

**TDI-DWC
SYSTEM MONITORING AND OVERSIGHT
AUDIT PLAN
FISCAL YEAR ENDING 08/31/09**

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. TDI-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 FY09 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, 2009. However, this audit plan is subject to change as necessary. TDI-DWC may identify additional areas of concern and 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 2009, 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, performance audits will be conducted on insurance carriers and health care providers identified as poor performers in the FY2007 PBO assessment.

SCOPE

| ENTITY TYPE | ISSUE TYPE | APPLICABLE STATUTE OR RULE | AUDIT SAMPLE PERIOD | # OF AUDITS |
|--------------------------|---|--|---|-------------|
| Insurance Carrier | Timeliness of Initial Temporary Income Benefits Payment and Accuracy of Data | 409.021, 124.2, 124.3, and 124.7 | 06/01/07 – 11/30/07 | 34 |
| | Timeliness of Medical Bill Processing and Accuracy of Data | 408.027 and 133.240 | 06/01/07 – 11/30/07 | |
| | Accuracy of Initial Payment Data | 124.2 | 09/01/08 – 1/31/09 | |
| 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 | 06/01/07 – 12/31/07 and 1/01/08 – 6/30/08 | 46 |
| Other Audits as Directed | (Legislature, Commissioner, or Special Projects that may arise during the year) | | To be determined (TBD) | TBD |

INSURANCE CARRIER AUDITS

Timeliness of Initial Temporary Income Benefits Payment and Accuracy of Initial Payment Data

The Timeliness of Initial Temporary Income Benefits (TIBs) Payment and Accuracy of Initial Payment Data review will determine if insurance carriers initiated the first TIB payment timely and accurately reported initial payment data to TDI-DWC. The review will consist of determining if the insurance carriers initiated income

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benefits within 7 days of the eighth day of disability (accrual date) and accurately reported five initial payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the claim information submitted to TDI-DWC by insurance carriers.

The sample data will identify claims for which an initial payment of TIBs was issued during the period of June 1, 2007 to November 30, 2007. TDI-DWC will require the insurance 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 and the data elements were accurately reported.

Timeliness of Medical Bill Processing

The Timeliness of Medical Bill Processing review will determine if insurance carriers are timely processing medical bills. The review will consist of determining if the insurance 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 TDI-DWC by insurance 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 November 30, 2007. TDI-DWC will require the insurance carriers to submit the medical bills, Explanation of Benefit Statements, and payment information to TDI-DWC. The records will be reviewed to determine if the medical bills were timely processed.

Accuracy of Initial Payment Data

The Timeliness of Initial Temporary Income Benefits (TIBs) Payment and Accuracy of Initial Payment Data review will determine if insurance carriers accurately reported initial payment data to TDI-DWC. The review will consist of determining if the insurance carriers accurately reported five initial payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the claim information submitted to TDI-DWC by insurance carriers.

The sample data will identify claims for which an initial payment of TIBs was issued during the period of September 01, 2008 to January 31, 2009. TDI-DWC will require the insurance 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 data elements were accurately reported.

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 the insurance 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 TDI-DWC database.

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The sample data will identify DWC Form-69s received by TDI-DWC during the period of June 1, 2007 to December 31, 2007, or January 01, 2008 to June 30, 2008, depending on the date of initiation. TDI-DWC will require the HCPs to submit the DWC Form-69 and evidence of the filing with the insurance carrier. The records will be reviewed to determine if the form was timely submitted via facsimile to the insurance carrier.

AUDIT DETAIL

The Audits and Investigations Team will initiate and complete the following eighty (80) audits during fiscal year 2009:

| | AUDITEE NAME | ISSUE TYPE | AUDITOR | ANTICIPATED LOE DATE | EXPECTED COMPLETION QUARTER |
|----|---------------------------------------|---|-----------------|-----------------------------|------------------------------------|
| 1 | TRAVELERS INDEMNITY COMPANY OF CT | Initial TIB Timeliness and IP Data Accuracy | A. Telles | Audit Completed Sept 2008 | I |
| 2 | TEXAS COTTON GINNERS TRUST | Initial TIB Timeliness and IP Data Accuracy | P. Sikos | LOE Sent Sept. 2008 | I |
| 3 | NEW HAMPSHIRE INSURANCE CO | Timeliness of Medical Bill Processing | P. Sikos | LOE Sent May 2008 | I |
| 4 | TRAVELERS INDEMNITY CO | Timeliness of Medical Bill Processing | R. Hamilton | LOE Sent May 2008 | I |
| 5 | HARTFORD INS CO OF THE MIDWEST | Timeliness of Medical Bill Processing | M. Marinelarena | LOE Sent May 2008 | I |
| 6 | TRAVELERS INDEMNITY CO OF CONNECTICUT | Timeliness of Medical Bill Processing | A. Telles | LOE Sent May 2008 | I |
| 7 | HARTFORD CASUALTY INSURANCE CO | Timeliness of Medical Bill Processing | P. Sikos | LOE Sent May 2008 | I |
| 8 | DART LIGHT RAIL SYSTEM | Timeliness of Medical Bill Processing | P. Sikos | LOE Sent May 2008 | I |
| 9 | DEEP EAST TEXAS SELF INSURANCE FUND | Timeliness of Medical Bill Processing | M. Rhea | LOE Sent May 2008 | I |
| 10 | UNITED STATES FIRE INSURANCE CO | Timeliness of Medical Bill Processing | I. Harvey | LOE Sent May 2008 | I |
| 11 | ST PAUL FIRE & MARINE INSURANCE CO | Timeliness of Medical Bill Processing | M. Marinelarena | LOE Sent May 2008 | I |
| 12 | DOLGENCORP OF TEXAS INC | Timeliness of Medical Bill Processing | I. Harvey | LOE Sent May 2008 | I |
| 13 | TPS JOINT SELF INS FUNDS | Timeliness of Medical Bill Processing | M. Rhea | LOE Sent May 2008 | I |
| 14 | GRAY INSURANCE CO INC | Timeliness of Medical Bill Processing | I. Harvey | LOE Sent May 2008 | I |
| 15 | LA JOYA ISD | Timeliness of Medical Bill Processing | R. Hamilton | LOE Sent May 2008 | I |
| 16 | TEXAS COTTON GINNERS TRUST | Timeliness of Medical Bill Processing | A. Telles | LOE Sent May 2008 | I |
| 17 | SEABRIGHT INSURANCE CO | Timeliness of Medical Bill Processing | P. Sikos | LOE Sent May 2008 | I |

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|----|--|---------------------------------------|-----------------|-----------------------------|------------------------------------|
| 18 | DALLAS NATIONAL INSURANCE COMPANY | Timeliness of Medical Bill Processing | M. Marinclarena | LOE Sent May 2008 | 1 |
| 19 | STAR INSURANCE CO | Timeliness of Medical Bill Processing | A. Telles | LOE Sent May 2008 | 1 |
| 20 | TOKIO MARINE & FIRE INS CO LTD (US BRANCH) | Timeliness of Medical Bill Processing | R. Hamilton | LOE Sent May 2008 | 1 |
| 21 | UNION INSURANCE CO | Timeliness of Medical Bill Processing | M. Rhea | LOE Sent May 2008 | 1 |
| 22 | CARRION, GEORGE | DWC-69 | M. Rhea | LOE Sent Aug. 2008 | 2 |
| 23 | CLOGSTON, CURTIS | DWC-69 | M. Marinclarena | LOE Sent Aug. 2008 | 2 |
| 24 | DRAZNER, BRYAN | DWC-69 | A. Telles | LOE Sent Aug. 2008 | 2 |
| 25 | ELLISTON, BRUCE | DWC-69 | M. Marinclarena | LOE Sent Aug. 2008 | 2 |
| 26 | JAFARNIA, KOUROSH | DWC-69 | M. Rhea | LOE Sent Aug. 2008 | 2 |
| 27 | KHAN, RASHID | DWC-69 | M. Rhea | LOE Sent Aug. 2008 | 2 |
| 28 | KREUSEL, ROY | DWC-69 | R. Hamilton | LOE Sent Aug. 2008 | 2 |
| 29 | LOPEZ, ALEJANDRO | DWC-69 | I. Harvey | LOE Sent Aug. 2008 | 2 |
| 30 | MCCALL, NORMAN | DWC-69 | M. Marinclarena | LOE Sent Aug. 2008 | 2 |
| 31 | NGUYEN, PETER | DWC-69 | A. Telles | LOE Sent Aug. 2008 | 2 |
| 32 | OAKES, WALTER | DWC-69 | I. Harvey | LOE Sent Aug. 2008 | 2 |
| 33 | OTTO, LAURIE | DWC-69 | R. Hamilton | LOE Sent Aug. 2008 | 2 |
| 34 | SAUNDERS, RALPH | DWC-69 | I. Harvey | LOE Sent Aug. 2008 | 2 |
| 35 | STUART, ROBERT | DWC-69 | R. Hamilton | LOE Sent Aug. 2008 | 2 |
| 36 | TREVINO, JOSE | DWC-69 | A. Telles | LOE Sent Aug. 2008 | 2 |
| 37 | VAN HAL, MARVIN | DWC-69 | P. Sikos | LOE Sent Aug. 2008 | 2 |
| 38 | BENHAMOU, ELIAS | DWC-69 | P. Sikos | September 2008 | 3 |
| 39 | CHODOSH, THOMAS BRENT | DWC-69 | R. Hamilton | September 2008 | 3 |
| 40 | DANIELS, MICHAEL TODD | DWC-69 | R. Hamilton | September 2008 | 3 |
| 41 | DEBENDER, JOHN JEFFREY | DWC-69 | I. Harvey | September 2008 | 3 |
| 42 | DIAMOND, HOWARD GREGG | DWC-69 | A. Telles | September 2008 | 3 |
| 43 | FLORES, VICTOR H | DWC-69 | M. Rhea | September 2008 | 3 |
| 44 | FRAZIER, M LEWIS JR | DWC-69 | M. Marinclarena | September 2008 | 3 |
| 45 | GARRISON, CHRISTOPHER JAY | DWC-69 | A. Telles | September 2008 | 3 |
| 46 | HOOD, JAMES FURNISS | DWC-69 | M. Rhea | September 2008 | 3 |
| 47 | KHALIFA, AHMED A H | DWC-69 | P. Sikos | September 2008 | 3 |
| 48 | KILIAN, ROBERT JACK | DWC-69 | I. Harvey | September 2008 | 3 |
| 49 | KING, JEFF ALAN | DWC-69 | M. Marinclarena | September 2008 | 3 |
| 50 | KOBZA, PAUL EDWARD | DWC-69 | M. Marinclarena | January 2009 | 3 |
| 51 | LANE, GEORGE HENRY | DWC-69 | R. Hamilton | January 2009 | 3 |
| 52 | LOGAN, DAVID MALCOLM | DWC-69 | I. Harvey | January 2009 | 3 |
| 53 | MCELYA, MARTIN GLENN | DWC-69 | P. Sikos | January 2009 | 3 |

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|----|--------------------------|-------------------|-----------------|---------------------------------|--|
| 54 | MOSKOWITZ, HARRY LOUIS | DWC-69 | M. Rhea | January 2009 | 3 |
| 55 | OSBORNE, WILLIAM PHILLIP | DWC-69 | A. Telles | January 2009 | 3 |
| 56 | PAGE, SUZANNE E | DWC-69 | M. Marinelarena | January 2009 | 3 |
| 57 | PARKS, LAWRENCE WAYNE JR | DWC-69 | R. Hamilton | January 2009 | 3 |
| 58 | PORIAS, MITCHELL MILES | DWC-69 | I. Harvey | January 2009 | 3 |
| 59 | SILVER, CHARLES | DWC-69 | P. Sikos | January 2009 | 3 |
| 60 | SMITH, EDWARD WILLIAM | DWC-69 | M. Rhea | January 2009 | 3 |
| 61 | SUNKARA, DURGA PRASAD | DWC-69 | A. Telles | January 2009 | 3 |
| 62 | TAXIS, JOHN O | DWC-69 | M. Marinelarena | January 2009 | 3 |
| 63 | TOLEDO, LUIZ CARLOS | DWC-69 | R. Hamilton | January 2009 | 3 |
| 64 | VARELA, HUMBERTO J. | DWC-69 | I. Harvey | January 2009 | 3 |
| 65 | WEEKS, TRENTON DAVID | DWC-69 | P. Sikos | January 2009 | 4 |
| 66 | XELLER, CHARLES FRED | DWC-69 | M. Rhea | January 2009 | 4 |
| 67 | ZWART, BENTON PHILLIPS | DWC-69 | A. Telles | January 2009 | 4 |
| 68 | INSURANCE CARRIER TBD | IP Data Accuracy | M. Marinelarena | January 2009 | 4 |
| 69 | INSURANCE CARRIER TBD | IP Data Accuracy | R. Hamilton | January 2009 | 4 |
| 70 | INSURANCE CARRIER TBD | IP Data Accuracy | I. Harvey | January 2009 | 4 |
| 71 | INSURANCE CARRIER TBD | IP Data Accuracy | P. Sikos | January 2009 | 4 |
| 72 | INSURANCE CARRIER TBD | IP Data Accuracy | M. Rhea | January 2009 | 4 |
| 73 | INSURANCE CARRIER TBD | IP Data Accuracy | A. Telles | March 2009 | 4 |
| 74 | INSURANCE CARRIER TBD | IP Data Accuracy | M. Marinelarena | March 2009 | 4 |
| 75 | INSURANCE CARRIER TBD | IP Data Accuracy | R. Hamilton | March 2009 | 4 |
| 76 | INSURANCE CARRIER TBD | IP Data Accuracy | I. Harvey | March 2009 | 4 |
| 77 | INSURANCE CARRIER TBD | IP Data Accuracy | P. Sikos | March 2009 | 4 |
| 78 | INSURANCE CARRIER TBD | IP Data Accuracy | M. Rhea | March 2009 | 4 |
| 79 | INSURANCE CARRIER TBD | IP Data Accuracy | A. Telles | March 2009 | 4 |
| 80 | INSURANCE CARRIER TBD | IP Data Accuracy | R. Hamilton | March 2009 | 4 |

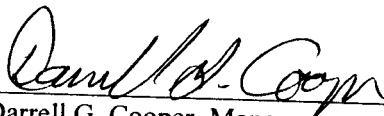
LEGEND: QUARTER NUMBER
 SEP – NOV 1
 DEC – FEB 2
 MAR – MAY 3
 JUN – AUG 4

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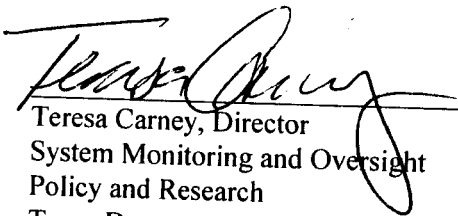
FISCAL IMPACT

| Auditee Type | Number of Audits | Expected Completion Hours per Audit | Number Billable Audits | Total Billable Hours | Billable Rate | Projected Revenue |
|--------------------------|------------------|-------------------------------------|------------------------|----------------------|---------------|-------------------|
| Health Care Provider | 46 | 50 | 0 | 0 | N/A | \$0.00 |
| Insurance Carrier | 34 | 50 | 34 | 1,700 | \$50.00 | \$85,000 |
| Estimated Revenue Total. | | | | | | \$85,000 |

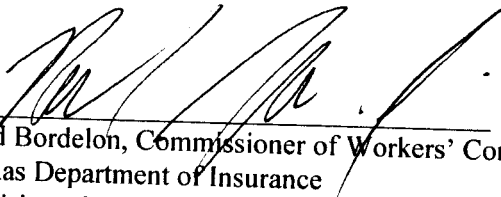
Respectfully submitted by:



Darrell G. Cooper, Manager
Audits and Investigations
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Teresa Carney, Director
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Rod Bordelon, Commissioner of Workers' Compensation
Texas Department of Insurance
Division of Workers' Compensation