

This quarter's featured articles: IT Department Achievements in 2011, Minnesota Test Audits, How to Classify a Risk, & the MCPAP Program

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By Bruce A. Tollefson

PRESIDENT'S CORNER

Building the Future! Studies, How Can We Gauge the Quality?

I remain amazed at the speed with which computer technology is evolving. What seemed like science fiction not that many years ago is now a reality we carry in our pockets or briefcases.

The evolution of computer technology and programs has also given us the ability to compile and analyze significant data with an ease and accuracy that was not previously available. I can only imagine how this capacity will continue to grow.

This new capacity is having a major impact on the current and critical issue of medical cost containment. We are all aware of the debates over the financial strains in Medicare and Medicaid, as well as efforts to control workers' compensation medical costs.

At one level, answering the question of controlling medical costs is simple. Just pick the drugs and treatments that are the most efficient for treating a given medical condition. The reality is that sifting through the millions of medical records and opinions to achieve that goal is monumental.

I recently attended a presentation on this challenge. The presenter outlined the sources of data, including federal records, databases maintained by major hospital and insurers and others data sets. He also described a new technique for using this data. In lieu of conducting clinical trials to compare treatments, data pools are being mined to conduct "virtual studies" which aggregate and compare the data thus simulating a clinical trial.

"But!" There is always a "but" in these advancements. The "but" is that this approach is plagued by the age old problem of "garbage in, garbage out." This computing power and these virtual studies are dependent upon the quality and accuracy of the data used in this exercise.

The more we use these tools to provide answers to complex and critical issues such as medical cost containment, the more we face the fundamental issues underlying these types of studies:

- Is the study based on a credible, quality database?
- Is the study coming at the issue from an objective approach? That is, are we asking the right questions?
- What are the underlying motivations and driving forces of the organization that initiated and/or authored the study?

While I am sure statisticians would add many more questions to this list, the underlying issue is the same. Whether we are engaging in a public policy analysis or planning a business strategy, assessing and relying upon any study of data is dependent upon knowing the answer to these key questions.

From time to time, each of us has run into instances where studies have been used not to uncover facts but to advocate for a specific idea, or to promote an agenda.

At MWCIA we are aware of the importance of quality and completeness of our data. We are a regulated entity and the requirement of data quality is written into our statutory directive to "establish requirements for data reporting and monitoring methods to maintain a high quality database." It is also a central component of our mission statement as a "quality provider of data and services."

However beyond the need to have quality data to deliver our goods and services, we are faced with a new reality. The growth in computing power and the use of data analysis tools by our members means the impact of our data quality efforts go beyond our walls and our products. Our members, as well as state policy makers and others have and will use our data for a wide variety of business and policy purposes.

Recognizing this fact, we have developed a two part strategy to enhance both our capacity to deliver usable data and maintain the quality of that data.

First we are working to make our data an integral part of a larger data collection effort in Minnesota which includes:

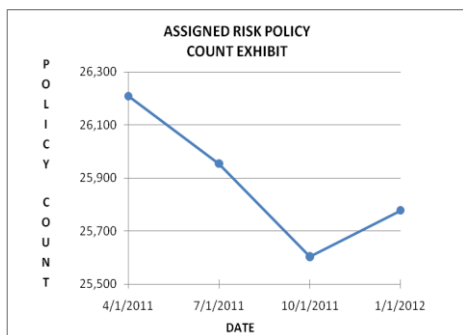
1. Studies conducted by the Minnesota Department of Labor & Industry.
2. CompScope studies conducted by the Workers' Compensation Research Institute.

Second, we continue to strive to make the quality of our data the best we can possibly deliver and a usable part of these new business and policy tools.

As the preferred provider of quality Minnesota Workers' Compensation information, we are committed to developing products, services and markets that meet our customers' evolving needs, and to providing a work environment rich in opportunities for personal and professional growth.

FROM THE ASSIGNED RISK CORNER

ASSIGNED RISK SUMMARY REPORT AS OF 01/01/2012 (ALL SERVICING CONTRACTORS)



FROM THE IT CORNER

IT DEPARTMENT ACHIEVEMENTS FOR YEAR 2011

ACCEDE

Effective in 2012, ACCEDE was enhanced to collect the new Large Loss Call. Other enhancements include electronic submission of annual acknowledgement forms, improved handling of error explanations, and automated reconciliation with Department of Commerce data. ACCEDE was also integrated into the new Web Membership system.

CONTACT MANAGEMENT SYSTEM

The customization of the Microsoft CRM software continued in 2011 with the integration of additional data sources, including IT and general accounting vendors. The CRM system is a key component in a broad strategy to integrate contact data from our website, independent contact repositories, Microsoft Outlook, Active Directory, and mobile devices.

IMAGING SYSTEM

In 2011, the software for the Indicium imaging system was upgraded. New scanner software was also introduced, permitting additional automation of scanning processes.

MANAGE POLICY SYSTEM (MPS)

In August, the MWCIA went live with the new Manage Policy System. Using parameter-driven screens and a rich palette of functions, member carriers can now actively manage the electronic and hard-copy policy data they submit to the MWCIA. Among other things, carriers can now create, validate, and submit policy transactions, respond interactively to errors, and verify coverage. Depending upon the volume and type of data submitted, bureau responsiveness is near-time.

(The Manage Policy System replaces Policy View, which was retired in November, 2011.)

TEST AUDIT

Effective January 2012, the MWCIA completed the integration of internal Test Audit software with the Nexus test audit system. Nexus allows auditors to work remotely and then synchronize their work at any time via the internet. Nexus includes robust tools for audit data collection and management, letter generation, and workflow. Internal systems have also been enhanced to automatically track corrected unit reports, generate follow-up letters, and store audit documents in the MWCIA imaging system.

WEB MEMBERSHIP SYSTEM

In August, the MWCIA introduced the new Web Membership system which allows carrier groups to manage their own accounts for MWCIA web products. Web Membership accounts are required in order to use the Manage Policy System and ACCEDE. Other MWCIA web products will be integrated with the Web Membership system in the near future.

WEBSITE DATABASE CONVERSION

This past year, the MWCIA completed an extensive effort to update the database management systems used on the website. All software applications on the website now use SQL Server 2005.

MWCIA WEBSITE – MANAGE POLICY SYSTEM HIGHLIGHTS – IMPORT TRANSACTION FILE

The Manage Policy System went live on the MWCIA website on August 15, 2011. Using this system, member carriers can search for, view, and update the policy data they have submitted to the MWCIA. To update policy data, member carriers must create policy transactions, validate them, and then submit them to the MWCIA.

One way member carriers can create policy transactions is to *import* them. The Manage Policy System includes a function that allows users to load policy transaction files that were created on another system. Such files must adhere to current WCPOLS standards for Minnesota. **(Note: The Manage Policy System only collects data that is applicable to Minnesota. Non-MN data, such as names and addresses for other states, exposures for other states, and endorsements not pertaining to Minnesota, will not be displayed or saved.)**

How do I import transactions?

If you have appropriate permissions, you can use the Import function. A standard dialogue box prompts you to search for a WCPOLS file on your system. Locate the file and then click to import it.

The Manage Policy System automatically evaluates the file for basic requirements. If the file fails basic validation, then the system will notify you and the import request will fail. If the import request is approved, then the transactions are loaded and you may search for and work with them.

The Manage Policy System provides you with a list of recently imported WCPOLS files with the most recent files at the top. You can also search for a particular file or set of files based on search criteria.

What can I do with imported transactions?

For each import file, you can:

- View a list of the imported transactions. You can view, update, delete, validate, and submit these transactions. **(Note: You may validate and submit transactions one at a time or in sets of two or more.)**
- View the original file: If you wish to confirm which transactions were included on an import file before you made any changes or deletions, you can view a list of the transactions as they were originally provided on the file.
- Download the original file: This function allows you to view and/or download an entire imported file in a text format.
- Delete import file and transactions: You can delete an import file and all the transactions it included. This option is not available if any of the transactions on the file have already been submitted.

Further questions about Manage Policy?

For further information on Manage Policy, please consult the Manage Policy System User Guide on the MWCIA website. (Note: MWCIA discontinued mailing hard-copy policy error reports on September 1, 2011. At this time, policy error information must be accessed via the new Manage Policy System.)

Carriers: If you are submitting any policy transaction via the Manage Policy System, we remind you to not submit those same transactions via hard copy.

FROM THE UNDERWRITING CORNER

CIRCULARS & FILINGS

Since our last issue of MWCIA News, the following changes have been filed and approved for use in MN:

Circular Letter 11-1602

Elimination of Hard Copy Policy Data Submissions Effective July 1, 2012.

The purpose of this circular is to announce that effective, July 1, 2012, only electronic copies of policies, endorsements, cancellations and reinstatements received in our office will be entered into our system database. Hard copy submissions including items received in our office via mail, express delivery, fax or email will not be processed but will be rejected.

Circular Letter 11-1603

Updated WCIO Workers Compensation Data Specifications Manual.

The purpose of this circular is to announce that the updated versions of the **WCIO Workers Compensation Data Specifications Manual and Data Reporting Handbook** are now available on the WCIO website.

Circular Letter 11-1604

Guidance on Carriers Obligation to Report Wage Loss Benefits.

The purpose of this circular is intended to provide guidance to carriers on their obligation to report wage loss benefits under the Minnesota Statistical Plan when an employer elects to directly pay wages to the injured worker under Minnesota statutes, section 176.221, subd. 9, which governs an employer's payment of full wages to an injured employee.

Circular Letter 11-1605

4-1-2012 Assigned Risk Rates.

The purpose of this circular is to announce the

approval of the Assigned Risk Rates & Misc. Values for the Minnesota Workers' Compensation Assigned Risk Plan effective, April 1, 2012.

Circular Letter 12-1606

Correction: 4/1/2012 Assigned Risk Rates.

The purpose of this circular is to correct an error in this rate schedule on the Federal and State rate pages.

Circular Letter 12-1607

Federal Coverage Compliance Electronic Reporting.

The purpose of this circular is to outline the implementation of electronic reporting of coverage issued under the Longshore and Harbor Workers' Compensation Act and its extensions, the Defense Base Act, Outer Continental Shelf Lands Act, and Non-Appropriated Fund Instrumentalities Act (USL&H) to the United States Department of Labor (US DOL).

We recommend carriers bring these items to the attention of the appropriate staff within their organization as these changes have a direct impact on how companies write and/or report data on workers' compensation policies in Minnesota. **Reminder:** As the sole data service organization in Minnesota, MWCIA is the only organization authorized to file workers' compensation manual rules, standard forms and endorsements, and classification and statistical codes on behalf of member carriers in this state. Therefore, each Circular, continues to identify those NCCI changes that are not approved for use either in part or whole in MN.

MINNESOTA'S TEST AUDIT PROGRAM

The purpose of the Minnesota Test Audit Program is to verify the accuracy of the statistics reported to the MWCIA. A Test Audit includes a physical examination of the employer's books and records upon which the unit statistical information is filed to ensure the highest degree of accurate information entering MWCIA's database.

Test Audits are selected at random based upon set criteria. Test Audits may also be requested in writing by

- Employer
- Carrier
- Employer's Representative
- Authorized Governmental Agency

The test auditor advises the employer of MWCIA's intent to complete an audit. The carrier is instructed to file a copy of their

company's premium statement payroll audit for the period in question and any supplementary worksheets. A Test Audit is conducted by applying the standard reporting classifications, rating plans, and rules set forth in MWCIA's filed Manuals.

The results of a Test Audit will be distributed as follows:

- Employer;
- Carrier or their authorized representative;
- Employer's Representative;
- Authorized Governmental Agency.

In addition, quarterly reports are filed with the carriers summarizing the results of the Test Audit Program and an annual report is filed with each carrier and with the Commerce Department outlining the results of the Test Audit Program.

For Test Audits that do not develop a reportable payroll or classification code difference, a letter will notify the carrier that the Test Audit confirmed the carrier's audit.

For Test Audits that develop a reportable difference in payroll (\$3,000 difference in reportable payroll or in excess of 2% of total payroll) or classification code (a change in governing code), the carrier will be sent a copy of the Test Audit Summary Sheet. In addition to the summary sheet, the carrier will receive a letter briefly outlining the reason or reasons for the difference. Carriers will be required to submit revised unit statistical data, within (60) sixty days of the initial notice, to reflect the results of the Test Audit Program's audit.

Premium adjustments resulting from MWCIA's Test Audit shall not be utilized in any manner to enforce premium collection.

In cases where a carrier disagrees with the findings of the test auditor, the carrier must submit their reasons for disputing the Test Audit results in writing to MWCIA within sixty (60) days of the initial notice with the name of a contact person at the carrier authorized to resolve the dispute. In cases where a written dispute is not received within sixty (60) days, the results of the Test Audit will be considered correct.

HOW TO CLASSIFY A RISK

We receive daily phone calls and e-mails with requests for help in classifying a business. The key to classification is to keep in mind a few important points:

- **Classify the business**, not the individual tasks within the business;
- Remember the **Standard Exceptions** and **General Inclusions**;
- Generally, there will be only one Basic Class code, with the exception of contracting risks.

The **Basic Classification** describes the business of an employer. It includes all aspects of their business except the Standard Exceptions which are Clerical - 8810, Drivers - 7380, Salespersons - 8742 & Automobile Salespersons - 8748. Sometimes, the **Basic Classification** caption will include some Standard Exceptions. Other times, the **Basic Classification** caption will indicate ALL EMPLOYEES – this does NOT include the Standard Exception codes unless specified in the caption.

Let's say you have a manufacturing operation and you want to classify the people that manufacture the product, package it and those employees that work in the warehouse. All of these employees will fall under the basic code that describes the manufacturing operation. You do not separately classify each of the different jobs involved in the manufacture, packaging and storage of the product.

Other considerations are the General Inclusions and General Exclusions. General Inclusions are operations that appear to be separate businesses but are included within all **Basic Classifications**. An example of this is a restaurant or cafeteria operated by the insured for employee use. General Exclusions are operations in business that are so unusual for the type of business described by the basic class, that they are separately rated. For example: aviation, new construction, stevedoring, and employer operated day care.

Contracting risks may have many different **Basic Classifications** depending on the jobs performed and if separate payroll records are maintained. If separate payroll records are not maintained for any construction or erection operation, the highest rated class that applies to the job or location will be assigned. General Contractors that perform all work through subcontractors will still need to be classified based on the type of work performed.

The rules regarding classification procedures are found in the [MN Basic Manual](#) under Rule 1: **CLASSIFICATION ASSIGNMENT**.

**MCPAP
(MINNESOTA CONTRACTORS PREMIUM
ADJUSTMENT PROGRAM)**

- Contractor A has 5 employees and pays each employee a wage of \$50.00 per hour;
- Contractor B has 5 employees and pays each employee a wage of \$25.00 per hour;
- Contractor A and B are both contractors of the same trade (same WC class code) and both worked the exact same number of hours during the term of their WC policy.

Question: In theory, all other factors (rates, discretionary pricing, experience, etc.) the same, who will pay more for their workers' compensation insurance?

Answer: Contractor A since workers' compensation premium is a function of rate x payroll/\$100 and Contractor A has a higher payroll (for the same work). Therein lies *the rub*.

Enter MCPAP.

The MCPAP program (available to contractors only) was introduced in 1992 ([Circular 92-1125](#)) in an attempt to level the

playing field and add more equity to the pricing of contractors' workers' compensation policies. Participation in this program continues to be optional.

Important Note: In order to qualify for the MCPAP program, you must meet the minimum average hourly wage (**for the 2013 year, the minimum is \$22.80 per hour**) indicated on the application, for at least one contracting code.

For more information about the MCPAP program, refer to the MWCIA website under the tab labeled [MCPAP](#) for a brochure discussing the MCPAP program. There you'll also find both current and prior year applications as well as a list of eligible contracting class codes.

MWCIA News is a periodic publication of the Minnesota Workers' Compensation Insurers Association as a service to its members and the workers' compensation industry. Please direct any questions, comments or suggestions you may have concerning this publication to Glenn Colby, editor of *MWCIA News*, c/o MWCIA; 7701 France Avenue South, Suite 450; Minneapolis, MN 55435. You may also contact Glenn by phone (952 897-6411), fax (952 897-6495), or e-mail(glenn.colby@mwcia.org).



MWCIA PURPOSE

As the preferred provider of quality Minnesota Workers' Compensation information, we are committed to developing products, services and markets that meet our customers' evolving needs, and to providing a work environment rich in opportunities for personal and professional growth.



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