



California Workers' Compensation Institute

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CWCI SPOTLIGHT REPORT...

California Workers' Compensation Claims Administrator Utilization Review Audit Results: 2009 –2013

One of the most critical responsibilities given to workers' compensation claims administrators is to assure that injured workers receive appropriate medical care to cure or relieve the effects of their injuries. Utilization review (UR) is the process that claims administrators use to evaluate whether the medical treatment and tests recommended for an injured worker are medically necessary according to the Medical Treatment Utilization Schedule when applicable, or per other nationally recognized, peer-reviewed, evidence-based medical treatment guidelines. Given the importance of timely and appropriate medical treatment, each California workers' compensation claims administrator is required by law to establish a utilization review process that is guided by written policies and procedures, consistent with the requirements of Labor Code §4610, and overseen by a medical director.

The scope of UR programs in California workers' compensation is quite broad, as the State Supreme Court ruled in 2010 that all workers' compensation treatment requests must undergo utilization review.¹ That process may include simple review and approval by a claims examiner or other non-physician, and prior authorization for certain treatment requests as outlined in the written UR program. However, only a physician may delay, deny or modify a treatment request, so any request not approved in the initial review or subject to prior authorization must be reviewed for medical necessity by a physician who uses guidelines based on medical evidence to decide whether to authorize, modify, delay, or deny the treatment.

The California Division of Workers' Compensation Audit Unit is charged with conducting routine Profile Audit Review (PAR) audits of each claims administrator at least once every five years in order to monitor the claims organization's compliance with the statutory and regulatory requirements governing indemnity benefit delivery and notification.² In conjunction with the PAR audits, the DWC performs an audit of the Utilization Review Administrator (URA) in which three aspects of the claims administrator's UR program are reviewed:

- the timeliness of responses to UR requests;
- the content of the response; and
- the delivery of the response to the proper parties.

¹ 44 CAL.4th 230, 186 P.3D 535, 79 CAL.RPTR.3D 171 State Compensation Insurance Fund, V. WCAB (Sandhagen)

² In addition, the regulations call for audits of Utilization Review Organizations (UROs), which may contract with workers' comp claims administrators to conduct all or some of their UR functions, at least once every three years.

When claims administrators are scheduled for an audit, the DWC notifies them that they have been selected for investigation and advises them of the information they need to provide for review. Fourteen days after receiving that information, the Division may begin its audit at the adjusting location.

For each investigation, DWC auditors review a random sample of Requests for Authorization of treatment (RFAs) drawn from all RFAs submitted to the claims administrator in the three months prior to the investigation, as well as additional records that may be needed. The random sample only includes treatment requests that meet the state's regulatory definition of an RFA.³ At the conclusion of the audit, the DWC issues a final investigation report, which includes an overall performance rating. The results of the UR audits provide a measure of the efficiency of the various UR programs. The final performance ratings and summaries of the type and number of violations found during the investigations are posted on the DWC website ([click here to link to the UR Investigations Results page](#)). URAs and UROs that fail to achieve an 85 percent overall performance rating on these utilization review measures are subject to penalties and further investigation.

Objective of this Analysis

With the evolution of the workers' compensation medical dispute resolution process over the past decade and the growing pains that have come with it, some in the workers' compensation community have asserted that claims administrators have performed poorly in meeting their obligations in responding to treatment requests, a problem they say was made worse by the SB 863 changes that were implemented in January 2013. This analysis tests that assertion by using the published results of the DWC's investigations of claims administrators' UR programs to assess the efficiency of the UR process in terms of the timeliness, completeness and delivery of responses to UR requests.

Because claims administrators in California undergo an audit at least once every five years, for this analysis, the Institute reviewed results from each of the most recent five years (2005 through 2013) in order to capture data on a broad sample of URAs in the California system. Those results were then analyzed to determine:

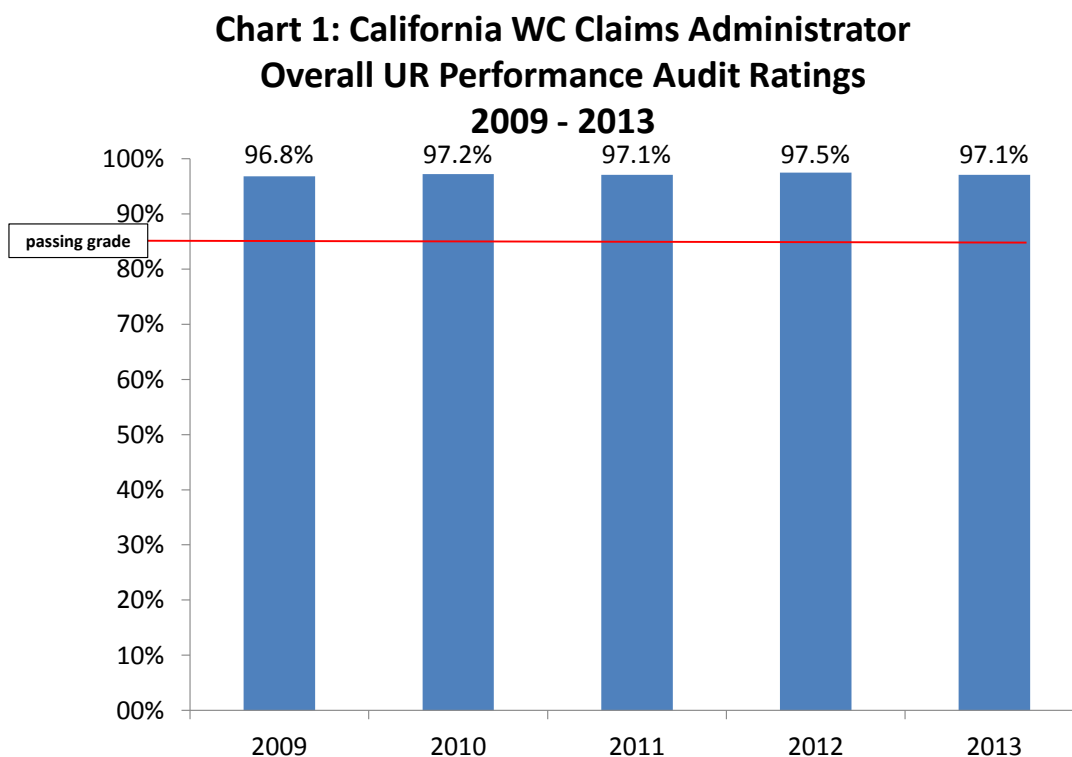
- The claims administrators' overall UR performance rating for 2009, 2010, 2011, 2012 and 2013, as well as the average UR performance rating for the 5-year period;
- The performance ratings for each of the three aspects of UR measured by the audits (the timeliness, completeness and delivery of UR responses); and
- Any changes in the UR performance measures between 2009 and 2013.

³ CCR 9785 et al, CCR 9782.6 et al.

Results

For this analysis, the Institute reviewed the results of the DWC's claims administrator audits from 2009 through 2013, which are posted on the Division's website. Altogether, these audits encompassed investigations conducted at 280 different workers' compensation claims administrator offices throughout the state, and a total sample of 11,192 responses to requests for authorization of medical treatment and tests. The number of audit subjects ranged from a low of 47 in 2009 to a high of 64 in 2013. The number of RFA response samples reviewed by the DWC auditors ranged between 1,806 in 2009 to more than 2,700 in both 2011 and 2013.

The overall results of the DWC's UR performance audits of the timeliness, content and distribution of UR responses were remarkably consistent across the five-year study period, varying less than 1 percentage point from 2009 through 2013. Chart 1 shows that the UR performance ratings across all audit subjects and all audit years ranged between 96.8 percent and 97.5 percent (Chart 1). That translates to an average UR performance rating of 97.2 percent for the entire five-year study period -- well above the 85 percent benchmark that the state regulators consider a passing grade.



Source: DWC

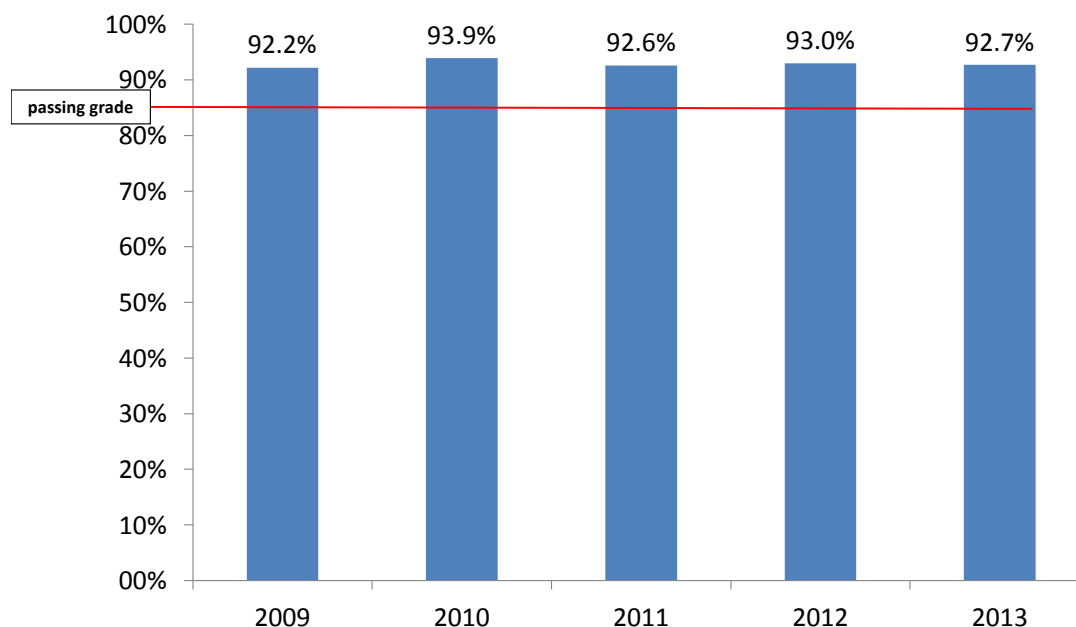
In addition to calculating the industry's overall UR performance ratings for 2009 through 2013, the Institute reviewed the results for each of the three elements that comprise the rating: the timeliness of the UR response; the content of the response; and the delivery of the response to the appropriate parties. The following sections break down the performance ratings for each of those components from 2009 through 2013.

Timeliness

The UR time limits for responding to a treatment request are measured from when a request for authorization is first received by the employer, claims administrator or utilization review organization. The deadlines depend on the type of request. Examples of untimely responses include a claims administrator's failure to make a UR decision within five working days of receipt of a complete RFA; a failure to make and communicate a decision on an expedited request within 72 hours of receipt of the necessary information; or a failure to communicate an initial approval of an RFA to the requesting physician within 24 hours of the decision in a prospective or concurrent review.

While the DWC's benchmark for achieving a passing grade on the UR timeliness standards is 85 percent, over the five-year span of the study, claims administrators' timeliness ratings averaged between 92.2 percent and 93.9 percent which suggests that the UR programs are effectively responding in a timely manner to most RFAs.

**Chart 2: California WC Claims Administrator
UR Performance Audit Timeliness Ratings
2009 - 2013**

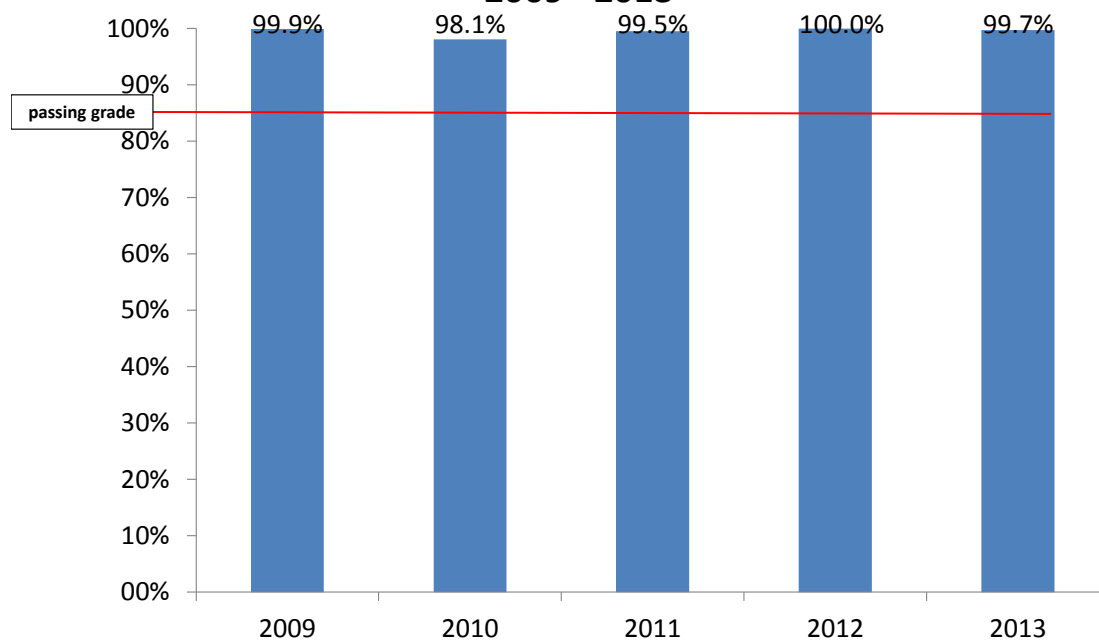


Source: DWC

Content of the Response

There are a number of potential violations related to the content of a UR response. For example, if a non-physician denies or modifies a request for authorization, a physician reviewer makes a decision to modify or deny an RFA for treatment that is outside their scope of practice, a request is not approved solely because the injured worker's condition is not addressed in the Medical Treatment Utilization Schedule, or the reviewer does not document attempts to discuss a care plan with a requesting physician before denying authorization during a concurrent review, the claims administrator will be cited for an incorrect response. Fortunately, such infractions rarely occur, as the industrywide content of response ratings from the five most recent audit years ranged from a low of 98.1 percent in 2010 to a high of 100 percent in 2013.

**Chart 3: California WC Claims Administrator
UR Performance Audit Content Ratings
2009 - 2013**

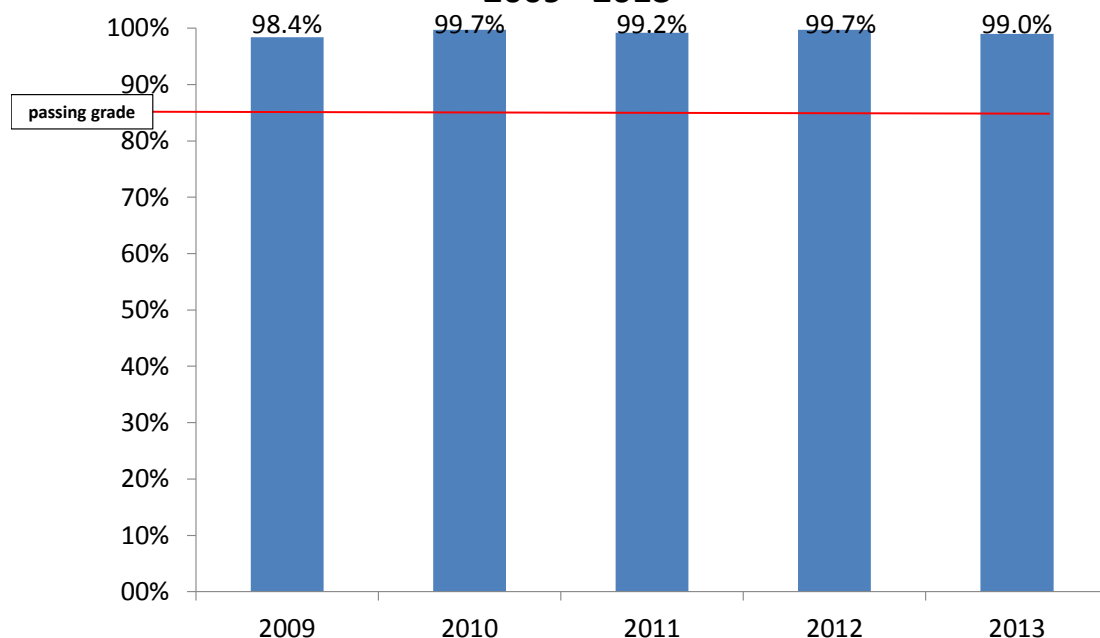


Source: DWC

Delivery

Under the UR regulations, treatment is authorized when the decision to approve the RFA is communicated to the requesting physician. However, claims administrators also must meet a number of specific delivery requirements when responding to an RFA. Examples of potential delivery violations include the failure to provide written notice of a modification or denial to all parties on a prospective or concurrent review; failure to provide written notice of a decision to all parties on a retrospective review; or a failure to provide written notice of a time extension to all appropriate parties within five business days from the receipt of the RFA.

**Chart 4: California WC Claims Administrator
UR Performance Audit Delivery of UR Response Ratings
2009 - 2013**



Source: DWC

Again, claims administrators' overall ratings for the delivery of UR responses were close to 100 percent over the five-year study period, ranging from a low of 98.4 percent in 2009 to a high of 99.7 percent in 2010 and 2012. This indicates that the UR processes have been working efficiently in delivering the UR responses to the appropriate parties.

Conclusion: This analysis shows that the California workers' compensation claims administrators' overall UR performance ratings as measured by DWC audits of UR responses from the five most recent years for which data are available have remained around 97 percent -- far exceeding the 85 percent benchmark set by the state as a passing grade. A closer look at the results for the three components that comprise the overall rating shows that across the board, claims administrators have complied with the regulations in terms of meeting the timeliness, content and delivery standards set forth by the state and that their UR processes have been working efficiently.

California Workers' Compensation Institute

The California Workers' Compensation Institute, incorporated in 1964, is a private, nonprofit organization of insurers and self-insured employers conducting and communicating research and analyses to improve the California workers' compensation system. Institute members include insurers that collectively write more than 70 percent of California workers' compensation direct written premium, as well as many of the largest public and private self-insured employers in the state. Additional information about CWCI research and activities is available on the Institute's web site (<http://www.cwci.org>).

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