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Date: February 5, 2016

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 4 – Completed Closed Audits
II. NAME AND PROGRAM:	Dante Robinson, Chief of Internal Affairs
III. ACTIVITY:	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

Internal Audit highlights one project: Claims Operations Site Visit and File Review – Bakersfield

VI. ANALYSIS:

In the Claims Operation Site Visit and File Review – Bakersfield we identified two issues. The issues and action plans relate to improving controls over sending timely benefit notices and posting of case plans.

VII. RECOMMENDATION:

No action needed

VIII. PRESENTATION EXHIBITS:

None

IX. APPENDIX:

a. Internal Audit Appendix – Completed Closed Audits



APPENDIX: INFORMATIONAL DOCUMENT FOR AUDIT COMMITTEE

Completed Closed Audits

Dante Robinson, Chief of Internal Affairs

2015 Claims Operations Site Visit and File Review Audit – Bakersfield PAO 784

Objective/Scope

The objectives of this audit were to:

- Assess compliance with California workers' compensation regulatory requirements and State Fund claims procedures.
- Identify claims operational risks, fraud risks, assess and detect fraud, waste and abuse.

IAD limited the evaluation of claims adjusting activity to the period from January 1, 2014 to December 31, 2014.

Finding	Remediation	Status
Disability - Benefit notices not sent timely	<p>After review of this finding, we found a variety of errors that contributed to late benefit letters. A third of these errors were Subsequent Permanent Disability (PD) delay letters being sent late. We believe this reflects a need for a more effective use of our diary system for this purpose. The other errors varied from untimeliness in letters sent when benefits changed, were different or rarer circumstances (salary continuation; changed PD after Med-Legal), or were mistakes made by Adjusters covering another caseload. We plan to mitigate the results of this finding through the use of training, oversight and a reassessment plan.</p> <p>We will have ongoing discussions at our Department, unit, and one-on-one meetings about the necessity of utilizing the diary system for PD or Temporary Disability (TD) delays. We will also continue discussions and have refresher training regarding when to send Benefit Information (BI) notices, especially when there are changes. Another area we will spend time discussing is the responsibilities when covering another Adjuster's assigned caseload. We will be utilizing a management report to capture open claims indicating a PD Delay/TD Delay notice, and make sure there is a current diary. The Assistant Claims Managers (ACM) will also spot check the BI letters during Quality Claims Reviews</p>	Current

Finding	Remediation	Status
	<p>(QCRs), in an ongoing effort to correct and verify that we are changing and correcting this issue.</p> <p>Executive: <u>Steve Hunckler</u> Expected Implementation: <u>6/30/2016</u></p>	
<p>File Maintenance - Case plans were not posted, or were not posted timely</p>	<p>We recognize the importance of having successful claims strategies documented in case plans and updates being made timely.</p> <p>We will address this issue through frequent messaging to adjusters and oversight by supervisors and managers during file reviews. Additionally, these positive behaviors will be reinforced during one-on-one meetings with claims supervisors and during unit meetings. We agree and recognize that case plans at the onset of a claim are vitally important to quality claims adjusting and getting the case on track in the beginning. We also support the use of subsequent case plans as they are needed to update and refocus the direction or strategy of the claim and/or discuss significant events which may change the direction of the strategy.</p> <p>Our plan to mitigate the results of this finding will also include training, oversight, and reassessment components. At our Claims Department meeting we will discuss the need to post case plans at the onset of a disability claim and also after every significant event. Our ACMs will continue to review the quality of the case plans at the time of QCRs, estimate approvals and any other general claims review. We will use the monthly Inventory list to monitor case plans are being done at the onset of the claim. Additionally, we plan to continue to discuss with our adjusters the importance of ongoing reviews of diaries, case plans and estimates each time they review a claim.</p> <p>Executive: <u>Steve Hunckler</u> Expected Implementation: <u>6/30/2016</u></p>	<p>Current</p>

Proprietary: No