reporting requirements. More information about EDI is available online at www.walniedi.info.

Contact

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Self-Insurance
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Olympia WA 98504-4893

360-902-6840

www.Lni.wa.gov

Online Resources

Industrial Insurance Laws, RCW Title 51

<https://apps.leg.wa.gov/rcw/default.aspx?Cite=51>

WAC 296-15, Workers' Compensation Self-Insurance Rules and Regulations

<https://apps.leg.wa.gov/WAC/default.aspx?cite=296-15>

Workers' Compensation Filing Information

www.Lni.wa.gov/forms-publications/F207-155-000.pdf

Claim Adjudication Guidelines

(replaces the *Workers' Compensation Manual*)

www.Lni.wa.gov/insurance/self-insurance/claims-management/claims-adjudication-guidelines

Notice to Employees — If a Job Injury Occurs (Self-Insured) (English/Spanish)

Self-Insured employers must display this poster where employees can see it.

www.Lni.wa.gov/forms-publications/F207-037-909.pdf

Printed copy: Request form number F207-037-909.

A Guide to Industrial Insurance Benefits for Employees of Self-Insured Businesses

www.Lni.wa.gov/forms-publications/F207-085-000.pdf

Printed copy: Request form number F207-085-000.

Spanish Version:

www.Lni.wa.gov/forms-publications/F207-085-999.pdf

Printed copy: Request form number F207-085-999.

Employers' Guide to Self-Insurance in Washington State

www.Lni.wa.gov/forms-publications/F207-079-000.pdf

Printed copy: Request form number F207-079-000.

For a complete list of self-insurance forms and publications that are available online, visit:

www.Lni.wa.gov/insurance/self-insurance/about-self-insurance/forms-publications

Upon request, foreign language support and formats for persons with disabilities are available. Call 1-800-547-8367. TDD users, call 711. L&I is an equal opportunity employer.

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