



## "PAR FOR THE ~~COURSE~~ AUDIT"

Presented by the California  
Division of Workers' Compensation ~ Audit Unit  
*for the*  
18<sup>th</sup> Annual DWC Educational Conference

### WHAT IS A PAR AUDIT???

- PAR is a process as well as a level of file review
- Labor Code §129(b)(1) requires a routine Profile Audit Review for locations adjusting California workers' compensation claims, at least once every 5 years
- The PAR audit is not a comprehensive review of all aspects of claims administration, it focuses on provision of indemnity and specific benefit advice for injured employees

## WHAT IS A PAR AUDIT???

**An audit subject is graded in five areas of claims administration and held to an Annual Performance Standard based on industry performance in those same areas**

1. Payment of accrued and undisputed indemnity
2. Late first payment of TD / first notice of SC
3. Late first payment of PD and DB
4. Late subsequent indemnity payments
5. Provision of QME/AME and SJDB notice(s)

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## 2011 PROFILE AUDIT REVIEW PERFORMANCE STANDARDS

**PAR Standard: 1.75629**

(A rating of 1.75630 or greater fails)

**FCA Standard: 2.14465**

(A rating of 2.14466 or greater fails)

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## PAR PERFORMANCE STANDARD ~ FACTOR #1

8CCR§10107.1(C)(3)(A)

### Payment of accrued and undisputed indemnity

Calculation based upon the following issues:

- # random claims with violations for unpaid indemnity ÷ # of random claims with accrued and payable indemnity = **Frequency Rate (FR)**
- Total amount of unpaid indemnity ÷ # of random claims with accrued and payable indemnity Late subsequent indemnity payments = **Average Unpaid Indemnity per File (AUPF)**
- **AUPF** ÷ average unpaid indemnity per file for furthest 3 of the last 4 years audited = **Severity Rate (SR)**
- **FR x SR x 2 = Factor #1**

# PAR PERFORMANCE STANDARD ~ FACTOR

## #1

### PAYMENT OF ACCRUED AND UNDISPUTED INDEMNITY

1. FACTOR FOR FAILURE TO PAY ACCRUED AND UNDISPUTED INDEMNITY							
<u>A. Frequency Rate</u>							
# claims with unpd indem		divide by # claims with payable indem		=			#DIV/0!
<u>B. Average Amount of Unpaid Indemnity per Claim with Obligation to Pay Indemnity</u>							
Total unpd indem. =		divide by	# of claims with obligation to pay indem.				0
						Avg Unpd Ind =	#DIV/0!
<u>C. Severity Rate</u>							
Avg Unpd Indem	#DIV/0!	divide by avg unpd indem for 2007-2009 of	\$195.93	=			#DIV/0!
<u>D. Factor for Failure to pay Undisputed Accrued Indemnity</u>							
Frequency rate	#DIV/0!	X	Severity rate	#DIV/0!	X	modifier of	2
						=	#DIV/0!

## PAR PERFORMANCE STANDARD ~ FACTOR #1

### PAYMENT OF ACCRUED AND UNDISPUTED INDEMNITY

#### Bases for violations cited for this factor include:

- Failure to pay TD for medically authorized time lost from work
- Miscalculation of earnings / average weekly wage
- Failure to pay a reasonable estimate of all undisputed PD
- Incorrect application of Labor Code §4658(d) for increase/decrease of PD
- Failure to pay EDD waiting period with acceptance of claim
- Failure to pay 10% SII on late paid TD and/or PD
- Failure to comply with an Award/Order of the WCAB (including interest) ~ Administrative penalty doubled for this violation

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## PAR PERFORMANCE STANDARD ~ FACTOR #2

*8CCR§10107.1(C)(3)(B)*

#### Late first payment of TD / first notice of SC

Calculation based upon the following:

- # random claims with violations for late 1<sup>st</sup> TD payments, plus # of random claims with violations for failure to comply with regulations for the provision of the first notice of SC

#### ***Divided by***

- # random claims with TD payments plus # of random claims requiring first notices of provision of SC

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## PAR PERFORMANCE STANDARD ~ FACTOR #2

LATE 1<sup>ST</sup> PAYMENT OF TD / 1<sup>ST</sup> NOTICE OF SC

2. FACTOR FOR LATE FIRST PAYMENT OF TEMPORARY DISABILITY / VIOLATION FOR FIRST NOTICE OF SC

# claims with late 1st TD		divide by # with TD payments				
# claims with first SC notice violations		divide by # with SC				
Totals	0	divide by	Totals	0	=	
						#DIV/0!

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## PAR PERFORMANCE STANDARD ~ FACTOR #2

LATE 1<sup>ST</sup> PAYMENT OF TD / 1<sup>ST</sup> NOTICE OF SC

### Bases for violations cited for this factor include:

- Provision of 1<sup>st</sup> TD payment beyond 14 days after the employer's date of knowledge of injury and disability
- Failure to pay all TD due with the 1<sup>st</sup> payment
- Failure to comply with the regulations for notice of 1<sup>st</sup> / resumed payment of SC
- 10% SII for late first / resumed payment of TD not provided with payment
- Failure to comply with WCAB Award/Order of TD (including interest) ~ Administrative penalty doubled for this violation

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## PAR PERFORMANCE STANDARD ~ FACTOR #3

8CCR§10107.1(C)(3)(C)

### Late first payment of PD and DB

Calculation based upon the following:

- # random claims with violations for late 1<sup>st</sup> PD payments, plus # random claims with violations for late 1<sup>st</sup> DB payments

#### *Divided by*

- # random claims with PD payments, plus # random claims with DB payments

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## PAR PERFORMANCE STANDARD ~ FACTOR #3

### LATE 1<sup>ST</sup> PAYMENT OF PD AND DB

3. FACTOR FOR LATE FIRST PAYMENT OF PERMANENT DISABILITY AND DEATH BENEFITS

# claims with late first PD		divide by	# with first PD			
# claims with late first DB		divide by	# with first DB			
Totals	0	divide by	Totals	0	=	
						#DIV/0!

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## PAR PERFORMANCE STANDARD ~ FACTOR #3

### LATE 1<sup>ST</sup> PAYMENT OF PD AND DB

#### Bases for violations cited for this factor include:

- Provision of 1<sup>st</sup> PD payment beyond 14 days date of determination of PD and/or DB due
- Failure to pay all PD and/or DB due with the 1<sup>st</sup> payment
- 10% SII for late first / resumed payment of PD not provided with 1<sup>st</sup> payment
- Failure to comply with WCAB Award/Order of PD and/or DB (including interest) ~ Administrative penalty doubled for this violation

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## PAR PERFORMANCE STANDARD ~ FACTOR #4

8CCR§10107.1(C)(3)(D)

#### Late subsequent indemnity payments

Calculation based upon the following:

- # random claims with violations for late indemnity payments subsequent to the first payment

#### ***Divided by***

- # random claims with subsequent indemnity payments

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## PAR PERFORMANCE STANDARD ~ FACTOR #4

### LATE SUBSEQUENT INDEMNITY PAYMENTS

4. FACTOR FOR LATE SUBSEQUENT INDEMNITY PAYMENTS							
# claims with late subsequent payments		divide by # claims with subsequent payments					=
							#DIV/0!

## PAR PERFORMANCE STANDARD ~ FACTOR #4

### LATE SUBSEQUENT INDEMNITY PAYMENTS

**Bases for violations cited for this factor include:**

- Failure to follow the payment schedule
- Failure to pay all indemnity due with the scheduled payment
- 10% SII for late subsequent payment of TD or PD not provided with payment
- Failure to comply with WCAB Award/Order for scheduled payments of indemnity (including interest) ~ Administrative penalty doubled for this violation

## PAR PERFORMANCE STANDARD ~ FACTOR #5

8CCR§10107.1(C)(3)(E)

### Provision of QME/AME and SJDB notice(s)

Calculation based upon the following:

- # random claims with violations for compliance with the regulations for provision of notices for AME/QME advice, plus Notice of Potential Eligibility for SJDB (DOI on or after 01/01/2004)

**Divided by**

- # random claims with the requirements to issue notices for AME/QME, plus Notice of Potential Eligibility for SJDB

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## PAR PERFORMANCE STANDARD ~ FACTOR #5

### PROVISION OF QME/AME AND SJDB NOTICE(S)

5. FACTOR FOR PROVISION OF AME/QME NOTICES AND NOTICES FOR THE RIGHT TO SUPPLEMENTAL JOB DISPLACEMENT BENEFITS

# claims with AME/QME notice violations				divide by # claims requiring notices			
# claims with SJDB notice violations				divide by # claims requiring notices			
		Totals	0		Totals	0	
					=	#DIV/0!	

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## PAR PERFORMANCE STANDARD ~ FACTOR #5

### PROVISION OF QME/AME AND SJDB NOTICE(S)

#### Bases for violations cited for this factor include:

- Failure to comply with regulations requiring provision of the QME/AME advice
- Failure to include all required information / enclosures per benefit notice regulations
  - ◇ The most recent version of Fact Sheet C, D and/or E
  - ◇ QME Form 105 and attachment
- Failure to comply with regulations for provision of the Notice of Potential Eligibility for Supplemental Job Displacement Benefits

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## PAR PERFORMANCE & BEYOND

### Knowledge of a claim of injury

- Ins Code §11652 ~ Employer knowledge = Insurer knowledge
- Labor Code §5402 ~ Knowledge requires action
- Date Of Knowledge (DOK)
  - ◇ 8CCR §9811(b) DOK of injury
  - ◇ 8CCR §9811(c) DOK of injury & disability
  - ◇ 8CCR §10100.2(p) DOK of injury & disability

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## PAR PERFORMANCE & BEYOND

### Investigation

- Compensability for aoe/coe
- Issues for provision of specific benefits
  - ◇ Earnings
  - ◇ Authorized time lost from work
- Permanent disability
- UR for requests for treatment

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## PAR PERFORMANCE & BEYOND

### Documentation

- All investigation
- Receipt of hard or soft copy information
- Authorization, or not, of medical treatment
- Verbal information (telephone calls, statements of injured employees and/or witnesses)
- Payment schedule (indemnity, med, med-legal, penalties, adjusting expense)

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## PAR PERFORMANCE & BEYOND

### Payment

- Indemnity
  - ◇ Penalty (SII and/or Labor Code §5814)
  - ◇ Interest
- Medical & medical-legal expense
  - ◇ Treatment
  - ◇ Mileage
  - ◇ Interest & increase

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## PAR PERFORMANCE & BEYOND

### Communication ~ written and verbal

- Benefit notice(s)
  - ◇ General (with attachments)
  - ◇ Mandatory
  - ◇ Timely and accurate
- Response to
  - ◇ Employee and/or representative
  - ◇ Medical provider
  - ◇ Other parties to claim (incl lien claimants)

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