

# MAINE WORKERS' COMPENSATION BOARD COMPLIANCE AUDIT REPORT

December 13, 2000

Synernet  
222 St. John Street  
Suite 329  
Portland, ME 04102

**Claims Covered by Audit:** 1999 Dates of Injury

**Companies Covered by Audit:**

Synernet Workers' Compensation Fund  
Sisters of Charity Health System

Third-Party Administrator (S395)  
Third-Party Administrator (TPA8)

**Examination by:** Marlene Swift, Auditor

**Reviewed and Approved by:** Steven Minkowsky, D.D.B.A.

The results of the audit and the procedures followed have been explained to:

<b>Name:</b>	<b>Title:</b>	<b>Date:</b>
Ron Littlefield	Director of Insurance Services	Various
Mark Plourd	Workers' Compensation Specialist	Various

# CONTENTS

	Page Number
<b>SUMMARY</b>	3
<b>PENALTIES</b>	
A. Penalties Allowed by Law (payable to the Workers' Compensation Board)	5
<b>INDEMNITY BENEFITS</b>	
A. Prompt Initial Payment of Benefits	6
B. Prompt Subsequent Payment of Benefits	6
C. Accuracy of Average Weekly Wage	6
D. Accuracy of Weekly Benefit Rate	6
<b>FORM FILING</b>	
A. First Report, WCB-1	7
B. Wage Statement, WCB-2	7
C. Schedule of Dependent(s) and Filing Status Statement, WCB-2A	7
D. Memorandum of Payment, WCB-3	7
E. Discontinuance or Modification of Compensation, WCB-4	8
F. Notice of Controversy, WCB-9	8
G. Statement of Compensation Paid, WCB-11	8
<b>DETAILED CLAIM INFORMATION</b>	

**CONFIDENTIAL**

## SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined a sample of 100 claim files for the period under examination (1999) to determine compliance with statutory and regulatory requirements in the following areas:

- Timeliness of indemnity payments
- Accuracy of indemnity payments
- Form filing

Of the 100 claim files audited, there were 14 "lost time" claims, 49 "medical only" claims, and 37 "incident only"<sup>1</sup> claims.

Our audit revealed:

Synernet Workers' Compensation Fund indemnity claims are customarily paid on Thursday of each week. Sisters of Charity Health System indemnity claims are customarily paid on Friday of each week. However, this TPA (third-party administrator) does have the ability to cut checks on other days when necessary.

- Twenty-five percent of the initial indemnity payments audited were found to be made timely. None of the untimely payments were found to be in violation of §205(3).
- Ninety-two percent of the subsequent payments audited were made timely.
- Only one error was identified in the calculation of average weekly wages. Earnings from the employee's week of hire were used when calculating the AWW for one claim. This resulted in a lower AWW and compensation rate, and an underpayment of benefits to that employee.

Upon request from this auditor, Synernet promptly made the appropriate corrections and paid the employee the balance due.

- Two employee's compensation rates were incorrectly charted in the benefit table. One error resulted in an overpayment (\$16.12) and the other error resulted in a small underpayment (\$1.14).

Upon request from this auditor, Synernet promptly made the appropriate corrections and voluntarily paid the employee the small underpayment (\$1.14).

- No error was identified in the method used to calculate partial benefits.
- Form filing compliance ranged from 38% to 100%. The WCB-11, Statement of Compensation Paid form was found to have the lowest compliance rate. It appears that Synernet did not have an effective system for generating these forms in a timely manner.

---

<sup>1</sup> "Incident only" claims incur no medical expenses and less than a day of lost time.

## SUMMARY

It is important to note that a WCB-11 for one claim was found in Synernet's claim file, but was never received by the Board. Had that form been received by the Board, WCB-11 compliance would have increased from 38% to 50%.

All missing forms identified by audit were promptly filed upon request from this auditor.

- Of the eight indemnity claims audited, it was noted that two of the initial payment dates were incorrectly reported in Box 24 of the Memorandum of Payment form. Box 24 should accurately reflect the date that the initial indemnity payment is sent to the employee.

## PENALTIES

### A. Penalties Allowed by Law (payable to the Workers' Compensation Board)

◆ 39-A M.R.S.A. Sec. 359(2)

“In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3<sup>rd</sup>-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.”

◆ 39-A M.R.S.A. Sec. 360(1)(A)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;”

◆ 39-A M.R.S.A. Sec. 360(1)(B)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act.”

Four (4) forms were filed late (\$400.00).

This number reflects only those forms submitted subsequent to the audit and in response to a request by the Audit Division. It does not include any forms that were filed late prior to audit.

◆ 39-A M.R.S.A. Sec. 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.

## INDEMNITY BENEFITS

### A. Prompt Initial Payment of Benefits

			1999	
			Number	Percent
Check Mailed Within:				
0-14	Days	<b>Compliant</b>	2	25%
15-28	Days		6	75%
Total Due			8	100%

### B. Prompt Subsequent Payment of Benefits

			1999	
			Number	Percent
Check Mailed Within:				
0-7	Days	<b>Compliant</b>	54	92%
8-14	Days		5	8%
Total Due			59	100%

### C. Accuracy of Average Weekly Wage

			1999	
			Number	Percent
Calculated:				
Correct		<b>Compliant</b>	7	88%
Incorrect			1	12%
Total			8	100%

### D. Accuracy of Weekly Benefit Rate

			1999	
			Number	Percent
Calculated:				
Correct		<b>Compliant</b>	5	63%
Incorrect			3	37%
Total			8	100%

## FORM FILING

### A. First Report (WCB-1)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	15	100%
Total		15	100%

### B. Wage Statement (WCB-2)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	8	100%
Total		8	100%

### C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	6	75%
Not Filed		2	25%
Total		8	100%

### D. Memorandum of Payment (WCB-3)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	8	100%
Total		8	100%

## FORM FILING (Continued)

### E. Discontinuance or Modification (WCB-4)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	6	86%
Not Filed		1	14%
Total		7	100%
WCB-4A Filed <sup>2</sup>		1	

### F. Notice of Controversy (WCB-9)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	2	100%
Total		2	100%

### G. Statement of Compensation Paid (WCB-11)

		1999	
		Number	Percent
Received at the Board:			
Filed	<b>Compliant</b>	3	38%
Not Filed		5	62%
Total		8	100%

<sup>2</sup> A WCB-4A was filed in lieu of a WCB-4.