

LBA Performance Audit Report Summary:

Managed Care Programs for Workers' Compensation Evaluation Report - November 1995

Our evaluation report, required by Chapter 311 of the Laws of 1993, describes and analyzes the rules and procedures used by the Department of Labor and the Advisory Council on Workers' Compensation in approving New Hampshire's managed care programs for workers' compensation.

Chapter 311 (codified as RSA 281-A:23-a) required employers obtaining workers' compensation through the residual market (those companies unable to obtain workers' compensation insurance from insurance companies) to establish managed care programs for workers' compensation. This law required the labor commissioner to approve managed care programs meeting minimum criteria. Programs must also be ratified by the Advisory Council on Workers' Compensation. The law was made applicable to the voluntary market and self-insureds on January 1, 1994.

We noted eight observations and recommendations regarding the State's approval and ratification process for managed care programs. Three of these addressed approval and ratification process weaknesses, two concerned the need for rules, policies and procedures, and three addressed compliance with State laws and regulations.

Our review of 19 proposals ratified by the advisory council determined that only two proposals actually met all approval criteria. In many cases, because of insufficient documentation maintained by the department, we were unable to determine compliance with statutorily defined timeframes. In addition, the commissioner did not provide written notice of disapproval to applicants. To strengthen the approval and ratification process we recommended the development of a standard application and review checklist, improved documentation of actions and decisions, and retention of all proposals and supporting documentation.

As evidenced by the ratification of proposals not meeting minimum approval requirements, existing administrative rules and policies and procedures require review and revision. In addition, several areas warrant development of rules and policies and procedures to formalize the approval and ratification process. To address this issue, we recommended the department and advisory council review their approval and ratification process and revise and adopt rules and policies and procedures as necessary.

Our evaluation found several areas of noncompliance with State statutes. The advisory council did not hold all monthly meetings or prepare minutes for all meetings as required. In addition, the 1993 and 1994 advisory council annual reports were not available. We recommended the advisory council take action to ensure compliance with these requirements.