

ADVISORY NO. 394
###

TOPIC: PERFORMANCE BASED OVERSIGHT UNDER HB 7

At the Workers' Compensation Working Group meeting at TDI on April 29, 2006, TDI introduced an outline of a Performance Based Oversight (PBO) system. TDI was directed to develop this program by HB 7.

TDI hopes to complete initial assessments of the performance of carriers according to different measures, and will publicly recognize "high performers" on its TDI website. If they meet their expected timeframe, **carriers will be evaluated based upon the carrier's performance for dates of claims handling prior to September 30, 2006**, and those evaluations will certainly be based upon the carrier's current processes and decisions.

TDI will identify three different tiers of performance as mandated by statute. Carriers will be grouped as "poor performers, generally average performers, and consistently high performers." Assessments of performance will be conducted at least once every two years through an analysis of data. The key regulatory goals to be measured are:

1. Timeliness of income benefits;
2. Timeliness of medical bill processing;
3. Minimizing disputes;
4. Return to Work outcomes; and
5. Workplace safety.

They may structure the performance measures according to these regulatory goals, or upon other metrics to be decided by TDI after participation by stakeholders in various work groups addressing these issues.

TDI will almost certainly use the EDI data reported for benefit payments, ECS-837 data (at the time that they are finally able to achieve a functional platform for carriers to report this data), revision data, and data calls. It was recommended that TDI use the data currently available and not request additional data from carriers. Obviously, producing the data could be a heavy burden.

TDI has not decided upon the boundaries between the three tiers. They almost certainly will identify a percentage of high performers (for instance top 25%) and poor performers (for instance bottom 25% performers) and the balance will be deemed to be "generally average."

Although they have not yet agreed on the principle, carriers should be compared relative to other carrier's performance. The specific metric and whether the tiers will be based upon comparative ratings or ratings determined by independent system performance goals will be decided later. TDI will continue to emphasize accurate data. This has been a troublesome part of TDI audits in the past and it would appear that they will continue to emphasize data quality in the future.

In connection with another issue, TDI did point out that the Commissioner of Insurance has very broad authority to structure various remedies or non-monetary penalties as a disincentive for below standard performance to include carrier required self audits of a specific issue, data calls, increased audit oversight, etc.

The HB 7 imposes the same tiered performance measures for healthcare providers as well as carriers. This program is not part of a "network score card" which is independently required of networks but not carriers.

Performance Based Oversight will be discussed in future meetings. DWC will be developing rules to implement the program over the summer. Again, claim files handled on the day that the carrier read this analysis will be subject to the audit metrics to be developed over the ensuing months. This is the first public announcement of the basic framework presently contemplated by TDI/DWC, which is intended to be fully operative by September 2006.