



**THE WORKERS' COMPENSATION
RATING AND INSPECTION BUREAU**

October 1, 2008

CIRCULAR LETTER NO. 2101

To All Members and Subscribers of the Bureau:

**REVISIONS TO THE MASSACHUSETTS WORKERS' COMPENSATION
STATISTICAL PLAN- PART I**

The Massachusetts Division of Insurance (DOI) recently approved revisions to Part I of the Massachusetts Workers' Compensation Statistical Plan, Section XI - Data Quality Incentive Program. These updates include:

- Remove the distinction between rated and non-rated fine amounts
- Implement fines for correction reports which remain in a rejected status more than 3 months
- Escalate fines after 6 consecutive months of fines instead of the current 12 months
- Correct the reference to the Data Quality Compliance Program

Attached are brief descriptions of the revisions and the revised pages to the Statistical Plan. The changes are shown in red, bold, italic, Times New Roman font and the elimination of text is indicated by gray highlight and strikethrough text.

The revised pages will also be posted on the website soon after the distribution of this circular.

If you have any questions regarding these changes, please contact the undersigned at sannis@wcribma.org.

Sheila Annis
Vice President Data Operations

Revisions to the Workers' Compensation Statistical Plan Data Quality Incentive Program (DQI) Effective September 2009

Background

The Data Quality Incentive Program was implemented for policies effective on and after January 1, 2000 and data reported to the WCRIBMA beginning in September of 2001. Since then, the program has undergone changes that helped to strengthen the program and have been effective in data quality improvement. The proposed changes will further strengthen the program by providing additional incentives to carriers to report data on a timely basis and to review data for issues that negatively impact data quality before the data is submitted.

Remove the Distinction Between Rated and Non-Rated Fine Amounts

Currently, the fines are \$50 for non-rated risks and \$100 for rated risks. A distinction between rated and non-rated risks was originally implemented in order to emphasize the important role of timely unit statistical reporting in the timely promulgation of experience ratings. However, all unit statistical data is needed when due, since complete data is important to other functions of the WCRIBMA. For units without corresponding policy reports and units that are delinquent and subject to fine, the fine for each unit is proposed to be \$100 per month for both rated and non-rated risks, until the error is resolved or the fine is escalated.

New Fines for Rejected Correction Reports

Correction reports change previously reported unit statistical data. Correction reports are sent for various reasons, such as but not limited to, response to edit errors, clerical error, re-audit of policy exposures, or recovery of losses. When the WCRIBMA examines the unit statistical database for completeness and accuracy, rejected corrections imply that the data is possibly incomplete or inaccurate. Incentives are needed to ensure timely resolution of rejected corrections.

Correction reports that have not been successfully accepted by the WCRIBMA, within the 3 months following the initial rejection date, are proposed to be subject to fines. The fine amount is proposed to be \$100 per month for each rejected correction report that remains in rejected status for 3 months beyond the month in which the correction report was rejected, until the rejected correction report is resolved or the fine is escalated.

Shorten Time Period For the Escalation of Fines

Currently, units that incur fines are subject to the initial monthly fines for a period up to 12 consecutive months. Monthly fines are doubled, if the error that resulted in the fine is not resolved by the end of the 12th month. Information about unit report status and unit report errors is now more readily available to carriers, on the WCRIBMA's website which is updated daily. With improved communication and submission choices USR fine situations should be resolved very quickly. Missing data for a period of twelve months, before resolution, is not acceptable. Therefore, we are proposing that the monthly fines, including the new fine for rejected correction reports, be doubled if the error that resulted

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in the fine is not resolved by the end of 6 consecutive months. Such fines are proposed to be increased from \$100 to \$200

Implementation

The proposed changes will be implemented for data at all unit levels valued July 2009 and due at the Bureau September 2009.

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DATA QUALITY INCENTIVE PROGRAM
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A. Introduction

The Data Quality Incentive Program was developed in response to an order of the Commissioner of Insurance to ensure that unit statistical data is reported promptly and accurately as required by this Plan. A committee of Bureau staff and several carrier representatives worked to modify other jurisdictions' existing plans to suit the needs of Massachusetts.

The Data Quality Incentive Program does not apply to workers' compensation self-insurance groups. Please note that a separate Data Quality ~~Incentive Program~~ *Compliance Programs* ~~applies~~ *apply* to aggregate financial reporting, Part II Section V of this Plan.

B. Accuracy of Unit Statistical Data

Edit failures that are sufficient to prevent accurate experience rating or inclusion in the unit statistical data summary will not be accepted by the Bureau. Notification that data has failed edits and reason for failure is available the day following the processing of the submission. The rejected data will be subject to timeliness fines if applicable. (See Timeliness of Unit Statistical Data below)

The data submitting carrier must provide documentation and a written explanation to the Statistical Data Services Supervisor if the Bureau has indicated a unit correction is needed, but the carrier records support the unit data as filed.

The Bureau will advise carriers annually by circular letter of those edits that will cause unit statistical reports to be rejected.

C. Timeliness of Coverage Data

Units without Corresponding Policy Reports

Unit statistical data, for which there is no corresponding, previously submitted policy in the Bureau's Policy Database will be rejected by the Bureau. A data provider's failure to submit the appropriate policy and coverage data prior to submission of the unit statistical report (USR) will delay promulgation of the experience rating modification.

Unit reports that are rejected due to missing policy information are subject to fine if the policy information is not successfully submitted and the unit report is not accepted, or not otherwise resolved, before the 21st month from the policy effective date.

~~The fine will be based on the risk's rating status. A rated risk is determined by the presence of a merit class code or modification factor other than zero or one on the USR. Rated risks will be fined \$100 per month for 12 consecutive months, and non-rated~~

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~~risks will be fined \$50 per month for 12 consecutive months.~~ *The fines will be \$100 per month, for 6 consecutive months. The fines then increase to \$200 per month, thereafter.* ~~for rated risks and \$100 per month thereafter for non-rated risks.~~

Only missing policy and coverage data that prevents the acceptance of unit statistical reports will be subject to fines through the Unit Statistical Data Quality Incentive Program.

Timeliness Example: A unit report corresponding to a policy effective any day during January, 2007, is rejected due to missing policy information. If the policy is not successfully submitted and the unit report is not accepted or not otherwise resolved by the end of the 20th month following the policy effective date, the carrier will incur the first fine in the 21st month, October, 2008, and will be fined each subsequent month until resolution.

D. Timeliness of Unit Statistical Data

The timeliness of unit statistical reporting is measured in relation to the corresponding policy's effective date, so reporting and penalty determinations will be based on the number of months past the policy effective date of the unit. "Postings" as used in this section may be made through web-based postings or electronic files. The posting shall include policy data corresponding to the unit report. Posted information includes policy number, policy effective date, end of coverage date, carrier code, and exposure state.

1. Unit Reports -- Pre-delinquent

A "pre-delinquent" unit report is a unit report that is less than 18 months past the end of the month in which the corresponding policy became effective. The report is called "pre-delinquent" because it is an expected report that is not yet due. The Bureau will notify the carriers by posting corresponding policy data for pre-delinquent unit reports upon receipt of the policy data. Carriers have the option to review the pre-delinquent postings at any time during the period from policy issuance to first valuation of the losses. Carriers can minimize the risk of fines by reviewing their pre-delinquent unit reports to ensure that the policy number, policy effective date, end of coverage date, and carrier codes are accurate. If a policy or coverage transaction corresponding to a pre-delinquent unit report is absent from the Bureau's Policy Database the carrier may submit the corresponding policy or coverage information to the Bureau.

There will be no obligation for carriers to respond to the pre-delinquent unit report status. However, the appropriate response and corrective action may prevent an overdue unit report and fines. Coverage verification issues can be corrected only with the appropriate coverage transactions.

The Bureau will notify the carrier if the corrective action did not resolve the unit report issue.

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Timeliness Example: If a policy in the Bureau's policy database has an effective date of any day in January 2007, then the Bureau posts the corresponding pre-delinquent unit report data as the policy data is processed by the Bureau.

2. Unit Reports -- Due

A "due" unit report is a unit report that is between 18 and 20 months past the end of the month in which the corresponding policy became effective. The report is called "due" because it is valued and reported during this 18 to 20 month period past the end of the month in which the corresponding policy became effective.

Timeliness Example: If a policy in the Bureau's policy database has an effective date of any day in January 2007, then the Bureau posts the corresponding due unit report data in July 2008.

3. Unit Reports –Delinquent and Subject to Fine

A "delinquent and subject to fine" unit report is a unit report that has not been successfully submitted to the Bureau and is more than 20 months past the end of the month in which the corresponding policy became effective. Delinquent USRs will be fined in the 21st month and each month thereafter, until the unit report is successfully submitted or the delinquent and subject to fine status is otherwise resolved.

~~The fine will be based on the risk's rating status. A rated risk is a risk that has had any type of rating at any time within the three years prior to the policy effective date of the missing unit report. A rating could be intrastate, merit or experience rated, or an interstate rating. Rated risks will be fined \$100 per month for 12 consecutive months, and non-rated risks will be fined \$50 per month for 12 consecutive months.~~ ***The fines will be \$100 per month, for 6 consecutive months. The fines then increase to \$200 per month, thereafter.*** ~~for rated risks and \$100 per month thereafter for non-rated risks.~~

It is possible for a unit report to make its initial posting under delinquent status, with no prior posting under pre-delinquent or due status. The unit report status for policies received after the 20th month will appear as delinquent.

Please note that corrective action following notification that the unit report is subject to a fine may prevent additional penalties but will not eliminate the penalty charge already incurred.

If corrective action was taken based on a prior fine or overdue notification and the carrier was not notified of a problem with the correction, the carrier should contact the Bureau in accordance with the appeals process outlined in Section E.

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Timeliness Example (effective for data due September, 2009): A unit report corresponding to a policy effective any day during January, 2007, but that has not been successfully submitted to the Bureau, is posted with due status in July, 2008. If the USR is not successfully submitted or other resolution reached, or corrective action is not received by the end of the 20th month, the carrier will incur the first fine in the 21st month, October, 2008, and will be fined each subsequent month until resolution.

4. Correction Reports – Rejected and Subject to Fine (data due September, 2009)

Correction reports which remain in rejected status for three (3) months, following the last day of the month in which the unit was rejected, will be fined at a rate of \$100 per month, for 6 consecutive months. The fines then increase to \$200 per month, thereafter.

Timeliness Example (effective for data due September, 2009): A USR correction report is received at the Bureau on any day in January, 2010 and is rejected by the Bureau. If the rejected correction is not resolved by the reporting carrier, within the 3 months following the month in which the unit was rejected, (February, March, April) the carrier will incur the first fine on May 1, 2010 and will be fined each subsequent month until resolution.

5. Disciplinary Fines (effective for data due as of June, 2008)

A series of disciplinary fines will be issued in correlation to the Annual Summary review (also referred to as ABACUS). Any data which is missing, rejected, or filtered from the Summary will be excluded from ABACUS and the data reconciliation process. Carrier groups will be subject to fines on data that remains missing, rejected, or filtered as of June 30th of that review year and each month thereafter until the acceptable threshold is met.

Any data which remains missing, rejected, or filtered will count against the overall data expected to be included in ABACUS for that carrier group. Carrier groups, who have more than 10 unit reports and more than 1% of their overall data excluded from ABACUS, will be fined each month until they reach the 1% or less than 10 unit report threshold. A carrier group will be subject to a disciplinary fine of \$500 per unit report with a maximum cap of \$50,000 fined each month.

Example: If a carrier group has 10,000 units expected to be included in ABACUS, and 200 units, or 2%, are either missing, rejected or filtered, the carrier would be fined each month until 100 or fewer units are missing, rejected or filtered.

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a. Implementation of Disciplinary Fines

Disciplinary Fines will be implemented for data that is not available for Annual Summary as of 6/30/08, which includes policies effective 1/1/99 through 6/30/06, Report levels 8 through 1 respectively, valued 1/2007 through 12/2007 and due at the Bureau 3/2007 through 2/2008. These fines will continue through the end of each review year and will be effective each review year.

E. Appeal of Penalties Levied under the Data Quality Incentive Program (effective immediately)

If the carrier or carrier group is subject to a fine, which in the opinion of the carrier is inappropriate, the carrier group is encouraged to work with the staff of the Statistical Data Services Department to address such issues. Carrier groups may also submit a written appeal to the Statistical Data Services Department at the following address:

*Statistical Data Services Department
WCRIBMA
101 Arch Street, 5th Floor
Boston, MA 02110*

The written appeal must be submitted by an officer or senior manager of the carrier group within twenty (20) business days of the Invoice Date on the invoice for the particular fine(s) at issue. The appeal should include copies of the relevant invoice(s), all pertinent written communications and detailed statements that describe why the carrier thinks the fine(s) is inappropriate. The Bureau will provide the carrier with its written decision on the carrier's appeal within twenty (20) business days of its receipt of the appeal.

If the carrier group is not satisfied with the Bureau's decision, it may appeal to the Commissioner of Insurance. Such an appeal shall be filed within thirty (30) days of the carrier group's receipt of the Bureau's written decision. The carrier should provide the Bureau with a copy of any appeal submitted to the Commissioner of Insurance.

*The Honorable Nonnie Burnes
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