

COMPLIANCE AUDIT REPORT

STATE OF MAINE
WORKERS' COMPENSATION BOARD



Church Mutual Insurance Company
Engagement Date: January 27, 2016
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Office of Monitoring, Audit & Enforcement

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SUMMARY

Church Mutual Insurance Company (CMIC) provides various faith-based organizations with a wide variety of business insurance products including workers' compensation.

The Audit Division of the Maine Workers' Compensation Board (Board) examined all eight (8) claim files where indemnity benefits were paid for the period under examination (2013-2015) as well as sixty (60) medical payments for the period under examination (2013-2015) to determine compliance with statutory and regulatory requirements in the following areas:

- Timeliness of benefit payments
- Accuracy of benefit payments

The claim sample was drawn from a listing of all of CMIC's 2013-2015 Maine workers' compensation claims. The medical payment sample was drawn from a listing of all of CMIC's 2013-2015 medical payments for those claims in the sample.

CMIC handles its Maine workers' compensation claims solely in Merrill, Wisconsin. CMIC also utilizes the services of Darby Urey, Esq. as its claims agent within the State, although none of the claims under review were adjusted by Attorney Urey.

The audit work was conducted as a desk audit.

The compliance tables found on pages 8 through 10 of this report are representative of Board findings as of January 27, 2016. Since that time, the Audit Division has received additional information, missing form filings, form corrections, indemnity payments and adjustments.

Following is a discussion of the aforementioned compliance tables and of the steps taken since January 27, 2016 to rectify identified noncompliance issues. This discussion also includes other significant issues identified by the audit.

◆ **Timeliness of benefit payments**

- Title 39-A M.R.S.A. Section 205(2) provides the time requirements for indemnity payments.
- When there is not an ongoing dispute, failure to pay weekly compensation benefits or accrued weekly benefits within 30 days after becoming due and payable is a violation of Title 39-A M.R.S.A. Section 205(2) and subject to penalty under Section 205(3).
- Initial Indemnity Payments:
 - Three (3) initial indemnity payments were made timely and five (5) claims received “salary continuation” from their respective employers.
 - CMIC’s compliance rate for initial indemnity payments (timely payments and “salary continuation” collectively) is 89%, which is above the Board’s performance benchmark of 87%.
 - One (1) initial indemnity payment was made late.
 - That one (1) late initial indemnity payment was made later than 30 days after it became due and payable, in violation of Section 205(2) and subject to penalty under Section 205(3).
- Subsequent Indemnity Payments:
 - Ninety-eight (98) subsequent indemnity payments were made timely.
 - Fourteen (14) subsequent indemnity payments were made late.
 - One (1) late subsequent indemnity payment was made later than 30 days after it became due and payable in violation of Section 205(2) and subject to penalty under Section 205(3).
- Board Rules and Regulations Chapter 5 states in part, “The employer/insurer shall pay the health care provider’s charge or the maximum allowable payment under this fee schedule, whichever is less, within 30 days of receipt of a bill unless the bill or previous bills from the same provider or the underlying injury has been controverted or denied. If an employer/insurer controverts whether a health care provider’s bill is reasonable and proper under § 206 of the Act, the employer/insurer shall send a copy of the notice of controversy to the health care provider.”
 - Sixty (60) medical payments were made timely.

CMIC is in the process of creating a corrective action plan to address the noted issues.

◆ **Accuracy of indemnity payments**

- Title 39-A M.R.S.A. Section 102(4) and Board Rules and Regulations Chapter 1, Section 5 provide the requirements for calculating average weekly wages (AWWs). Title 39-A M.R.S.A. Section 102(1) and Board Rules and Regulations Chapter 8, Section 9 provides the requirements for determining weekly compensation rates (WCRs). Title 39-A M.R.S.A. Sections 212, 213, and 215 provide the requirements for compensation for total incapacity, partial incapacity, and death benefits.
- The accuracy of indemnity payments was reviewed for eight (8) claims.
- Average Weekly Wage:
 - Two (2) AWWs were correct.
 - Six (6) AWWs were incorrect.
- Weekly Compensation Rate:
 - Two (2) WCRs were correct.
 - Six (6) WCRs were incorrect.
- Partial Benefits Calculation Method:
 - The method used to calculate partial benefits was correct for one (1) claim.
 - The method used to calculate partial benefits was incorrect for one (1) claim.
- Amount Paid:
 - One (1) claim was compensated correctly and two (2) claims received “salary continuation” from their respective employers.
 - Four (4) claims were underpaid (\$348.22 aggregately).
 - Since January 27, 2016, CMIC paid the amounts due.
 - One (1) claim was overpaid (\$213.95).
 - Collectively, the aforementioned errors resulted in a net underpayment of \$134.27 to injured workers.

CMIC is in the process of creating a corrective action plan to address the noted issues.

◆ **Accuracy of medical payments**

- Title 39-A M.R.S.A. Section 209-A and Board Rules and Regulations Chapter 5, provide the fee setting requirements for medical and ancillary services and products rendered by individual health care practitioners and health care facilities.
- The accuracy of medical payments was reviewed for eight (8) claims.
- Amount Paid:
 - Medical payments sampled for three (3) claims were correct.
 - Medical payments sampled for five (5) claims were incorrect.

CMIC is in the process of creating a corrective action plan to address the noted issues.

◆ **Other significant issues**

- Box 22 (First Day Of Compensability After Waiting Period Is Met) of the WCB-3, Memorandum of Payment (MOP) must accurately reflect the date of the first compensable day that follows the completion of the 7-day waiting period. See the Board's Forms and Petitions Manual.
 - Incorrect dates were reported in Box 22 of the MOPs that were filed for seven (7) claims.
- Boxes 23a (Date of Incapacity) and 23b (Date Employer Notified) of the WCB-3, Memorandum of Payment (MOP) must accurately reflect the date of incapacity and date that the employer was notified of the incapacity. Note: the Date of Incapacity reported in Box 23a and the Date Employer Notified in Box 23b must equal the Date of Incapacity (DN56) and Date Employer Notified (DN281) reported in box 43 of the WCB-1, Employer's First Report of Occupational Injury or Disease (First Report). See the Board's Forms and Petitions Manual.
 - Incorrect dates were reported in Boxes 23a and/or 23b of the MOPs or 43a and/or 43b of the FROIs that were filed for five (5) claims.
- Box 24 (Date Check Mailed) of the WCB-3, Memorandum of Payment (MOP) must accurately reflect the date that the initial indemnity payment (for the incapacity addressed by the MOP) is sent to the employee. See the Board's Forms and Petitions Manual.
 - Incorrect dates were reported in Box 24 of the MOPs that were filed for four (4) claims.

PENALTIES

◆ Penalties payable to providers and/or injured employees

Title 39-A M.R.S.A. Section 205(3)

“When there is not an ongoing dispute, if weekly compensation benefits or accrued weekly benefits are not paid within thirty (30) days after becoming due and payable, \$50 per day must be added and paid to the worker for each day over thirty (30) days in which the benefits are not paid. Not more than \$1,500 in total may be added pursuant to this subsection. For purposes of ratemaking, daily charges paid under this subsection do not constitute elements of loss.”

A delay of an initial indemnity payment, subject to penalty under Section 205(3), was found on the following claim:

CLAIM	PENALTY JUSTIFICATION	PENALTY EXPOSURE
Robert Bradbury vs. Temple Beth El Date of Injury: 12/5/14 Date ER Notified of Incapacity: 12/29/14 Claim #1250981 Board # 14026908	No NOC was filed, and the initial indemnity payment was made 4/8/15, which was 63 days after compensation became due and payable (2/4/15).	\$1,500.00
Total Penalties to Injured Employees for Delays of Initial Indemnity Payments		\$1,500.00

A delay of a subsequent indemnity payment, subject to penalty under Section 205(3), was found on the following claim:

CLAIM	PENALTY JUSTIFICATION	PENALTY EXPOSURE
Debra Viola vs. New England Annual Conference of the United Methodist Church and Their Subsidiaries Date of Injury: 3/9/14 Date ER Notified of Incapacity: 3/10/14 Claim # 1230637 Board # 14004886	A subsequent indemnity payment was made 5/27/15, which was 47 days after the previous indemnity payment (4/10/15).	\$500.00
Total Penalties to Injured Employees for Delays of Subsequent Indemnity Payments		\$500.00

A delay of an “other” indemnity payment, subject to penalty under Section 205(3), was found on the following claim:

CLAIM	PENALTY JUSTIFICATION	PENALTY EXPOSURE
Robert Bradbury vs. Temple Beth El Date of Injury: 12/5/14 Date ER Notified of Incapacity: 12/29/14 Claim #1250981 Board # 14026908	The claimant’s benefits were improperly discontinued on 6/18/15. Payment of accrued benefits was made 5/27/16, which was 330 days after compensation became due and payable (7/2/15).	\$1,500.00
Total Penalties to Injured Employees for Delays of “Other” Indemnity Payments		\$1,500.00

◆ **Penalties payable to the State General Fund**

Title 39-A M.R.S.A. Section 359(2)

“In addition to any other penalty assessment permitted under this Act, the Board may assess civil penalties not to exceed \$25,000 upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The Board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the Board is exempt from the provisions of the Maine Administrative Procedure Act. The amount of any penalty assessed pursuant to this subsection must be directly related to the severity of the pattern of questionable claims-handling techniques or repeated unreasonably contested claims. All penalties collected pursuant to this subsection shall inure to the benefit of the General Fund. An insurance carrier’s payment of any penalty assessed under this section may not be considered an element of loss for the purpose of establishing rates for workers' compensation insurance.”

- No action will be taken at this time.

To avoid future penalty referral(s) under Section 359(2) and/or 360(2), CMIC must take corrective measures to address the following inadequacy:

- Failure to pay benefits accurately

Title 39-A M.R.S.A. Section 360(2)

“The Board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The Board may also require that person to repay any compensation received through a violation of this Act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.”

- No action will be taken at this time.

To avoid future penalty referral(s) under Section 360(2) and/or 359(2), CMIC must take corrective measures to address the following inadequacy:

- Failure to pay benefits accurately

COMPLIANCE TABLES

◆ Timeliness of Benefit Payments

A. Initial Payment of Indemnity Benefits

			2013-2015	
			Number	Percent
Check Issued Within:				
0-14	Days	Compliant	8	89%
45+	Days		1	11%
Total			9	100%

B. Subsequent Payment of Indemnity Benefits

			2013-2015	
			Number	Percent
Check Issued Within:				
0-7	Days	Compliant	98	87%
8-37	Days		13	12%
38+	Days		1	1%
Total			112	100%

C. Medical Payments

			2013-2015	
			Number	Percent
Check Issued Within:				
0-30	Days	Compliant	60	100%
Total			60	100%

◆ **Accuracy of Indemnity Payments**

D. Average Weekly Wage

		2013-2015	
		Number	Percent
Calculated:			
Correct	Compliant	2	25%
Incorrect		6	75%
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Total		8	100%
		<hr/>	

E. Weekly Compensation Rate

		2013-2015	
		Number	Percent
Calculated:			
Correct	Compliant	2	25%
Incorrect		6	75%
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Total		8	100%
		<hr/>	

F. Partial Benefits

		2013-2015	
		Number	Percent
Calculated:			
Correct	Compliant	1	50%
Incorrect		1	50%
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Total		2	100%
		<hr/>	

G. Amount Paid

		2013-2015	
		Number	Percent
Calculated:			
Correct	Compliant	3	38%
Underpaid		4	50%
Overpaid		1	12%
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Total		8	100%
		<hr/>	

◆ **Accuracy of Medical Payments**

H. Amount Paid

		2013-2015	
		Number	Percent
Calculated:			
Correct	Compliant	3	38%
Incorrect		5	62%
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Total		8	100%