

Workers' Compensation Board

16

Main points	226
Introduction	227
Our audit conclusion and findings.....	227
Administering injured workers' claims	227
Communicate expectations for processing claims	228
Build human resource capacity to meet claim-processing policies	230
Process injured workers' claims	231
Maintain quality control processes	234
Provide senior management and Board members with adequate information.....	236

Main points

Administering injured workers' claims is a complicated task. The WCB has extensive and generally well-documented processes for administering claims. During 2003, the WCB significantly changed many of its processes including its human resources and quality control processes.

We found that the WCB had adequate processes to administer claims except that it needs to receive injury reports from employers promptly, identify all claims where recovery may be possible from other parties, and ensure the actuaries use accurate data to calculate benefits owing to injured workers. It also needs to set guidelines for documenting its quality control work, and it needs to monitor the quality of work assigned to case management teams. Also, the Board needs to define its reporting needs to oversee administration of claims and receive and approve an adequate work plan for the internal auditor.

We also report that the WCB's financial statements for the year ended December 31, 2003 are reliable and the WCB complied with authorities governing its activities.

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979*. This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for the administration of the Act.

The WCB included its 2003 financial statements in its 2003 annual report. The WCB's financial statements report revenue of \$225 million, expenses of \$233 million, and net deficit of \$8 million. At December 31, 2003, the WCB had assets of \$889 million.

Our audit conclusion and findings

Cabinet appointed Deloitte & Touche LLP (Deloitte) as the WCB's auditor. Our Office worked with Deloitte using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our web site at <http://www.auditor.sk.ca/>). Our Office and Deloitte formed the following opinions.

In our opinion for the year ended December 31, 2003:

- ◆ the WCB's financial statements are reliable;
- ◆ the WCB had adequate rules and procedures to safeguard public resources except for the matters reported below; and
- ◆ the WCB complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Administering injured workers' claims

In our 2003 Report – Volume 1, we said we would examine, in depth, the WCB's new system to administer injured workers' claims. In March 2003, we completed our research and developed general criteria to assess the adequacy of the new claims adjusting system. We reported the proposed criteria in our 2003 Report – Volume 1. The WCB agreed that the proposed criteria were reasonable and attainable. The Exhibit below

describes the agreed upon criteria. The criteria do not assess the processes relating to injured workers’ appeals and the Board’s adjudication of those appeals.

Exhibit

To adequately administer injured workers’ claims, the WCB needs to:

- 1. Communicate internally and externally its expectations for processing claims**
- 2. Build its human resource capacity to meet its claims processing policies**
- 3. Process injured workers’ claims**
- 4. Maintain a quality control system for processing injured workers’ claims**
- 5. Provide senior management and Board members with adequate financial and performance information**

We have now completed our work. We describe below the results of our audit. For each criterion, we describe our expectations (in italics), what we found, and our recommendations, if any, for improvement. We use “WCB” when we refer to the Workers’ Compensation Board as an agency, and use “Board” when we refer to the members of the Workers’ Compensation Board appointed by the Government.

Communicate expectations for processing claims

We expected the WCB would have processes to:

- ◆ *develop expectations aligned with its strategic and business plan;*
- ◆ *implement a plan to communicate expectations internally and externally;*
- ◆ *describe its culture and attitude towards claims and fraudulent claims; and*
- ◆ *meet information needs of workers and employers within the parameters of the privacy guidelines and the WCB legislation.*

In its strategic plan, the WCB states that to support its mission and vision, it will provide the right service, at the right time, and be cost-effective in its processes. The WCB has developed expectations aligned with its strategic and business plan. Those expectations include expectations for administering (processing) injured workers’ claims. The WCB uses a balanced scorecard to help assess its performance. The scorecard

measures various service expectations, such as satisfaction of workers and employers, and time to make the first payment on a claim.

The WCB provides a lot of information to the public. The WCB’s strategic and operational plans are on its web site. Also, the WCB provides information to employers and workers through regular newsletters and various brochures. This information covers the typical information needs of workers and employers.

The WCB’s web site includes many of its policies and procedures for adjusting claims. In addition, the WCB also offers seminars and workshops on topics such as injury prevention and disability management. However, the WCB does not have a formal communication plan. A communication plan would assist the WCB in reaching the right audiences with appropriate messages.

The WCB educates its staff regarding expectations for processing claims. It delivered customer service training to staff in 2002. Management told us follow-up training would include service expectations. The WCB also reflects its culture and attitude toward claims in its strategic plan. It informs workers, employers, health care providers, and the public about fraud and the consequences of fraud.

The WCB has implemented procedures that govern information sharing. The procedures address staff confidentiality and provide guidance on how staff should respond to requests for information from workers, dependents, employers, and the media. The WCB has processes that limit staff access to claim information.

Also, the WCB requires other agencies to preserve confidentiality when it provides information on injured workers to other government agencies (such as the Office of the Worker’s Advocate).

In summary, the WCB has adequate processes to communicate internally and externally its expectations for processing claims.

Build human resource capacity to meet claim-processing policies

We expected the WCB would have processes to:

- ◆ *establish and document competencies for staff dealing with injured workers' claims;*
- ◆ *develop a strategy to promote competency (e.g., document job descriptions, hiring process, training and development, career and performance management);*
- ◆ *evaluate human resource capacity against needs; and*
- ◆ *plan for succession.*

The WCB uses a framework that it has developed to build competencies for staff dealing with injured workers. The framework is based on detailed descriptions of required behavioural and technical competencies.

Managers work with human resources staff to identify appropriate levels of competencies needed for specific positions. The WCB uses these competencies to enhance job descriptions and support performance evaluations. Recruitment and selection processes also focus on desired competencies. The WCB is now developing competencies for its unionized employees.

The WCB has processes to help promote competencies. It has developed a detailed competency guide for employees and managers. The WCB has integrated training and development needs into its performance evaluation processes. It delivers training to its staff and supports staff in pursuing self-development. The WCB has a process to consider development requests from its staff and to monitor results.

The WCB's training for managers highlights the importance of evaluating human resource needs in light of the WCB's strategic and operational plans. The WCB has a written plan to identify gaps, if any, in its human resource capacity. Also, the WCB has set out its process for developing a succession plan.

In summary, the WCB has adequate processes to build its human resource capacity to meet its claims processing policies.

Process injured workers' claims

We expected the WCB would have processes to:

- ◆ *determine injured worker claims (e.g., use the Act and Board policies to determine: coverage, entitlement to benefits, amount of benefits, reports to substantiate claim, approval limits to follow, timing of payments);*
- ◆ *regularly determine benefits liabilities (e.g., correctly record claim data, costs correctly coded to employer and claim code);*
- ◆ *use indicators to flag suspicious claims for investigation;*
- ◆ *investigate suspicious claims;*
- ◆ *identify claims for possible subrogation; and*
- ◆ *seek regular advice from the internal actuary and external actuary on the adequacy of the benefits liabilities.*

The WCB administers a large number of claims every year. In 2003, it received approximately 39,000 claims compared to approximately 40,000 claims for 2002.¹

Administering a claim involves interrelated processes. First, the WCB must decide whether the employer of the injured worker is covered by the WCB. Second, it must decide if the injury occurred at work. The WCB then determines the amount of benefits an injured worker is entitled to receive and for how long. The WCB strives to provide prompt payment of benefits and monitors its success.

The WCB uses established policies to administer claims. It makes many of those policies public through its web site. Although the WCB communicates to its employees the established policies and any changes to those policies, sometimes employees do not fully understand those policies. The WCB needs to ensure staff fully understand the revised policies. When staff do not fully understand policies, they may apply these policies differently. Different application of policies could result in inconsistent benefits.

In accordance with the Act, the established processes require employers to submit their reports on worker injuries within five days of the injury. The WCB cannot process claims promptly if it does not receive necessary

¹ See *2003 Annual Report of Saskatchewan Workers' Compensation Board*.

injury reports from employers. Under the Act, the WCB has the authority to take punitive actions against employers who consistently fail to provide timely injury reports. However, the WCB has not established processes to ensure it receives timely injury reports from employers. We found many instances where employers submitted injury reports late. Delays in employers' reporting delay payments of benefits to injured workers.

To determine the benefits it must pay, the WCB needs to correctly record claim data and classify claim costs. Generally, the WCB correctly records and classifies claim data, including costs. However, we found some instances where employees incorrectly classified claim costs or did not adjust claim costs to reflect inflation. Later, the WCB reviewed and corrected the claim data.

Like any other insurance program, the WCB faces a risk of fraud. The WCB has processes to help its employees to identify fraud, including fraudulent activities of employers, injured workers, and healthcare providers. The WCB trains its employees to detect fraudulent claims. It has developed written guidance to help identify suspicious claims and to investigate such claims. However, the WCB could improve its documentation of its investigations. The WCB considers the results of these investigations and makes necessary changes to claim administration processes. It also informs the public about fraud and the consequences of fraud.

Sometimes, faulty equipment or design of infrastructure may cause injury to workers. When the WCB determines that injuries occur due to the fault of others, the WCB can try to recover the cost of claims (subrogation) from other parties who may be responsible for injuries to workers. The WCB has processes to flag potential claims for subrogation. It has developed guidance for employees to flag such claims for recovery. However, employees did not always know of the written guidance. As a result, employees did not always flag claims for possible subrogation.

The WCB obtains regular advice from its external actuaries to determine the amounts that it will have to pay for benefits. In 2003, the WCB hired a contract staff (internal actuary) to review benefit payments and to help determine the amounts the WCB will have to pay for benefits. Currently, the internal actuary regularly reviews short-term benefits. The WCB told

us that its internal actuary would soon begin to review long-term benefits as well.

The WCB provides claim data to its internal and external actuaries. The actuaries use the data to compute the expected benefits that the WCB must pay in the future (benefits liabilities). To ensure the claims data provided to actuaries is accurate, the WCB has processes to agree the data extracted for the actuaries to its records. However, the WCB needs to work with its actuaries to understand further the information that is required to calculate the benefits liabilities. For example, we found that the WCB did not identify and provide information on all long-term claims to the actuaries. Later, the WCB provided all necessary information to the actuaries and the actuaries revised the expected benefits liabilities. In addition, the WCB has not clearly assigned to an employee responsibility for the accuracy of the data.

The WCB regularly reviews its policies for determining benefits. It has processes to evaluate and approve policy changes. However, the WCB did not always follow its established processes to calculate the costs or savings for all policy changes. To allow the Board to properly evaluate the effect of policy changes, the WCB must provide details of estimated costs or savings to the Board when requesting approval for a change in policy. We note the WCB properly calculated costs for all legislative changes and provided details to the Board.

In summary, the WCB adequately processes injured workers’ claims except for the matters covered by the recommendations below.

- 1. We recommend the WCB receive injury reports from employers promptly.**
- 2. We recommend the WCB identify claims where recovery may be possible from other parties and effectively pursue such recoveries.**
- 3. We recommend the WCB ensure its actuaries receive and use accurate data to calculate the expected benefits owing to injured workers.**

4. We recommend the WCB follow its processes to calculate the expected costs or savings for all policy changes.

The WCB told us that it has sought legislative changes to help it receive injury reports on a timely basis.

Maintain quality control processes

We expected the WCB would have processes to:

- ◆ *set written benchmarks for quality of service and adhering to value standards;*
- ◆ *verify that documented standards and processes for managing injured workers claims are followed (e.g., set and use templates for monitoring adjudication decisions, assess need for vocational rehabilitation, assess health care providers, refer claims to Early Intervention Program, process benefit payments);*
- ◆ *assign responsibility for control standards and quality assurance for claim processing; and*
- ◆ *assess claim processing team progress against quality of service benchmarks.*

Through its strategic and operational plans, balanced scorecard reports, and annual report, the WCB communicates its performance benchmarks. The WCB monitors performance against these benchmarks through its quality control and assurance work. Staff, management, and the Board receive reports on performance against the established benchmarks.

The WCB has also set formal customer service expectations. These expectations describe targets for administering claims and responding to inquiries. The expectations also describe the methods used for reporting performance in meeting the expectations. The WCB has begun to incorporate these expectations into its staff training.

The WCB monitors the quality of its work in a number of ways. Notably, the WCB has recently established quality control groups to monitor the quality of claim processing and take steps to improve quality. The WCB continues to develop the WCB's processes for evaluating the quality of claim administration.

The WCB monitors if employees dealing with injured workers comply with quality control processes. The WCB also reviews the quality of processing of short-term claims and has processes to review how employees process payments to injured workers. It evaluates employees’ performance in handling disputed claims and responding to service and consultation requests. However, the WCB needs to fully document its review processes and the results of its reviews to benefit from these reviews.

The WCB assigns long-term claims to case management teams. The WCB does not have processes to review the work of these case management teams to the same extent as it does for short-term claims. The WCB is now expanding its review of quality processing for all type of claims.

Currently, the WCB is developing a database² to record the results of its quality reviews. The WCB’s database will summarize results and help managers identify trends and training needs. The WCB has begun reporting internally the results of its quality reviews. The WCB told us it plans to improve its reporting once the database is fully developed.

The WCB also carries out specific quality assurance projects. For example, the WCB reviewed processing of long-term claims and its return to work program. Based on its reviews, the WCB made changes to its staff training program and its computer systems.

The WCB’s payments to healthcare providers are significant. The WCB examines payments to service providers to ensure it only pays for the services it authorizes. Such a review helps the WCB to decide if it needs to revise, enhance or cancel certain services depending on its findings. The WCB routinely reviews medical payments.

In summary, the WCB’s quality control processes are adequate except for the matters covered by the recommendations below.

5. We recommend that the WCB set out guidelines for documenting its quality control work.

² A database is a collection of relevant information in a computer, organized so that it can be expanded, updated, and retrieved rapidly for various uses.

6. **We recommend that the WCB monitor the quality of administration of the long-term claims assigned to case management teams.**

Provide senior management and Board members with adequate information

We expected the WCB would have processes to:

- ◆ *determine information needs of senior management and board members;*
- ◆ *provide regular financial reports to senior management and board members (e.g. program expenditures with comparison to budget and year-end estimate, benefits liabilities with explanation of changes);*
- ◆ *provide regular operational reports (e.g. performance evaluated against expectations); and*
- ◆ *provide regular assurance reports on the quality of its claims administration.*

Although the minutes of its meetings document the Board's requests for information and changes to the reports it receives, the Board has not formally set out all its information needs. In addition, the minutes are not formally approved by the Chair or Vice Chair of the Board. To identify the approved minutes of Board meetings, agencies usually request the recorder of the minutes and the Chair to sign a copy of the minutes.

The Board and the WCB's management receive many regular and special reports. The Board receives a monthly progress report. This report contains balanced scorecard information on various aspects of the WCB's performance. The report contains financial information comparing actual and planned results and explaining significant differences. The report also includes an estimate for future costs of existing claims and changes to that estimate since the last report. The report includes statistics and graphs for claims and appeals (e.g., time to first payment, percentage of disallowed claims).

Senior management receives a regular comprehensive report on the WCB's operations. The report includes information about the WCB's activities, costs, and quality measures such as timeliness of claim

processing. Management shares information with staff about number of claims processed, processing time, and number of claims disallowed.

The WCB regularly surveys employers and injured workers for customer satisfaction and makes changes when necessary. Also, the WCB examined certain processes such as administration of long-term claims and the Early Intervention Program.

Senior management receives a monthly report on the WCB’s claim administration. The Board also receives that report. The report provides information on progress towards implementing recommendations of the WCB Committee of Review, and the Review of the WCB Recurring and Current Administrative Issues (Dorsey Review).

Often, management and the Board of the WCB request the internal auditor to examine certain claims processes. The internal auditor reports its findings to management and the Board. The internal auditor also tracks the progress of its past recommendations. The Board receives and approves an annual work plan for the internal auditor. However, the work plan the Board receives is not adequate. An adequate work plan would include the business and operating risks the WCB faces and show how the internal auditor’s work would help mitigate those risks. The Board should also ensure the internal auditor carries out the approved plan.

In summary, the WCB provides senior management and the Board with adequate information except for the matters covered by the recommendations below.

- 7. We recommend the Board formally define its reporting needs to oversee the administration of claims.**
- 8. We recommend the Board receive and approve an adequate work plan for the internal auditor.**

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