

# Insurer claims management

---

Audit manual

**September 2017**

# Contents

Introduction.....	3
Scope of audit manual.....	3
Case management principles.....	3
Focus on benefits of good work (FW).....	3
Effective communication (EC).....	3
Evidence based decisions (EBD).....	4
A tailored, cost effective approach (TC).....	4
Timely intervention (TI).....	4
When is an audit required? .....	5
Audits conducted by SIRA .....	5
Insurer self-audits .....	5
Who will undertake the audit?.....	5
Auditor qualifications.....	5
Roles and responsibilities.....	5
Preparing for an audit.....	7
Strategic audit plan.....	7
Audit planning and timeline .....	7
Audit sample size.....	7
Sample selection .....	8
During an audit.....	8
Excel audit tool.....	9
Data held by SIRA.....	9
Scoring.....	9
Completing the Excel audit tool.....	10
Audit submission .....	10
Audit outcome .....	11
Improvement plan .....	12
Further help and information .....	12
Reference materials.....	12
Legislation.....	12
SIRA guidelines.....	12
Guidance material.....	13
Appendices .....	13

# Introduction

The State Insurance Regulatory Authority (SIRA) is the NSW government organisation responsible for regulating and administering the workers compensation system in NSW.

This SIRA *Claims management audit manual* (audit manual) describes the procedures and criteria to be used by:

- SIRA when conducting a claims management audit of an insurer, or
- insurers when conducting a claims management self-audit.

It is used to evaluate performance and drive continuous improvement.

The audit assesses legislative compliance, case management practice and data quality. However, it does not assess the merit of decisions made on a claim.

In this document, an 'insurer' refers to the Nominal Insurer, a licensed insurer or a self-insurer within the NSW workers compensation system, as well as any agents acting on behalf of these insurers.

Insurers and their agents must participate in the requirements outlined in this audit manual.

SIRA will review this audit manual as required, but no later than every two years to ensure its currency and effectiveness.

## Scope of audit manual

The audit manual is divided into three components:

1. **Compliance:** This measures insurer activity in relation to the obligations and timeframes placed upon them by the workers compensation legislation.
2. **Case management practice :** This measures SIRA's expectations of case management in accordance with the case management principles described below.
3. **Data quality:** This measures the accuracy of data submitted by the insurer to SIRA against information held in the claim file.

## Case management principles

The application of case management principles throughout the life of a claim aims to improve the outcome and experience for all stakeholders. These principles are outlined below.

### Focus on benefits of good work (FW)

- Activities are implemented to facilitate recovery at work or improve the worker's capacity for work.

### Effective communication (EC)

- Regular, relevant and understandable communication – from the notification of an injury to the close of a claim – to set clear expectations of return to work (RTW) outcomes and the roles and responsibilities of all parties.

- Communication is respectful, open and considerate of both the worker and employer's primary language, cultural background and literacy skills.
- Barriers are promptly addressed with the view to promote recovery at work.
- Relationships with all parties are:
  - built to achieve the best outcomes through negotiation and influence
  - managed with a view to motivating and enabling the acceptance of responsibilities in order to facilitate recovery at and capacity for work.

### Evidence based decisions (EBD)

- The issue or matter that requires a decision is determined on the basis of the best available evidence.
- Legislation and SIRA guidelines are considered and applied where relevant.
- Information and evidence about the issue is gathered without preference or prejudice.
- The implications of a decision (including cost benefit, risk assessment and alternatives) are considered.
- When faced with a choice, select the best option on the basis of the most logical, rational and reasonable outcome.
- Identify escalation points for decisions that require a higher level of authority or may be contentious.

### A tailored, cost effective approach (TC)

- Determine strategies that are tailored, coordinated and integrated to support the worker and employer to achieve a RTW outcome.
- Consideration is evident in the range and extent of services implemented to achieve the strategies in a cost effective manner.

### Timely intervention (TI)

- Attention and intervention is both prompt and appropriate to the needs of the worker and other key parties.
- Proactive management, including predicting and preparing for events that will have an impact on the worker's progress to achieve a RTW outcome.

# When is an audit required?

## Audits conducted by SIRA

SIRA may conduct a claims management audit of the insurer at its discretion. These audits may include any components or criteria contained in this audit manual.

Where an audit identifies significant improvement is required, a further audit may be conducted.

**Note:** SIRA may also conduct an audit at any time in accordance with section 202A of the Workers Compensation Act 1987 (1987 Act). For the purposes of this type of audit, SIRA is not bound by the requirements set out in this manual.

## Insurer self-audits

Where applicable, insurers are required to:

- conduct a self-audit to include all components in accordance with this manual at least once every financial year
- submit a copy of the audit report and Excel audit tool to SIRA within six weeks of the last day of the audit
- submit a copy of any required improvement plan to SIRA within six weeks of the last day of the audit.

An insurer self-audit may not be required in the same financial year as a SIRA-initiated audit. If this applies, SIRA will advise the insurer accordingly.

# Who will undertake the audit?

## Auditor qualifications

An audit must be conducted by a suitably qualified and experienced team or individual. The team or individual completing the audit will include:

- a lead auditor who has successfully completed a formal lead auditor training course
- a team member who has a minimum five years' recent claims management experience within the workers compensation insurance industry.

For the purposes of an insurer self-audit, if the above criteria cannot be met by the insurer, then an appropriately qualified external auditor must be engaged.

## Roles and responsibilities

The audit team should not audit claim records where they have been involved in the management of the claim.

The lead auditor will:

- select the audit team where applicable

- prepare the audit plan and communicate the plan to the insurer or relevant insurer team members
- ensure the audit is conducted in accordance with this manual
- ensure that the audit team has a consistent approach
- make final decisions in regard to the scoring of criteria, where differences of opinion exist within the audit team
- ensure the audit team's working papers adequately support the findings
- ensure the audit report is accurate, objective, clear and timely.

The audit team member will:

- perform the audit, as per the audit plan, under the direction of the lead auditor
- collect and analyse relevant information, determine findings and summarise for the audit conclusions
- seek guidance from the lead auditor when required.

The insurer will:

- allocate appropriate resources for the completion of the audit as outlined in this manual
- provide the auditor or audit team with access to claim records and facilities in a timely manner
- appoint a designated person to be assigned to the audit team for a SIRA-initiated or external audit who will:
  - provide the audit team with an overview of the claim record and information management system
  - be available during the audit to discuss all potential non-conformances and assist in the identification of further information for consideration
  - provide additional support as required.

# Preparing for an audit

## Strategic audit plan

It is expected that insurers have an overall strategic audit plan in place to ensure all audits are conducted within the timeframes and requirements outlined in this manual.

## Audit planning and timeline

Adequate planning must be undertaken for each audit.

The timeline below will be utilised by SIRA when planning an audit. Where an insurer is planning a self-audit, they may use this timeline as a guide.

<b>More than six weeks prior to audit</b>	<p>SIRA will make initial contact with the insurer's primary contact in writing to:</p> <ul style="list-style-type: none"><li>• confirm SIRA will conduct an audit</li><li>• provide information on the proposed date, scope, time and duration of the audit</li><li>• confirm the audit period</li><li>• request relevant required documents and the timeframe for submission (SIRA will not request documents that are already in its possession)</li><li>• request the contact details of the insurer-designated audit team member.</li></ul>
<b>Four weeks prior to audit</b>	<p>The insurer must submit the documents and information requested by SIRA in the initial contact.</p> <p>In preparation for the audit, the audit team may review documents including but not limited to:</p> <ul style="list-style-type: none"><li>• injury management program</li><li>• return to work program</li><li>• quality assurance procedures</li><li>• risk management procedures</li><li>• claims estimation manual</li><li>• claims guide</li><li>• claims data</li><li>• organisational chart</li><li>• previous audit reports.</li></ul>
<b>Two weeks prior to audit</b>	<p>SIRA will provide the insurer with an audit plan confirming:</p> <ul style="list-style-type: none"><li>• the scope, dates and location of audit</li><li>• anticipated schedule for the audit activities (eg start and finish times, opening and closing meetings)</li><li>• resource requirements</li><li>• audit team members including the insurer-designated audit team member</li><li>• the specific claim records required for the audit (audit sample).</li></ul>

## Audit sample size

The number of claim records to be audited will be determined for each insurer according to the number of significant injury claims with claims management activity in the preceding 18 months (open and closed at the time of audit).

The minimum number of claim records for an audit was determined in consultation with Deloitte Touche Tohmatsu and is as follows:

Claims range (number of significant injuries with claims management activity in preceding 18 months)	Minimum sample size
Less than 45	10
46 to 100	15
101 to 500	30
More than 500	45

## Sample selection

The claim records to be audited will be a selected sample of claims with the intention of covering all components and criteria included in this audit manual.

Where appropriate and possible, the sample will reflect the different types of claims managed by the insurer.

Where the sample of claims does not reflect all areas of the audit criteria, the audit sample can include:

- significant injury claims received more than 18 months prior, with
- relevant claims management activity within the preceding 18 months.

## During an audit

<b>First day of audit</b>	The audit team will hold an opening meeting with the insurer representatives. The opening meeting will include: <ul style="list-style-type: none"> <li>• introductions</li> <li>• housekeeping</li> <li>• an outline of the audit process</li> <li>• the role of the audit team members</li> <li>• an explanation of the structure of claim records and the claims management system used by the insurer.</li> </ul>
<b>During the audit</b>	The insurer-designated audit team member will assist the audit team with identifying further information for consideration, should any non-conformance be identified. Where the lead auditor and insurer agree, a further debrief should be held with the insurer representatives at the end of each day.
<b>Last day of audit</b>	The audit team will hold a closing meeting with the insurer representatives. The closing meeting will include a discussion on the preliminary audit findings.
<b>Following the audit</b>	The lead auditor will issue the insurer with the audit report. This report will include any requirements as a result of the audit.



## Excel audit tool

The Excel audit tool contains the criteria to be used to undertake the audit and record the results.

The tool is available on the [SIRA website](#) or from the SIRA Portfolio Manager.

## Data held by SIRA

The auditor must access data held by SIRA in order to undertake the data quality component.

To access the data held by SIRA, the following steps are required:

1. Log in to <https://dataexchange.workcover.nsw.gov.au>.
2. Select 'enquiry'.
3. Select 'claims search'.
4. Enter the claim number and search.
5. Select the claim to view the details.

All information required for the data quality component can be viewed on screen by navigating the claimant details tabs. There is no need to download reports from data exchange in order to complete the audit.

The date of the last data submission to SIRA is displayed in the top line of the claimant details, this date should be used when auditing against the claims record.

**Note:** Claims data can only be accessed by claim number, and one claim at a time.

To access the data, the person undertaking the audit must be registered with the data exchange. All insurers have access to the data exchange but if required, the auditor may self-register by following the instructions on the website. For further assistance, contact the SIRA Portfolio Manager.

## Scoring

When conducting an audit, the auditor will be required to make judgements as to whether the criteria have been met. The judgement is informed by evidence which verifies the appropriate application of claims management.

The auditor must audit claim record activities based on the legislation and guidelines that were in effect at the time the activity was conducted, where applicable.

The scoring options of each audit criterion are:

- Conformance
- Non-conformance, or
- Not applicable.

'Conformance' will provide a score of 1, while 'Non-conformance' will be scored as 0. 'Not applicable' criteria will not be factored into the results of the audit.

Where an audit criterion contains multiple components, the findings must be compliant with all components to receive a 'conformance' score. Otherwise 'non-conformance' should be scored.

Where 'non-conformance' has been identified, the auditor must consult with the insurer-designated audit team member to identify the non-conformance and allow opportunity for the insurer to provide evidence of conformance.

Where evidence of conformance is not available, the auditor and the insurer-designated audit team member should agree that the criterion has not been met and 'non-conformance' recorded.

Where the insurer and the auditor do not agree on whether the criterion has been met, the lead auditor should make a final decision on the scoring of the criterion.

## Completing the Excel audit tool

The audit will be scored by entering the results into the tool.

Where a 'non-conformance' has been identified, the auditor must provide comment on how the criterion has not been met and include any relevant supporting information. This can be recorded by:

- inserting a comment in the cell of the tool where the non-conformance has been recorded
- recorded in the report, or
- including it as an appendix to the report.

The tool will calculate and provide an interpretation of the results of the audit. Audit results will be expressed as a percentage of the number of 'conformances' relative to the number of applicable criteria for each component of the audit.

## Audit submission

The audit report template in Appendix B must be used to document the audit and be submitted along with the completed Excel audit tool. These must be submitted to the SIRA Portfolio Manager electronically within six weeks from the last day of the audit.

# Audit outcome

The following table outlines the audit level that the insurer can achieve based on the audit components result and actions that may be required.

All applicable components of the undertaken audit must achieve the minimum results in order to achieve that level. If a full audit has not been undertaken non-applicable components should be disregarded.

Level	Audit component	Audit result	Action from SIRA-initiated audit	Action from self-audit
Low Risk	Compliance	≥95%	No action required unless specifically directed by SIRA in the audit report. The insurer may wish to initiate actions to improve performance in areas of non-conformance.	No action required unless directed by SIRA, however the insurer should initiate actions to improve performance in areas of non-conformance.
	Case Management Practice	≥80%		
	Data Quality	≥90%		
Medium Risk	Compliance	90-94%	The audit report may require the insurer to: <ul style="list-style-type: none"> <li>develop an improvement plan and submit it to SIRA</li> <li>implement the improvement plan</li> <li>submit progress reports to SIRA on the implementation of the improvement plan.</li> </ul> SIRA may: <ul style="list-style-type: none"> <li>review the improvement plan and progress reports</li> <li>audit the implementation of the improvement plan.</li> </ul>	The insurer must, unless SIRA agrees otherwise: <ul style="list-style-type: none"> <li>develop an improvement plan and submit it to SIRA</li> <li>implement the improvement plan.</li> </ul>
	Case Management Practice	60-79%		
	Data Quality	80-89%		
High Risk	Compliance	<90%	The audit report may require the insurer to: <ul style="list-style-type: none"> <li>develop an improvement plan and submit to SIRA</li> <li>implement the improvement plan</li> <li>submit progress report to SIRA on the implementation of the plan within the designated timeframe.</li> </ul> SIRA may: <ul style="list-style-type: none"> <li>review the improvement plan and progress reports</li> <li>audit the implementation of the improvement plan.</li> </ul>	The insurer must: <ul style="list-style-type: none"> <li>develop an improvement plan and submit it to SIRA</li> <li>implement the improvement plan.</li> </ul>
	Case Management Practice	<60%		
	Data Quality	<80%		

An audit result may affect the licensing conditions and term for an insurer or may result in other regulatory activity by SIRA. For further clarification on any potential impact, please refer to the SIRA Portfolio Manager.

## Improvement plan

Where an improvement plan is required, the template provided in Appendix C may be used. Alternative formats or templates may be used for the purposes of an improvement plan, however all elements of the improvement plan contained in Appendix C must be included.

SIRA may:

- review the improvement plan and request any supporting information to form an assessment of its implementation
- monitor the implementation of the improvement plan by requesting progress reports
- complete a verification audit of the improvement plan or conduct an additional audit.

## Further help and information

### Reference materials

The following information will help you undertake an insurer claims management audit.

Please note that this list is not exhaustive, and the lead auditor should determine which reference materials are appropriate for the audit being undertaken.

### Legislation

- [\*Workers Compensation Act 1987\*](#)
- [\*Workplace Injury Management and Workers Compensation Act 1998\*](#)
- [Workers Compensation Regulation 2016](#)
- [\*Interpretation Act 1987\*](#)
- [\*Health Records and Information Privacy Act 2002\*](#)
- [\*Privacy and Personal Information Protection Act 1998\*](#)
- [\*Privacy Act 1988 \(Commonwealth Act\)\*](#)

### SIRA guidelines

- [Guidelines for claiming workers compensation](#) (PDF)
- [Workers compensation benefits guide](#) (PDF)
- [Independent medical examinations and reports: Guidelines](#) (PDF)
- [Workers compensation guidelines for the evaluation of permanent impairment \(4th edition\)](#) (PDF)
- [Guidelines on injury management consultants](#) (PDF)
- [Guidelines for workplace return to work programs](#)
- Gazetted fees orders

## Guidance material

- [Claims technical manual – Nominal Insurer](#) (PDF)
- [Claims technical manual – self and specialised insurers](#) (PDF)
- Injury management program – a guide and checklist for insurers
- [Merit review user guide](#) (PDF)
- [Clinical framework for the delivery of health services](#) (PDF)
- [Nationally consistent approval framework for workplace rehabilitation providers](#)
- [Workers compensation guide for allied health practitioners](#) (PDF)
- [Injured at work – a workers compensation guide for workers](#)
- [Workers compensation guide for employers](#)
- [Workers compensation guide for medical practitioners](#)
- [A quick guide to workers compensation - information for workers](#) (PDF)

These materials can be found at [our website](#).

For further assistance or clarification on the application of this audit manual, please contact the SIRA Portfolio Manager or email [self&specialisedinsurers@sira.nsw.gov.au](mailto:self&specialisedinsurers@sira.nsw.gov.au).

## Appendices

- A. Excel audit tool
- B. Audit report template
- C. Audit improvement plan template

#### Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident third party (CTP) insurance and home building compensation in NSW. It may include details of some of your obligations under the various schemes that the State Insurance Regulatory Authority (SIRA) administers.

However to ensure you comply with your legal obligations you must refer to the appropriate legislation as currently in force. Up to date legislation can be found at the NSW Legislation website [legislation.nsw.gov.au](http://legislation.nsw.gov.au)

This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals, or as a substitute for legal advice. You should seek independent legal advice if you need assistance on the application of the law to your situation.

This material may be displayed, printed and reproduced without amendment for personal, in-house or non-commercial use.

Catalogue no. SIRA08729

Workers and Home Building Compensation Regulation, Level 6, McKell Building, 2-24 Rawson Place, Sydney NSW 2000  
Customer Service Centre 13 10 50

Website [www.sira.nsw.gov.au](http://www.sira.nsw.gov.au)

© Copyright State Insurance Regulatory Authority NSW 0917.