



# **BUDGET & FISCAL AFFAIRS COMMITTEE**

## **WORKERS' COMPENSATION PROGRAM COMPLIANCE REQUIREMENTS**

**DIRECTOR, OMAR C. REID**

**April 30, 2013**



# Workers' Compensation Fraud Overview

- Our Philosophy
- Common Types of Fraud
  - Employee Fraud Indicators
  - Worker's Compensation Medical Providers Fraud Indicators
- How Does the City Combat Fraud?
- How Does Third Party Administrator (Sedgwick Claims Management Services) Combat Fraud?
- Statistics

# Our Philosophy

We value our employees and expect them to go home in the same condition they came to work.

We strive to return our injured employees back to Transitional Duty, as soon as they are medically able to safely perform a productive work assignment.

# Our Team

Working together to help our employees to return to work

HR Risk Management

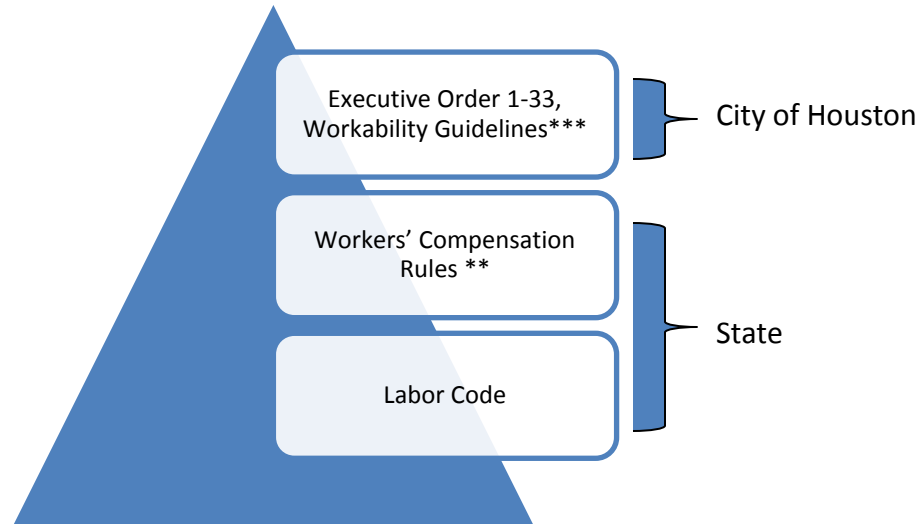
Department Supervisor

Designated Department Representative

Sedgwick Claims Management Services (Third Party  
Administrator)

Injury Management Organization (Utilization Review Agent)

# Workers' Compensation Program Regulations



- \*\* The State utilizes the Medical Disability Advisor (MDA) to provide expected length of disability duration.
- \*\* The State utilizes the Official Disability Guidelines (ODG) to indicate the appropriate medical treatment.
- \*\*\* The City utilizes Executive Order 1-33, Workability Guidelines to manage return-to-work process, in conjunction with the MDA.

# Common Types of Fraud

- An employee is drawing benefits because he/she is supposed to be unable to work and is working full time at an unreported job
- An employee fakes an injury in order to collect benefits
- A medical provider assists the employee in a fraudulent scheme
- A medical provider bills for services not provided

- Texas Department of Insurance

# Workers' Compensation Employee Fraud Indicators

- Injury that has no witness other than the employee
- Injury occurs late Friday or early Monday
- Injury not reported until a week or more after it supposedly occurred
- Injury occurs before a strike, holiday or in anticipation of termination
- Injury occurs in a location where the employee would not normally work, or is inconsistent with normal job duties

# Workers' Compensation Employee Fraud Indicators cont.

- Employee has prior workers' compensation claims
- Conflicting diagnoses from subsequent treating medical providers
- Employee observed in post-accident activities inconsistent with the reported injury
- Evidence of employee working elsewhere while drawing benefits



# Workers' Compensation Medical Providers Fraud Indicators

- Bills or explanation of benefits for services from medical providers, insurers or attorneys that seem unnecessary or fictitious
- "Boilerplate" medical reports, or reports that are merely copies of previously submitted reports
- Treatment dates on holidays for non-emergency situations
- Bills from a medical provider that represent an unreasonable amount of billable hours per day

# Workers' Compensation Medical Providers Fraud Indicators

cont.

- Attorney relationship with a medical provider that appears to be a partnership in handling workers' compensation claims
- Prescriptions for unnecessary Durable Medical Equipment or supplies
- Conflicting medical reports
- Multiple employees treating with the same physician or group of physicians

# How Does the City Combat Fraud?

- Resource Allocation Program (R.A.P.)

This incentive program was established as a proactive measure to help reduce the number of on-the-job accidents.

- Immediate Accident Reporting

Accidents must be reported to the employee's supervisor, within 24 hours of the accident.

- Post-Accident Investigations

These types of investigations are completed by the injured employee's assigned department safety professional and can also be completed by/in conjunction with a safety professional in the HR Risk Management division.

# How Does the City Combat Fraud? cont.

- **Review of Reported Earned Income Through the Texas Workforce Commission**

This information is reviewed quarterly for every employee that was identified to be off work at the time of the request. Any overlapping periods of disability and earned wages are researched for possible fraud.

- **Onsite Medical Provider Visits**

These quarterly visits inform the medical providers of the City's Workers' Compensation Transitional Duty program and Utilization Review process; and address any issues that may be developing. Representatives from Sedgwick Claims Management Services "Sedgwick", the Utilization Review Agent and the HR Risk Management division conduct the visits.

# How Does the City Combat Fraud? cont.

- Employee Home Visits

These periodic visits inform the injured employee of the City's Transitional Duty program, Workers' Compensation guidelines (City and State) and discuss any issues that may be developing. The City's Designated Department Representative for Workers' Compensation and a member of the HR Risk Management division conduct the visit. The outcome of the visit is reported to Sedgwick.

- Claim Reviews (Weekly & Quarterly)

These are roundtable discussions with Sedgwick, the City's Designated Department Representative for Workers' Compensation and a member of the HR Risk Management division.

# How Does the City Combat Fraud? cont.

- **Third Party Administrator (ESIS) Compliance Audit**

This is a formal audit, performed by ESIS to address Sedgwick's contract compliance. The 2012 audit results indicate 95% compliance in adherence to claims investigations, 100% compliance in injured employee prior claim history review, and 90% compliance in the completion of recorded statements.

- **Office of Inspector General (OIG) Referrals**

These referrals can be initiated by HR Risk Management to the injured employee's Department or directly from the injured employee's department.

- **All claims reviewed for subrogation opportunities**

These reviews are performed by a Legal firm to identify opportunities to recover monies paid from the responsible party.

# How Does Sedgwick Combat Fraud?

- **State appointed Designated Doctor Examinations**

Sedgwick may request that the Division of Workers' Compensation appoint a doctor to examine the claimant and give an opinion on: extent of the compensable injury, disability, maximum medical improvement date, and impairment rating.
- **Required Medical / Independent Medical Examinations**

Sedgwick may ask for an examination to evaluate the claimant's medical condition and treatment pursuant to Official Disability Guidelines. A post Designated Doctor examination may also be requested to address anything previously addressed by the original Designated Doctor.

# How Does Sedgwick Combat Fraud? cont.

- **Peer Review**

Sedgwick may submit medical records for review to ascertain a medical opinion as to the extent of the compensable injury/diagnosis as well as the corresponding medical care pursuant to Official Disability Guidelines (ODG).

- **Nurse Case Management**

This type of assignment is used to assist injured workers with their Worker's Compensation medical needs. This includes but is not limited to: hospital visits, attending physician appointments, transfer and release from medical facilities, assistance with arranging medically necessary home care needs following an injury, assistance with scheduling medical appointments, obtaining necessary medical documentation, return to work restrictions, etc.

- **Subsequent Investigations**

These investigations include: surveillance, background checks (criminal and civil), social media and internet scans, in person meetings and/or interviews, document and records search and retrieval.



# How Does Sedgwick Combat Fraud? cont.

- **Medical Provider Bill Review**

The Utilization Review agent audits for: duplicate billing, bundling/unbundling of invoices, conformance to Fee Schedule, unauthorized services / providers, and compliance with Official Disability Guidelines (ODG)

- **Central Index Bureau (CIB) Check for Previous Claims**

The CIB is a nationwide database of bodily injury claims reported to insurance carriers. When a Workers' Compensation claim is reported, it is entered into the database and any matches to the employee are reported. Subsequent searches are conducted every six (6) months until the case is closed. Prior injuries and claims are reviewed for impact on the current claim.

# How Does Sedgwick Combat Fraud? cont.

- Weekly / Bi-weekly Contact Program

The Claims Examiner contacts the off duty injured employee weekly or bi-weekly, by phone.

- Frequent contact and exchange of information with City of Houston

Sedgwick updates the HR Department Risk Management division and the Designated Department Representative routinely during the life of a claim. All parties work closely together to ensure benefits are issued timely and correctly.

# How Does Sedgwick Combat Fraud? cont.

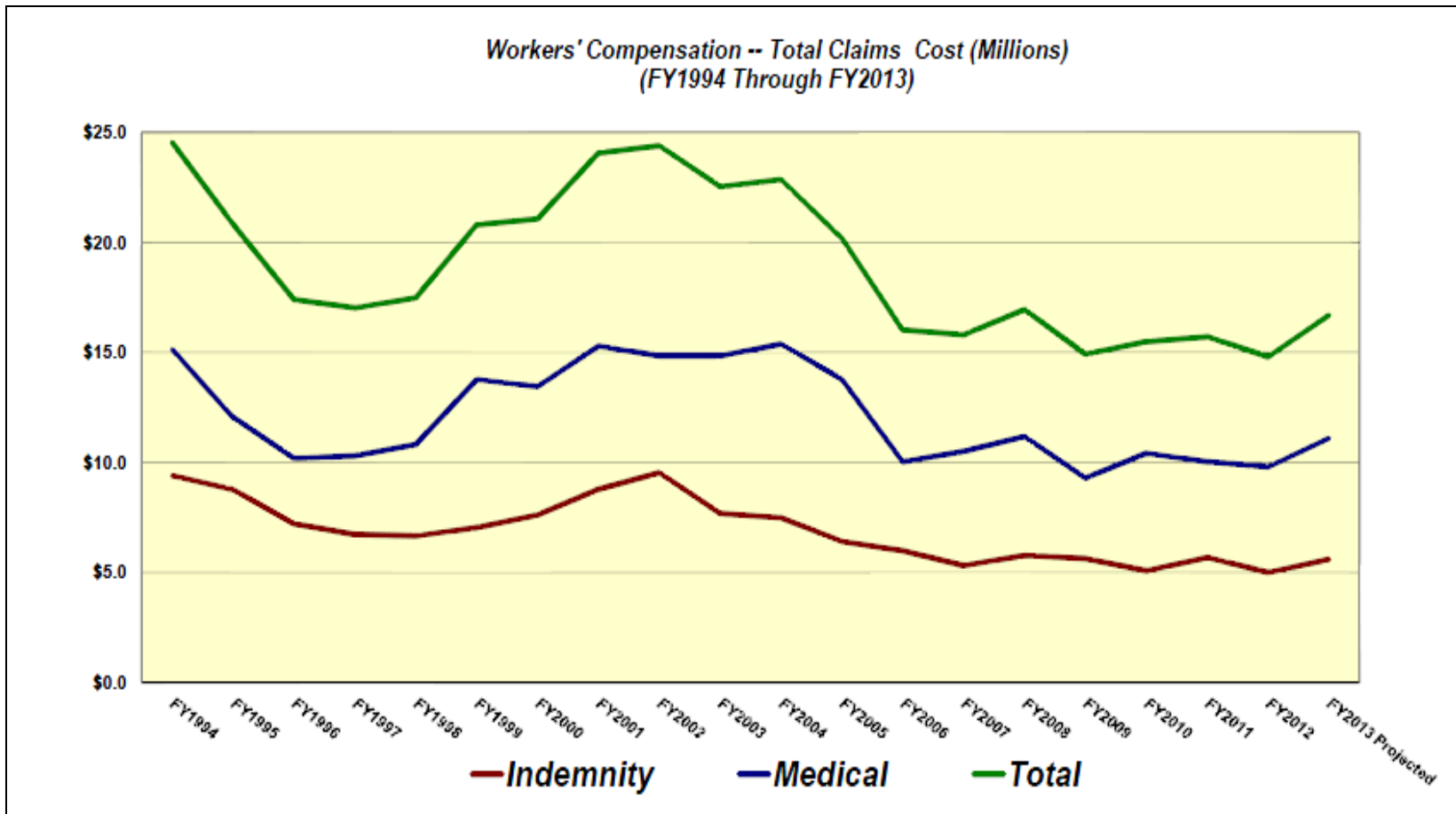
- Legal Consults

Sedgwick obtains legal counsel on Worker's Compensation issues, including Texas Department of Insurance – Division of Workers' Compensation (TDI - DWC) regulatory matters, transmittal of Fraud referrals, and referrals for the investigation of subrogation.

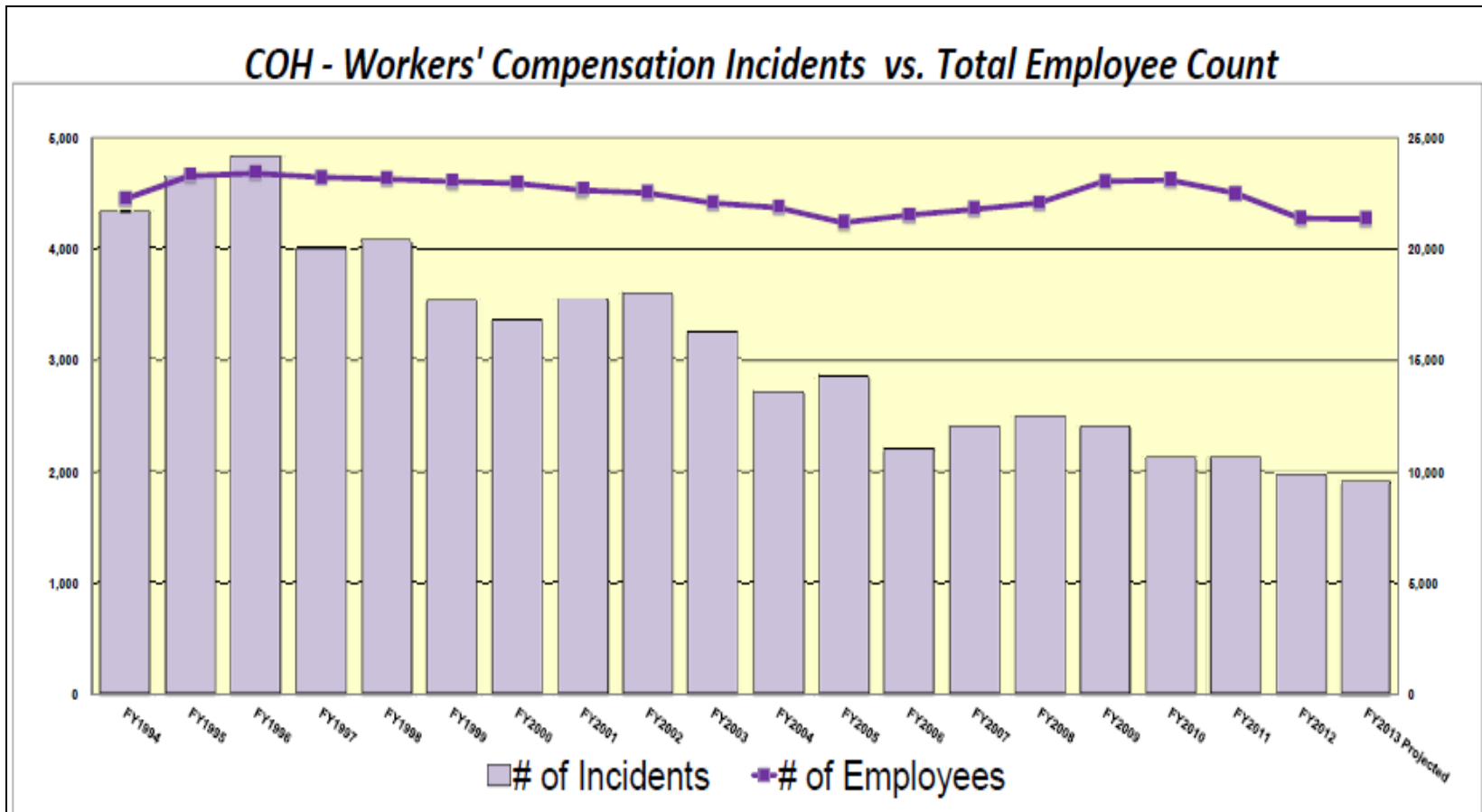
- Industry Education

Sedgwick's team regularly attends educational seminars provided by TDI, industry vendors and Sedgwick University. Subjects include current TDI – DWC rules and regulations, and trends and strategies to combat Workers' Compensation fraud.

# COH Workers' Compensation – Total Claims Cost (Millions) FY1994 Through FY2013, as of 4-23-13



# Workers' Compensation Incident vs. Total Employee Count



Source: Sedgwick OBI Claims Management System April 2013

# Frequency of Investigations vs. Total Lost Time Claims as of 4/10/13

Fiscal Year	Total Incidents Reported	Total Lost Time Claims	Total Lost Time Claims with 1 – 7 Days Off Work	Total Lost Time Claims with 8 – 28 Days Off Work	Total Lost Time Claims with 29 + Days Off Work	Total Private Surveillance Performed (TPA Vendor)	Successful Private Surveillance Performed (TPA Vendor)
2010	2,123	640	289	144	207	9	2
2011	2,125	678	301	151	226	16	4
2012	1,957	673	306	168	199	14	1
2013	1,485	467	212	115	140	2	1

- Lost Time Claim is any incident with 1 day or more of Temporary Income Benefit (TIBS) payments
- Successful Private Surveillance is defined as an injured employee who was observed performing activities inconsistent with their medically documented restrictions or earning wages while collecting Workers' Compensation income benefits.

# Medical Provider Bill Review Results

as of 3/30/13

Fiscal Year	Total Medical Provider Bills Reviewed	Total Amount Billed*	Total Recommended Payment *	Total Amount Rejected*	Total Percentage Rejected
2010	28,894	\$36,212,072	\$7,602,331	\$28,609,740	79%
2011	26,929	\$32,813,891	\$7,474,842	\$25,337,089	77%
2012	26,386	\$28,983,894	\$7,161,153	\$21,822,695	75%
2013	21,568	\$26,774,375	\$6,332,222	\$20,442,152	76%

\* Rounded to the nearest whole dollar

# Reporting Workers' Compensation Fraud

- City of Houston Workers' Compensation Hotline:  
713-837-9495
- Houston Police Department, Health and Safety  
Division:  
713-308-9200
- Texas Department of Insurance - Division of  
Workers' Compensation:  
1-800-252-3439



# In Summary

- Reported incidents and their cost are trending down over the last 15 years
- Lost time is at a all time low
- Electronic methods of checking potential fraud is built into the Texas Workers' Compensation System and the City of Houston's internal programs
- Home visits, personal contact, and claim reviews reinsure validity of the claims
- Designated Doctor examinations give Sedgwick an opportunity to evaluate the injury
- Investigations and surveillances are requested on a as needed basis

***Change is evolutionary,  
not instantaneous***