



April 26, 2004

To: Workers' compensation insurers, self-insured employers, service companies

Subject: Compliance audit methodology

The Workers' Compensation Division (WCD) has changed the way it conducts claims processing performance compliance audits, which are used to determine whether or not insurers and self-insured employers are complying with statutes and rules governing workers' compensation in Oregon. Last fall, WCD began a review to develop a methodology that would emphasize accurate and timely benefits, influence compliance, provide adequate data to effectively measure industry performance, and support a positive business environment.

WCD's previous methodology took more than seven years to audit all active insurers and self-insured employers. This made it difficult to compare insurer performance data and determine overall industry performance for current periods. Information gathered from stakeholders identified other areas of dissatisfaction, including: a) audits are time consuming and intrusive, b) there should be more advance notice of areas to be audited, and c) audits should focus more on timely/accurate benefits to workers and less on accurate reporting.

The new audit method focuses on processing locations; however, all insurers and self-insured employers will be represented in the claim sample. The sample size will be greatly reduced but still be adequate to effectively measure industry performance. A review of accurate and timely benefits will be the key component to the audit program, along with verifying data submitted to WCD. We anticipate that the "on-site" time will be reduced and that the entire audit cycle will be reduced to three years.

Number of weeks on-site	<u>Old audit method</u> w/multiple audits per location	<u>New audit method</u> Number of locations w/one audit per location
Up to 1 week	17	20
Up to 2 weeks	7	15
Up to 4 weeks	14	13
More than 4 weeks	17	8

The [results](#) of the compliance audits will be published on the WCD Web site later this year. This is similar to the recent posting of the Employer-at-Injury Program audit results, is consistent with the leadership shown by other states in benchmarking processing performance, and provides recognition for companies delivering strong claims processing performance.

If you have any questions regarding this notice, please contact Jennifer Flood, (503) 947-7687, or e-mail, jennifer.r.flood@state.or.us.

John L. Shilts, Administrator
Workers' Compensation Division

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