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Date: July 15, 2016

**INFORMATIONAL ONLY FOR BOARD OF DIRECTORS**

**TO: MEMBERS, AUDIT COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 6bi – Update on Completed Closed Audits
<b>II. NAME AND PROGRAM:</b>	Dante Robinson, Chief of Internal Affairs
<b>III. ACTIVITY:</b>	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

- IAD highlights two projects:
- 2015 CDI Market Conduct Claims Consulting Engagement
  - 2015 Claims Combined Results

**VI. ANALYSIS:**

- IAD did not identify any issues in the 2015 CDI Market Conduct Claims Consulting Engagement. Management action plans to address previous market conduct findings appeared to be working appropriately. One action plan was determined to be generally effective and has an opportunity for improvement.
- IAD prepared the report for the 2015 Claims Combined Results noting there were no attribute weaknesses for regulatory compliance. Strengths that met the criteria, after combining all three offices, were identified in three areas: qualified medical legal process, timely posting of first estimates, and timely assigning of attorneys to represented cases.

**VII. RECOMMENDATION:**

- No action needed

**VIII. PRESENTATION EXHIBITS:** None

**IX. APPENDIX:** See attached



## **APPENDIX: INFORMATIONAL DOCUMENT FOR AUDIT COMMITTEE**

### **Completed Closed Audits**

Dante Robinson, Chief of Internal Affairs

#### **2015 CDI Market Conduct Claims Consulting Engagement PAO 768**

##### **Objective/Scope**

IAD performed an agreed upon procedures for validation testing of the action plans management reported as being implemented to the Department of Insurance on March 4, 2015. The scope of the agreed upon testing included the following:

- Captiva OCR (Optical Character Recognition)/Completion
- Quality Assurance Scan/Indexing
- CPC's Reevaluation of Medical Bills
- Anthem Blue Cross Electronic Bridge
- Dedicated Utilization Review Fax Lines
- UR Passport Program
- UR Self-Assessment Program
- Indemnity Payments Exception Reports

IAD concluded that eight of the nine action plans were implemented; the controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks were being managed and objectives should be met. One action plan was determined to be generally effective and has an opportunity for improvement.

**Proprietary: No**

## **2015 Claims Combined Results PAO 799**

### **Objective/Scope**

The Internal Audit Department (IAD) conducted an audit of the Claims operations in Redding, Bakersfield, and Stockton Regional Claims' offices with a site visit and file review. The primary focus of the claims review audit is to evaluate regulatory compliance as opposed to the quality of case management. IAD reviewed 1,671 claims events in the sample of 150 claims from the three offices audited in 2015. IAD identified weaknesses in the individual offices only when claims had activity on 20 or more claims and when the attribute reviewed had less than 70% of the events correct. Strengths were identified only when claims had activity on 20 or more claims and when the category reviewed had more than 90% of the events correct.

The combined results for 2015 did not have attribute weaknesses that met this criteria. Strengths that met the criteria, after combining all three offices, were identified in the following categories:

1. Medical: Adjusters properly used the Qualified Medical Legal process in 31 of 31 (100%) claims.
2. Reserves: Adjuster First Estimates were posted timely in 46 of 46 (100%) claims.
3. Litigation: After a Notice of Representation or Application of Adjudication was received, a State Fund attorney was assigned in 49 of 49 (100%) claims.

**Proprietary: No**