



## Montana State Fund Workers' Compensation Claim File Review

### Part I,II – Claim Management Practices

Deloitte Consulting LLP  
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## Part I - Observations

### Financial / Reserving

MSF's reserving and bill payment practices follow industry leading practices in a number of areas:

- MSF follows a leading practice of articulating that reserves should reflect the most probable outcome and ultimate value of a claim. Reserving at the claim level is not an exact science and is dependent upon circumstances specific to each case that allow for a wide range of interpretation. A variance in the range of 10% - 15% can be seen as reasonable for reserve opinions made by different individuals, based on claims management operational standards
- MSF meets industry leading practices in its use of detailed Reserve Worksheets containing numerous appropriate features in indemnity and medical categories to estimate the ultimate claim value
- Rationale for reserve levels are generally well-documented in the file
- MSF routinely reserves medical expenses through life expectancy on all Permanent Total and Lifetime medical claims
- Speed of payment of medical bills has increased over time, and more medical bills are paid within 30 days

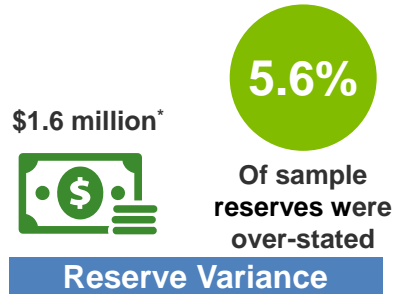


## Part I - Observations

### Financial / Reserving - Deloitte Recommended Reserves

- Of the 167 claims files reviewed, Deloitte disagreed with the reserves in 31 files or 18.6% of the sample (15 Old Fund, 16 New Fund)
- Of the 31 files with discrepancies:
  - Most of the variances (29) were with medical reserves; the remaining two variances were with indemnity reserves
  - Two files appeared under-reserved; the remaining 29 files appeared over-reserved
- The total amount of estimated over-reserving seen in the 167 claim file sample was approximately **\$1.6 million\***, or **5.6%** of the total reserve amount

	MSF Reserves	Deloitte Recommended	Variance
New Fund	\$15,757,954	\$14,707,459	\$1,050,495
Old Fund	\$13,364,604	\$12,774,014	\$590,590
<b>Totals:</b>	<b>\$29,122,558</b>	<b>\$27,481,473</b>	<b>\$1,641,085</b>



\*The estimated reserve amounts are based upon the standards in effect at time the reserve was made and does not consider the potential impact of rated age on the reserve values



## Part I - Recommendations

### Financial / Reserving

- Establish a protocol/standard regarding referrals for evaluation of files with significant co-morbidity conditions that may involve life expectancy reductions, and include in the Claim Examiner training program
- Recommend consideration of the use of the Peer Review Process and/or consultation with internal medical (RNs) to provide validation for the "experience" perspective as support prior to medical reserve setting
- Explore accelerated claim closure strategies through the settlement of medical components
- Consideration should be given to a forced response requiring system blockage from acceptance of the claim reserve worksheet unless the requisite fields are completed
- Develop a structured policy or set of procedures to affirmatively validate that Domiciliary Care services (most frequently spouse related 24/7) for at home claimants is provided



## Part II - Observations



### Part II - Observations

#### Categories

The following pages contain summary information of Deloitte Consulting's findings and recommendations related to current MSF claim handling practices. Our observations are broken out into the following categories:

- Medical Management
- Disability Management
- Litigation Management
- Supervision / Action Plans
- Subrogation
- Settlements
- Communication / Reporting

While our review did consider the claim files in their entirety, we focused on the activity over the past two years to assess the current claims handling practices.



## Observations

### Query Results

Deloitte Consulting gathered pertinent claim file information using a customized Microsoft Access database that allows the data to be queried for evaluation of claims adjusters' performance on a quantitative basis.

Following the narrative observations, tables are provided that detail the query results from our data collection during the file reviews:

- Results are broken down by "Old Fund", "New Fund", and "Total"
- Percentage totals are provided for the "Yes" and "No" responses to questions, with the "Not Applicable" (N/A) and any "Unable to Determine" results excluded from the calculation



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## Observations

### Overall Findings

Based upon our discussions and the results of the claim file review, that MSF provides high-quality claims handling services that reach industry leading practice levels in a number of areas. In our review of the selected claim files, we noted that the level of claims handling quality has been increasing over the past several years. Good examples of this upward performance trend can be seen in:

- Well-documented claim files that include plans of action
- Claim Examiner notes that are detailed and informative
- Reserve Worksheets that include calculated benefits through life expectancy
- Regular supervisory reviews and periodic discussions on Large Loss claims



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## Observations

### Medical Management

- Medical treatment was authorized timely in 99% of claims studied
- Independent Medical Exams (“IME”) and Peer Reviews are utilized effectively to determine causation and relevance of treatment to the injury/illness in question
- Claims examiners routinely and appropriately refer claims for medical case management, a noted leading practice
- Claim file notes contain a variety of jargon and acronyms for medical and treatment conditions and issues



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## Observations

### Disability Management

- Opportunities for return-to-work efforts were promptly identified in nearly all (99%) of the claims where such options existed, representing an industry leading practice
- Limitations and work restrictions were typically obtained within 48 hours of each medical provider visit, when applicable
- The volume of small employers in Montana, and MSF’s high concentration of them as policyholders complicates early return-to-work efforts, as they lack some of the economies of scale that facilitate the development and roll-out of cost-effective return-to-work programs



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## Observations

### Litigation Management

- Given the age of the claims reviewed, if any litigation had ever occurred it would have been completed many years ago. Of the claim files reviewed, only five (5) were currently in active stages of litigation. Accordingly, results for this section only refer to those five claims
- For the files currently in various stages of litigation:
  - Referrals to counsel that included overall management plans were made promptly
  - The Claim Examiner maintained control of the file and exercised appropriate authority regarding files in litigation



## Observations

### Supervision / Action Plans

- Where appropriate, action plans were noted in all of the claim files reviewed; this is an industry leading practice
- The action plans noted were periodically reviewed and updated to reflect current facts, reflective of industry leading practices
- Claim Examiner notes reflect appropriate follow-up on open items in nearly all (99%) of the files reviewed, where applicable
- No policy appears to exist at MSF to periodically validate responses to annual Widow Letters. These letters processed on death claims request whether they have re-married, or are planning re-marriage



## Observations

### Subrogation

- In Montana, the use of subrogation only applies when individuals are “made whole”, and in none of the cases reviewed were they made whole
- Claims Examiners involved attorneys in all “made whole” determinations, when appropriate
- Subrogation was identified in 13 files where subrogation potential existed
  - Subrogation was not pursued in 9 of the 13 claims, due to expected lack of recovery potential
  - Subrogation offsets were obtained from third-party settlements in 4 of the 13 claims
- Of the 2 Old Fund claims where subrogation potential existed and an offset was obtained, Team Leaders approved a waiver of MSF subrogation rights in one (1) of the claims



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## Observations

### Settlement Strategies

- Historically, in Montana there has not been significant opportunity for settlements
- Particularly in older cases, the requirement to protect Medicare interests provides additional issues impacting the value of settlement from both MSF and injured worker perspectives.
- We observed the development of improved settlement process and procedures
  - Given the lack of experience due to low volume of settlements in the past, training was developed and delivered.
  - There is an increased recognition of settlement opportunities and improved evaluation of cases for potential settlement
  - Settlement knowledge will grow as more cases are considered in this program
- The focus of the program to settle claims was on fairness to the injured worker and consideration of the financial impacts for MSF
- Since these settlement procedures are relatively new, we suggest management follow up and regularly review results



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## Observations

### Communication / Reporting

- It should be noted that the files reviewed were typically at least 20 years old, and in many cases the policyholders are no longer in business
  - Documentation of contact to the Employer and/or the Agent when reserve changes over \$25,000 occur was not often seen in the files
  - A process to enforce such notification should be developed and implemented when dealing with Employers that are still in business
- Notes related to Large Loss Claim Reviews do not contain names/titles of those present who contributed to the development of a continuing Action Plan
- There are notations in most claim files stating that the Large Loss Claim Review Process was "waived" for the 2013 / 2014 period without any explanation in the notes
- Claim file diary review note dates are frequently not opened/addressed. The use of diary review dates has significant value related to claim status and potential financial implications
- For the files reviewed, there was significant variance in the quality/depth and timing of information entered into the notes section by Claims Examiners



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## Part II -Recommendations





## Recommendations

### Investigation / Compensability

- Upon receipt of new covered injury claims, there should be a requirement that a ClaimCenter® system review be initiated to determine if a similar date of injury claim by the spouse is also filed associated with another MSF covered employer

### Medical Management

- Develop a standard Claim Examiner abbreviation library for medical and treatment conditions acronyms
- MSF should consider conducting a peer review process that would involve RNs in the evaluation and determination as to whether the treatment plan of the medical providers was in line with the Montana Utilization and Treatment Guidelines



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## Recommendations

### Communication / Reporting

- Develop a process to remind Claims Examiners to notify Employers and/or Agents of reserve changes over \$25,000
- Institute a requirement to document the names and titles of those present who contributed to the development of a continuing Action Plan for Large Loss Claim Reviews
- Require the presence of a member of the Medical Case Management Unit, such as an RN, at Large Loss Meetings

### Supervision / Action Plan

- Periodic reviews to validate the responses to Widow Letters should be continued, as is the current practice



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## Recommendations

### Observations for Further Consideration

#### Investigation / Compensability

- The Insurance Services Office (“ISO”) ClaimSearch® service allows Claims Examiners to obtain reports that scan a national claims database in order to identify other potentially related claims that may have been made by an injured worker
  - Based on the files reviewed, there does not appear to be a policy or standard as to when ISO reports are requested by Claims Examiners; several files had significant time gaps from one request to another
  - Require affirmative claim examiner notation in ClaimCenter® that indicates the received and scanned ISO reports were evaluated and acted upon, as appropriate

#### Supervision / Action Plan

- Although this information was not captured as part of the claim file review, the reviewers made the anecdotal observation that, in some cases, there was a high frequency of claim file transfers from one claim examiner to another; this situation can have claim file management implications



## Recommendations

### Observations for Further Consideration

#### Settlement Strategy

- Continue to monitor and refine process as more claims are considered and settled

#### Communication / Reporting

- Create a secure tracking mechanism to support a written policy regarding escalation of any claimant comments that may place the claimant, members of the public, or MSF staff at risk



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