



1-888-NJ Pool 1

## New Jersey Schools Insurance Group

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### Board of Trustees Meeting of June 15, 2016

#### Action Item

#### Claim Audit

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RHB Consulting an independent claim auditor conducted its annual claim audit of the Group's claim operation and adherence to the Claim Administration Procedure Manual. The claim audit for the 2016 year is attached.

**Recommended Resolution:** Approve the 2016 claim audit report attached as prepared by RHB Consulting.

*William Mayo*

William M. Mayo, CPCU, ARM  
Executive Director

## Annual NJSIG Claim Review

May 22, 2016

The Board of Trustees  
 New Jersey School Insurance Group  
 6000 Midlantic Drive Suite 300 North  
 Mount Laurel, NJ 08054

### Re: Annual NJSIG Claim Review

An off-site review, followed by an on-site results review occurred on May 23, 2016. The review was conducted of 202 files to evaluate the effectiveness of the claim in adherence to the Claim Administration Procedure Manual. A review is done annually and is limited to open claims, this year, from the period of 6/1/2015 to 3/25/16. The workload numbers below were determined with these parameters. Review sheets were completed on 189 files.

There were 5180 claims within these parameters. Errors and Omission claims were taken over by Summit Risk and were excluded from the review. Claims were selected at random as follows:

Type of Claim	Number Audited
GL	22
AL	11
PR	11
WC	158

Workloads: The current breakdown of the units is as follows.

MO UNIT				
Claim Assistant	Reopen	Open	Closed	Total
Crews	1	160	497	658
Franklin	1	180	470	657
Hodge	1	180	470	651
Schmidt	3	165	502	670

The total number of claims in the Workers Compensation medical only unit is consistent with prior years but the number of open claims is slightly higher than in previous years. Qual-Lynx is the initial intake unit setting up New Claims and initial physician appointments if needed.

WC Unit	Reopen	Open	Closed	Total
Henry	27	40	101	168
Weiner	20	43	19	82
Jackson	27	65	96	188
Dempsey	42	69	87	198
WC Unit	Reopen	Open	Closed	Total
Lawhon	26	39	44	109
Kane	28	54	50	132
Holmes	18	123	80	221

<b>WC Unit</b>	<b>Reopen</b>	<b>Open</b>	<b>Closed</b>	<b>Total</b>
Frantantoni	19	22	4	45
Smith	29	46	24	99
Di Bacco	26	45	69	140
Temple	21	57	32	110

The Workersø Compensation unit benefits from a full time rehabilitation nurse and the extensive use of medical case management. Although not measured in this audit, an analysis of the number of claims converted from medical only to indemnity is recommended.

<b>Liability</b>	<b>Reopen</b>	<b>Open</b>	<b>Closed</b>	<b>Total</b>
Shocking	30	45	74	149
Huntley	13	97	96	206
Miller	32	89	110	231
Brewer	12	98	271	381

The reopened for the liability and property claims is as follows:

<b>Reopened</b>	<b>Number</b>
GL	11
AL	3
PR	9

Reopened claims represent the most volatile portion of the reserves. Claimants often reopen their cases to obtain additional disability ratings. As the work force ages, this becomes a more prevalent issue as it acts as a supplement to retirement. Redundancy in the open claim reserves is 54% comparing the outstanding to the total incurred. This is similar to other programs, however it is up to an actuary to determine if the reserves are sufficiently redundant.

Subrogation - From 5/1/14 through 5/24/16 there were 156 recoveries totaling \$1,242,257.85.

Audit Results - Audits sheets were prepared on 189 files. The results reflect that the files are handled within the guidelines of the procedure manual.

Reserves - Reserves are explained in the file notes and are reviewed when tasks are due. There was only one file where the reserves needed to be reviewed.

Litigation Management - This category refers to timely assignment of counsel, providing counsel with direction and authority as required. There were two exceptions.

Reporting - No excess reportable files were reviewed. CMS reporting was noted in claims with query services being done by Exam Works. Exam Works is used to communicate with CMS on those claims where Medicare`s interests need to be considered. No exceptions were found.

Coverage - Files were documented as to coverage application. No exceptions were noted

Subrogation - This category refers to investigating the involvement of third parties who may be responsible for reimbursing the insured for damages. There was one exception noted for subrogation follow up.

Contact - (Time/ Adequate) Contact should be made within 48 hours of receipt of claim and maintained through the life of the claim with parties involved in the claim until resolution. There were four exceptions noted.

Investigation - (Timely/Adequate) Investigations should be done so as to preserve evidence and gather facts early so as to make a decision about file resolution. If third parties are involved procure contracts and review any applicable indemnification wording. Also on WC claims, document constructive employment matters and not stop with the insured's assertion that a claimant is not on the payroll as proof regarding whether an employer / employee relationship exists. There were six exceptions.

File Control/Medical Management - File control refers to the correct coding of claims and establishing suffixes for every claimant and fact based documentation in the notes. There was one claims where a suffix was not established for a claimant and two instances where personal comments by the adjuster were put in the notes. Medical Management refers to the timely referral and management of nurse case management services. There were two exceptions where a referral was not made and one exception in where a nurse was not aggressive about return to work.

Best Practices - NJSIG follows a number of best practices to control costs which act as internal controls:

Indexing - All injury cases are indexed and indexing is used again prior to settlements.

Audits - NJSIG maintains a defined internal audit process to verify claim handling meets the requirements of the procedure manual. External audits of Qual-Lynx and attorney firms are also completed to measure effectiveness. NJSIG has made changes in attorney assignments based on these reviews and has used the medical management reviews to help construct the current RFP process for medical management.

Recommendations - There were no recommendations on the liability program. The following ideas were discussed regarding enhancements to the WC program:

1. Measure the number of claims conversions. Conversions from medical only to indemnity represent an opportunity to do more timely investigations. Analysis of first report of injuries will lead to improved accuracy of initial classification.
2. Analyze data on the costs of claims based on procedure codes and do cost comparisons on outcomes based on whether a return to work program was in place. Encourage adjusters and nurses to document in detail the functional capacity requirement of a position even if the insured does not offer a light duty program.
3. Analyze claim reporting from what occurs within the insured's operations to the initial contact on loss time claims. Look for trends and opportunities for improvement.
4. Record the First Report of injury call with the claimant to provide evidence of exactly what body part was injured. This could be helpful later if more body parts are claimed to be involved.

It was a pleasure conducting review and if you have any questions please advise.

Respectfully Submitted

Robert Bennett  
RHB Consulting, LLC