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Date: February 17, 2017

INFORMATIONAL ONLY FOR BOARD OF DIRECTORS

TO: MEMBERS, AUDIT COMMITTEE

I. AGENDA ITEM # AND TITLE :	Open Agenda Item 7bi – Update on 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:

There were six projects reported in the November 2016 closed session and only one was non-proprietary. Internal Audit Department has one non-proprietary project that we are reporting in this open session.

Internal Audit Department (IAD) highlights one project:

- 2016 Delayed-Denied liability Claims Audit

VI. ANALYSIS:

In the 2016 Delayed-Denied liability Claims Audit there are four issues identified. Management has developed action plans for all four issues with anticipated implementation by June 30, 2017.

VII. RECOMMENDATION:

No action needed

VIII. PRESENTATION EXHIBITS:

None

IX. APPENDIX:

- Internal Audit Appendix Completed Closed Audits



APPENDIX: INFORMATIONAL DOCUMENT FOR BOARD OF DIRECTORS

Completed Closed Audits

Dante Robinson, Chief of Internal Affairs

2016 Delayed-Denied Liability Claims Audit PAO 805

Objective/Scope

During the first quarter of 2016, IAD reviewed the results of the claims activity reviews and observed that some attributes subject to testing didn't occur on the samples we selected. In order to capture these events and make a determination we decided to perform a specialized or targeted assurance review for these specific types of claims events. IAD reassessed various areas that were medium to high risk and those that have lower frequency, but high risk.

As a result, we chose the following five categories requiring a more in depth review:

1. Investigations
2. Three Points of Contact Notifications
3. Delay Notices
4. Deny Notice
5. Payment of Medical Expenses during the decision period

The audit evaluated claims activity for the period October 18, 2015 through April 18, 2016. The audit objectives were to:

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

Finding	Remediation	Status
Investigation Documentation Lacked Proper Support for Denying the Claim	One Process (1P) creates specialized adjusting roles and will provide tailored training to staff in each role. One of the roles being created is a Claims Intake Specialist (CIS). The CIS will be given specific training to address claims investigation, including thoroughness of investigation and completeness of documentation.	Current

Finding	Remediation	Status
	<p>ACMs with assigned Claims Intake Specialists will be given additional training as part of the 1P roll out as well.</p> <p>Continue ongoing focus in this area within local and Claims Medical Regulatory Division (CMRD) Quality Control Review (QCR) assessments.</p> <p>Executive: <u>Steve Hunckler</u> Expected Implementation: <u>June 30, 2017</u></p>	
<p>Denial Notices not Sent Timely and There was a Lack of Documentation Evidencing That Denial Notices were Appropriately Provided to Lien Holders and Medical Providers.</p>	<p>The 1P model incorporates check points for the Claims Intake Specialists to assist with monitoring and follow through to ensure due dates are accurately documented and liability decisions are made timely.</p> <p>In the interim, we will continue to utilize A/R/D (Accept, Reject, Delay) management report that identifies cases on delay status and indicates decision due dates. We will also continue to utilize our new Subsequent Liability Decision tracking report to confirm timely liability decisions and identify potential performance management issues to be addressed.</p> <p>Executive: <u>Steve Hunckler</u> Expected Implementation: <u>June 30, 2017</u></p>	<p>Current</p>
<p>Lack of Complete Documentation Evidencing Proper Three Points of Contact</p>	<p>The Three Point Contact memo dated January 14, 2011 has been removed from the intranet site to resolve the issue of it being interpreted as a requirement or policy. With regards to the specific findings, during the course of the audit the regional offices have responded to each specific finding.</p> <p>The 1P One Process (1P) creates specialized adjusting roles and will provide tailored training to staff in each role, including the need to make appropriate initial contact during the investigative process.</p> <p>Executive: <u>Steve Hunckler</u> Expected Implementation: <u>June 30, 2017</u></p>	<p>Current</p>

Finding	Remediation	Status
<p>Miscalculations are Being Made on the Due Date (90 Days) for Denial Decisions</p>	<p>The 1P model incorporates check points for the Claims Intake Specialists to assist with monitoring and follow through to ensure due dates are accurately documented and liability decisions are made timely.</p> <p>In the interim, we will continue to utilize A/R/D management report that identifies cases on delay status and indicates decision due dates. We will also continue to utilize our new Subsequent Liability Decision tracking report to confirm timely liability decisions and identify potential performance management issues to be addressed.</p> <p>Executive: <u>Steve Hunckler</u> Expected Implementation: <u>June 30, 2017</u></p>	<p>Current</p>

Proprietary: No