

STAFF MEASURE SUMMARY

House Committee On Business and Labor

Fiscal: Has minimal fiscal impact

Revenue: No Revenue Impact

Action Date: 04/10/15

Action: Do Pass As Amended And Be Printed Engrossed.

Meeting Dates: 02/27, 04/10

Vote:

Yeas: 9 - Barton, Doherty, Esquivel, Evans, Fagan, Heard, Holvey, Kennemer, Nosse

Exc: 2 - Barreto, Weidner

Prepared By: Jan Nordlund, Committee Administrator

WHAT THE MEASURE DOES:

Authorizes Director of Department of Consumer and Business Services to impose civil penalty on service company for workers' compensation claims processing violations revealed in annual audits. Specifies that Director may impose only one penalty for each separate violation by an employer, insurer or service company for deficiencies revealed in annual audits associated with claims processing performance.

ISSUES DISCUSSED:

- Difficult process for insurer to allocate penalties to individual service companies

EFFECT OF COMMITTEE AMENDMENT:

Clarifies that only one penalty may be assessed for each separate violation for deficiencies revealed in annual audits. Replaces "third-party administrator" with "service company."

BACKGROUND:

A service company is a third-party entity working under a contract with a workers' compensation insurer or self-insurer to provide claim processing services. An insurer or self-insurer may have more than one service company processing their claims. When an insurer or self-insurer is audited by the Workers' Compensation Division, the errors or deviations identified at individual service companies are combined into a single audit report. The insurer or self-insurer is responsible for payment of any penalties imposed for claims violations by the third-party entity. When an insurer has more than one service company under contract, the insurer determines each service company's share of the penalty and seeks reimbursement. This can be a complicated process.

House Bill 2211-A allows the Director of the Department of Consumer and Business Services to assess penalties against service companies only for claims processing violations revealed in annual audits. The measure limits the Director to assessing only one penalty for each separate violation by an employer, insurer or service company for deficiencies revealed in annual audits associated with claims processing performance.