



ADVISORY NO. 455

TOPIC: DIVISION RELEASES FINAL 2010 PBO PLAN FOR CARRIERS

The Division of Workers' Compensation has announced its final 2010 Performance Based Oversight assessment measures and protocols for insurance carriers. The announcement follows the agency's solicitation of public comments and after months of system stakeholder input.

The Division's full explanation of the 2010 carrier requirements has been posted on the agency's website at <http://www.tdi.state.tx.us/wc/pbo/index.html>. The Division will also send notification letters to each of the selected insurance carriers.

The agency's plan 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.

This plan only addressed insurance carrier assessments. The selection criteria and measures for health care providers are still in the planning phase and will be announced in 2011.

Selection Criteria

The Division has 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. This includes 80 commercial carriers, three state entities, 43 self-insurers and six certified self-insurers.

The carriers that will be measured 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 will 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 to be used to assess performance of the carrier measures is January 1, 2010 through June 30, 2010. Thus 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.

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

The Division received many comments from system stakeholders suggesting that the high tier measurement be lowered to a score of 90 or greater. The agency rejected those comments.

| Carrier X | Step 1 Calculate Individual Measure | Step 2 Weight of Individual Measure | Step 3 Multiply Score by 100 to obtain weighted value | Step 4 Overall Score | Step 5 Overall Tier Placement |
|---|--|--|--|----------------------------|--|
| Measure 1 Medical Bill Processing | 95% | 40% | 38 | | |
| Measure 2 Timeliness of Payment of | 82% | 40% | 32.8 | | |

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|--|-----|-----|-----|-----------|----------------|
| Initial TIBs | | | | | |
| Measure 3 Timeliness of submission of the EDI Initial Pay Data | 87% | 10% | 8.7 | | |
| Measure 4 Timeliness of Submission of the EDI Medical Data | 75% | 10% | 7.5 | | |
| | | | | 87 | Average |

Process and Timeline

The Division will distribute the initial carrier findings in July 2010. Carriers will be given an opportunity to review those findings. Between September and October 2010, carriers 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.

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