

**TDI-DWC  
SYSTEM MONITORING AND OVERSIGHT  
AUDIT PLAN  
FISCAL YEAR ENDING 08/31/08**

**BACKGROUND**

The Texas Labor Code (TLC) authorizes the Texas Department of Insurance, Division of Workers' Compensation (TDI-DWC) to conduct performance audits of participants in the Texas Workers' Compensation System. The DWC is specifically directed in TLC §402.075 to focus its regulatory oversight on insurance carriers and health care providers identified as poor performers in the Performance-Based Oversight (PBO) program. Therefore, the insurance carriers and health care providers selected for FY08 audits are those identified as poor performers under the PBO program. More information regarding PBO can be found at <http://www.tdi.state.tx.us/wc/pbo/pbo.html>. This audit plan identifies the issues and system participants to be reviewed during the fiscal year ending August 31, 2008. However, this audit plan is subject to change as necessary. The DWC may identify additional areas of concern and determine to adjust the scope of the planned audits, audit additional participants, or reduce the scope or number of audits that are planned.

**METHODOLOGY**

For Fiscal Year 2008, it is the goal of System Monitoring and Oversight to improve system performance in the following key areas: return to work, medical cost/utilization, communication, income and medical benefit delivery, and dispute frequency. To obtain this objective, multi-issue performance audits will be conducted on insurance carriers and health care providers identified as poor performers in the FY2007 PBO assessment.

**SCOPE**

<b>ENTITY TYPE</b>	<b>ISSUE TYPE</b>	<b>APPLICABLE STATUTE OR RULE</b>	<b>AUDIT SAMPLE PERIOD</b>	<b># OF AUDITS</b>
Insurance Carrier	Timeliness of Initial Temporary Income Benefits Payment	409.021, 124.3 and 124.7	06/01/2007 – 11/30/07	20
	Appropriateness of Medical Bill Processing – Preauthorized Services	408.027, 413.014, 134.600	06/01/2007 – 11/30/07	
	Timeliness of Preauthorization Processing	134.600	06/01/2007 – 11/30/07	
	Timeliness of Medical Bill Processing	408.027 and 133.240	06/01/2007 – 11/30/07	
Health Care Provider	Timeliness of DWC Form-69, Report of Medical Evaluation	408.123, 126.7, 130.1, 130.2, 130.3, and 130.6	06/01/2007 – 12/31/07	60
	Timeliness of Letter of Clarification Response	415.0035 and 126.7	06/01/2007 – 12/31/07	
	Timeliness of DWC Form-73, Work Status Report	408.025, and 129.5	06/01/2007 – 12/31/07	
Other Audits as Directed	(Legislature, Commissioner, or Special Projects that may arise during the year)		To be determined (TBD)	TBD

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**INSURANCE CARRIER AUDITS**

**Timeliness of Initial Temporary Income Benefits Payment**

The Timeliness of Initial Temporary Income Benefits (TIBs) Payment review will determine if carriers initiated the first TIB payment timely. The review will consist of determining if the carriers initiated income benefits within 7 days of the eighth day of disability (accrual date). The audit samples will consist of randomly selected records drawn from the claim information submitted to the Division by carriers.

The sample data will identify claims for which an initial payment of TIBs was reported as having been issued during the period of June 1, 2007 to December 31, 2007. The Division will require the carriers to submit the DWC Form-1, Employers First Report of Injury or Illness; Plain Language 2 Notice, Notification of First Temporary Income Benefit Payment; DWC Form-21, Payment of Compensation or Notice of Refused or Disputed Claim; and initial TIB payment information. The records will be reviewed to determine if the first TIB payment was timely.

**Appropriateness of Medical Bill Processing – Preauthorized Services**

The Appropriateness of Medical Bill Processing – Preauthorized Services review will determine if carriers are appropriately denying medical services for lack of preauthorization. The review will consist of determining if denial reasons “preauthorization required but not requested” and “preauthorization requested but denied” are being inappropriately used to deny medical services either preauthorized by the carriers or not required to be preauthorized by Rule 134.600. The audit samples will consist of medical billing records drawn from the information submitted to the Division by carriers, and preauthorization records to be requested from the carriers for the audit.

The sample data will identify billing lines carriers initially denied for “preauthorization required but not requested” or “preauthorization requested but denied” and later paid during the period of June 1, 2007 to December 31, 2007. The Division will require the carriers to submit the preauthorization records, medical bills, Explanation of Benefit Statements, and payment information. The records will be reviewed to determine if preauthorized services were inappropriately denied.

**Timeliness and Appropriateness of Preauthorization Processing**

The Timeliness and Appropriateness of Preauthorization Processing review will determine if carriers are timely and correctly processing preauthorization requests. The review will consist of determining if carriers are timely providing approval or denial of preauthorization requests, timely submitting written notification letters to the requestor, and including all required information on the written notification letter. The audit samples will consist of preauthorization records to be requested from the carriers for the audit. From this data, a random sample will be taken by the Division.

The sample data will identify preauthorization requests processed by the carriers during the period of June 1, 2007 to December 31, 2007. The Division will require the carriers to submit the health care provider’s preauthorization request, documentation/proof of the carrier’s transmission of the preauthorization decision to the provider, and the written notification letter. The records will be reviewed to determine if the preauthorization requests were processed timely and correctly.

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**Timeliness of Medical Bill Processing**

The Timeliness of Medical Bill Processing review will determine if carriers are timely processing medical bills. The review will consist of determining if the carriers paid or denied initial medical bills within 45 days of receipt. The audit samples will consist of randomly selected records drawn from the medical bill information submitted to the Division by carriers.

The sample data will identify billing lines for which a payment or denial was reported as having been issued during the period of June 1, 2007 to December 31, 2007. The Division will require the carriers to submit the medical bills, Explanation of Benefit Statements, and payment information to the Division. The records will be reviewed to determine if the medical bills were timely processed.

**HEALTH CARE PROVIDER AUDITS**

**Timeliness of DWC Form-69, Report of Medical Evaluation**

The Timeliness of DWC Form-69, Report of Medical Evaluation review will determine if health care providers (HCPs) timely submitted the form to carriers. The review will consist of determining if the HCPs submitted the report, via facsimile, to the insurance carrier no later than the seventh working day after the later of the date of the certifying examination or receipt of all of the required medical information. The audit samples will consist of records drawn from the Division's database.

The sample data will identify DWC Form-69s received by the Division during the period of June 1, 2007 to December 31, 2007. The Division will require the HCPs to submit the DWC Form-69 and evidence of the filing with the carrier. The records will be reviewed to determine if the form was timely submitted via facsimile to the carrier.

**Timeliness of Letter of Clarification Response**

The Timeliness of Letter of Clarification (LOC) Response review will determine if health care providers (HCPs) timely submitted the LOC response to the Division. The review will consist of determining if the HCPs responded to the LOC within 5 days of receipt. The audit samples will consist of records drawn from the Division's database.

The sample data will identify LOCs received by the HCPs during the period of June 1, 2007 to December 31, 2007. The Division will require the HCPs to submit the LOC and evidence of the response to the Division. The records will be reviewed to determine if the response was timely submitted to the Division.

**Timeliness of DWC Form-73, Work Status Report**

The Timeliness of DWC Form-73, Report of Medical Evaluation review will determine if health care providers (HCPs) timely submitted the form to carriers. The review will consist of determining if the HCP submitted the report, via facsimile, to the insurance carrier no later than the end of the second working day after the date of examination, after the initial examination or when the employee experiences a change in work status or a substantial change in activity restrictions. The audit samples will consist of randomly selected records drawn from the medical bill information submitted to the Division by carriers.

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The sample data will identify DWC Form-73s paid or denied by carriers during the period of June 1, 2007 to December 31, 2007. The Division will require the HCPs to submit to the Division the DWC Form-73 and evidence of the filing with the carrier. The records will be reviewed to determine if the form was timely filed via facsimile with the carrier.

**AUDIT DETAIL**

The Audits and Investigations Team will initiate and complete the following eighty (80) audits during fiscal year 2008:

	<b>AUDITEE NAME</b>	<b>ISSUE TYPE</b>	<b>AUDITOR</b>	<b>ANTICIPATED LOE DATE</b>	<b>EXPECTED COMPLETION QUARTER</b>
1	DALLAS AREA RAPID TRANSIT	Initial TIB, Preauth, Preauth Svcs, Med Bill	Abrego, Melita	January 2008	3
2	DALLAS NATIONAL INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Brown, Inette	January 2008	3
3	DEEP EAST TEXAS SELF INSURANCE FUND	Initial TIB, Preauth, Preauth Svcs, Med Bill	Hamilton, R.	January 2008	3
4	DOLGENCORP OF TEXAS INC	Initial TIB, Preauth, Preauth Svcs, Med Bill	Harvey, Irma	January 2008	3
5	GRAY INSURANCE CO INC	Initial TIB, Preauth, Preauth Svcs, Med Bill	Morgan, Kirsten	January 2008	3
6	HARTFORD CASUALTY INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Rhea, Melissa	January 2008	3
7	HARTFORD INS CO OF THE MIDWEST	Initial TIB, Preauth, Preauth Svcs, Med Bill	Wright, LaTasha	January 2008	3
8	LA JOYA ISD	Initial TIB, Preauth, Preauth Svcs, Med Bill	Abrego, Melita	January 2008	3
9	NEW HAMPSHIRE INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Brown, Inette	January 2008	3
10	RCH PROTECT COOP	Initial TIB, Preauth, Preauth Svcs, Med Bill	Hamilton, R.	January 2008	3
11	SEABRIGHT INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Harvey, Irma	January 2008	3
12	ST PAUL FIRE & MARINE INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Morgan, Kirsten	January 2008	3
13	STAR INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Rhea, Melissa	January 2008	3
14	TEXAS COTTON GINNERS TRUST	Initial TIB, Preauth, Preauth Svcs, Med Bill	Wright, LaTasha	January 2008	3
15	TOKIO MARINE & FIRE INS CO LTD (US BRANCH)	Initial TIB, Preauth, Preauth Svcs, Med Bill	Abrego, Melita	January 2008	3
16	TPS JOINT SELF INS FUNDS	Initial TIB, Preauth, Preauth Svcs, Med Bill	Brown, Inette	January 2008	3
17	TRAVELERS INDEMNITY CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Hamilton, R.	January 2008	3

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18	TRAVELERS INDEMNITY CO OF CONNECTICUT	Initial TIB, Preauth, Preauth Svcs, Med Bill	Harvey, Irma	January 2008	3
19	UNION INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Morgan, Kirsten	January 2008	3
20	UNITED STATES FIRE INSURANCE CO	Initial TIB, Preauth, Preauth Svcs, Med Bill	Abrego, Melita	January 2008	3
21	BAILEY, PAUL REED	DWC-69, LOC, DWC-73	Abrego, Melita	January 2008	3
22	BENHAMOU, ELIAS	DWC-69, LOC, DWC-73	Brown, Inette	January 2008	3
23	CARRION, GEORGE	DWC-69, LOC, DWC-73	Hamilton, R.	January 2008	3
24	CHODOSH, THOMAS BRENT	DWC-69, LOC, DWC-73	Harvey, Irma	January 2008	3
25	CLOGSTON, CURTIS PAUL	DWC-69, LOC, DWC-73	Morgan, Kirsten	January 2008	3
26	COCHRAN, CASEY G III	DWC-69, LOC, DWC-73	Rhea, Melissa	January 2008	3
27	DANIELS, MICHAEL TODD	DWC-69, LOC, DWC-73	Wright, LaTasha	January 2008	3
28	DEBENDER, JOHN JEFFREY	DWC-69, LOC, DWC-73	Estrada, Jane	January 2008	3
29	DIAMOND, HOWARD GREGG	DWC-69, LOC, DWC-73	Abrego, Melita	January 2008	3
30	DRAZNER, BRYAN SCOTT	DWC-69, LOC, DWC-73	Brown, Inette	January 2008	3
31	DRIGGS, GUY KENNETH JR	DWC-69, LOC, DWC-73	Hamilton, R.	January 2008	3
32	ELLISTON, BRUCE KIRBY	DWC-69, LOC, DWC-73	Harvey, Irma	January 2008	3
33	ERREDGE, SUSAN	DWC-69, LOC, DWC-73	Morgan, Kirsten	January 2008	3
34	FLORES, VICTOR H	DWC-69, LOC, DWC-73	Rhea, Melissa	January 2008	3
35	FORTENBERRY, DEWITT	DWC-69, LOC, DWC-73	Wright, LaTasha	January 2008	3
36	FRAZIER, M LEWIS JR	DWC-69, LOC, DWC-73	Estrada, Jane	January 2008	3
37	GARRISON, CHRISTOPHER JAY	DWC-69, LOC, DWC-73	Abrego, Melita	March 2008	4
38	GRAY, JAMES TODD	DWC-69, LOC, DWC-73	Brown, Inette	March 2008	4
39	GULLAPALLI, UMA RANI	DWC-69, LOC, DWC-73	Hamilton, R.	March 2008	4
40	HALL-HOSKINS, ADMERLE	DWC-69, LOC, DWC-73	Harvey, Irma	March 2008	4
41	HONAKER, RICHARD SCOTT	DWC-69, LOC, DWC-73	Morgan, Kirsten	March 2008	4
42	HOOD, JAMES FURNISS	DWC-69, LOC, DWC-73	Rhea, Melissa	March 2008	4
43	JAFARNIA, KOUROSH KORSH	DWC-69, LOC, DWC-73	Wright, LaTasha	March 2008	4
44	KHALIFA, AHMED A H	DWC-69, LOC, DWC-73	Estrada, Jane	March 2008	4
45	KHAN, RASHID	DWC-69, LOC, DWC-73	Abrego, Melita	March 2008	4
46	KILIAN, ROBERT JACK	DWC-69, LOC, DWC-73	Brown, Inette	March 2008	4
47	KING, JEFF ALAN	DWC-69, LOC, DWC-73	Hamilton, R.	March 2008	4
48	KOBZA, PAUL EDWARD	DWC-69, LOC, DWC-73	Harvey, Irma	March 2008	4
49	KREUSEL, ROY GLENN	DWC-69, LOC, DWC-73	Morgan, Kirsten	March 2008	4
50	LANE, GEORGE HENRY	DWC-69, LOC, DWC-73	Rhea, Melissa	March 2008	4
51	LOGAN, DAVID MALCOLM	DWC-69, LOC, DWC-73	Wright, LaTasha	March 2008	4
52	LOPEZ, ALEJANDRO JR	DWC-69, LOC, DWC-73	Estrada, Jane	March 2008	4
53	MASSENBURG, BRYAN	DWC-69, LOC, DWC-73	Abrego, Melita	March 2008	4
54	MCCALL, NORMAN JOEL	DWC-69, LOC, DWC-73	Brown, Inette	March 2008	4
55	MCELYA, MARTIN GLENN	DWC-69, LOC, DWC-73	Hamilton, R.	March 2008	4
56	MCWATT, GORDON G.	DWC-69, LOC, DWC-73	Harvey, Irma	March 2008	4
57	MOSKOWITZ, HARRY LOUIS	DWC-69, LOC, DWC-73	Morgan, Kirsten	March 2008	4

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58	MURPHY, CHARLES M.	DWC-69, LOC, DWC-73	Rhea, Melissa	March 2008	4
59	NEEL, RICHARD LEWIS	DWC-69, LOC, DWC-73	Wright, LaTasha	March 2008	4
60	NGUYEN, PETERMINH V.	DWC-69, LOC, DWC-73	Estrada, Jane	March 2008	4
61	NINALA, RANIL RONALD	DWC-69, LOC, DWC-73	Abrego, Melita	March 2008	4
62	OAKES, WALTER HARRIS	DWC-69, LOC, DWC-73	Brown, Inette	March 2008	4
63	OSBORNE, WILLIAM PHILLIP	DWC-69, LOC, DWC-73	Hamilton, R.	March 2008	4
64	OTTO, LAURIE	DWC-69, LOC, DWC-73	Harvey, Irma	March 2008	4
65	PAGE, SUZANNE E	DWC-69, LOC, DWC-73	Morgan, Kirsten	March 2008	4
66	PANZARELLA, ROBERT LOUIS	DWC-69, LOC, DWC-73	Rhea, Melissa	March 2008	4
67	PARKS, LAWRENCE WAYNE JR	DWC-69, LOC, DWC-73	Wright, LaTasha	March 2008	4
68	PORIAS, MITCHELL MILES	DWC-69, LOC, DWC-73	Estrada, Jane	March 2008	4
69	REFAEIAN, MANOUCHEHR	DWC-69, LOC, DWC-73	Abrego, Melita	March 2008	4
70	SAUNDERS, RALPH CRAIG	DWC-69, LOC, DWC-73	Brown, Inette	March 2008	4
71	SILVER, CHARLES	DWC-69, LOC, DWC-73	Hamilton, R.	March 2008	4
72	SMITH, EDWARD WILLIAM	DWC-69, LOC, DWC-73	Harvey, Irma	March 2008	4
73	STOCK, ALEXANDER	DWC-69, LOC, DWC-73	Morgan, Kirsten	March 2008	4
74	STUART, ROBERT JOHN	DWC-69, LOC, DWC-73	Rhea, Melissa	March 2008	4
75	SUNKARA, DURGA PRASAD	DWC-69, LOC, DWC-73	Wright, LaTasha	March 2008	4
76	TAXIS, JOHN O	DWC-69, LOC, DWC-73	Estrada, Jane	March 2008	4
77	TOLEDO, LUIZ CARLOS	DWC-69, LOC, DWC-73	Abrego, Melita	March 2008	4
78	TREVINO, JOSE GUILLERMO	DWC-69, LOC, DWC-73	Brown, Inette	March 2008	4
79	VAN HAL, MARVIN E.	DWC-69, LOC, DWC-73	Hamilton, R.	March 2008	4
80	VARELA, HUMBERTO J.	DWC-69, LOC, DWC-73	Harvey, Irma	March 2008	4

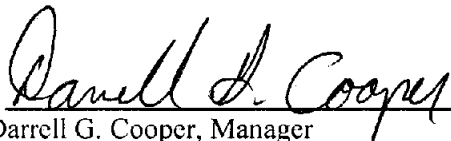
LEGEND:      QUARTER      NUMBER  
 SEP – NOV            1  
 DEC – FEB            2  
 MAR – MAY            3  
 JUN – AUG            4

**FISCAL IMPACT**

Auditee Type	Number of Audits	Expected Completion Hours per Audit	Number Billable Audits	Total Billable Hours	Billable Rate	Projected Revenue
Health Care Provider	60	60	0	0	N/A	\$0.00
Insurance Carrier	20	80	20	1,600	\$50.00	\$80,000
Estimated Revenue Total						\$80,000

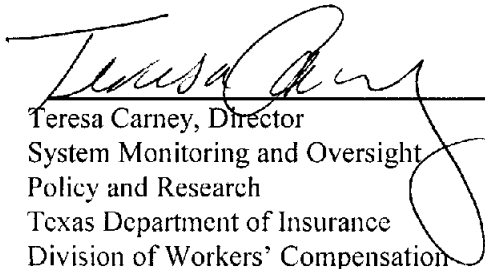
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Respectfully submitted by:



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Darrell G. Cooper, Manager  
Audits and Investigations  
System Monitoring and Oversight  
Policy and Research  
Texas Department of Insurance  
Division of Workers' Compensation



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Teresa Carney, Director  
System Monitoring and Oversight  
Policy and Research  
Texas Department of Insurance  
Division of Workers' Compensation



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Albert Betts, Commissioner of Workers' Compensation  
Texas Department of Insurance  
Division of Workers' Compensation