

## **ADVISORY NO. 454**

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### **TOPIC: DIVISION REQUESTS PUBLIC COMMENT ON PBO PLAN FOR CARRIERS**

The Division of Workers' Compensation has developed a draft proposal that outlines its 2010 Performance Based Oversight assessment measures and protocols for insurance carriers.

The Division's draft proposal addresses each component of the carrier PBO process, including the carrier selection criteria, the measures to be applied and the weighting applicable to those measures, the data timeframe to be used for the assessment, the data sources to be used for the assessment and the tier structure and placement methodology to be used for the assessment.

The Division has also outlined its internal process for reviewing management responses to the initial data findings, a tentative timeline of milestones in the PBO assessment process, the published incentives afforded carriers who achieve high tier status and the effect that PBO ranking will have on enforcement actions.

The agency has solicited public comment on the proposal. Interested system stakeholders should offer written comment on any of the PBO components outlined above. The deadline for providing public comment is Friday, April 9, 2010.

#### **Selection Criteria**

The Division has tentatively selected 132 insurance carriers for the 2010 PBO assessment. These carriers were chosen based on their volume of initial TIBs transactions between January 1, 2009 and June 30, 2009. The carriers that have been tentatively proposed for inclusion in the 2010 PBO process may be found on the list attached to this advisory. Carriers who are not assessed in the PBO process because of low claim volume are not absolved from regulatory duties or regulatory oversight by the Division.

#### **Weighted Measures**

The Division proposes to assess the same carrier measures in 2010 that it assessed in 2009: timely payment of TIBs (40%); timely medical bill processing (40%); timely EDI submission of initial payment data (10%); and timely EDI submission of medical bill processing data (10%).

#### **Data Timeframe**

The data timeframe proposed to be used to assess performance of the carrier measures is January 1, 2010 through June 30, 2010. If this timeframe is applied, the performance measurement will be based in part on a retrospective data review. In the past, the PBO measures have been outlined to system stakeholders well in advance of the data timeframe.

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### **Data Sources**

The data sources used to assess performance of the carrier measures will come from the claim and medical data submitted electronically via EDI data submissions.

### **Tier Structure, Placement Methodology and Performance Standards**

Just as in past years, the Division will place carriers into three regulatory tiers that distinguish among poor, average and high performers in the system. The tiers will be based on pre-determined performance standards as follows:

**High Tier:** 95 or greater

**Average Tier:** 80.00 through 94.99

**Poor Tier:** 79.99 or less

### **Process**

The Division will distribute the initial carrier findings during the summer of 2010. Carriers will be given an opportunity to review those findings and will be permitted to submit a management response refuting the initial findings, with supporting documentation.

The Division will review carrier management responses and prepare a summary of changes for distribution to the carriers. The final results will be published on the Division website after the results have been shared with each carrier respectively. The Division anticipates the publication of final PBO results for carriers in late December 2010.

### **Tentative Timeline**

The following is a tentative timeline of milestones of the 2010 PBO carrier process:

**April 2010:** Public announcement of the 2010 PBO Assessment

**July 2010:** Distribute initial findings

**September – October 2010:** Division reviews management responses to initial findings and sends summary of changes

**December 2010:** Publication of final results and tier placements

### **Incentives**

The Division will provide a number of incentives to carriers who achieve high tier standing, including: a limited audit exemption, modified penalties, publication of results, authority to market using a high performer logo, and reduced penalties for self-disclosure of non-compliance.

### **Enforcement**

The Division's emphasis is on early detection of noncompliance and informal discussions to

resolve any noncompliant issues. The agency will initiate enforcement actions, including warning letters and the assessment of penalties when appropriate and necessary to ensure compliance and to deter future noncompliance. The Division will consider a carrier's Performance Based Oversight ranking in determining an appropriate enforcement action.

We continue to monitor PBO issues closely. If you have questions concerning this issue, please contact Bobby Stokes or James Sheffield in our office.