

PERFORMANCE AUDIT

Report Highlights



Office of the
Washington
State Auditor
Pat McCarthy

Enhancing Washington's Child Support Insurance Intercept Law

Changes to Washington's insurance intercept law in 2022 required insurers operating in Washington to report certain insurance claims within 10 days of opening the claim. Companies can meet the reporting requirement in any of several ways, including through the ISO ClaimSearch® Child Support Enforcement Agency reporting service. Many insurance companies already report their claims data to this organization for fraud detection purposes. The organization then shares claim information with data clearinghouses that specialize in matching claim data to past-due child support data. Since the law took effect, the state has seen an increase in collections from the interception of insurance payouts, from nearly \$1.7 million in 2021, the year before mandatory reporting took effect, to just over \$3.5 million in 2022.

The revised law has now been in place for three years, and our Office wanted to find out about how insurers operating in Washington have learned about the law, their compliance with its requirements, and whether more could be done to help insurers understand their responsibilities. The Division of Child Support (DCS), within the Department of Social and Health Services (DSHS), oversees the child support program. However, the Office of the Insurance Commissioner (OIC) oversees insurance companies doing business in Washington. In this follow-up audit, we specifically considered the role of the OIC, even though it was not assigned responsibilities in the revised state law.

While not required to do so, the OIC can help educate insurers about child support insurance intercepts

State law does not require the OIC to take any action for the child support insurance intercept match program. Additionally, insurance regulators in other states with match programs rarely play a role in their implementation. But not all eligible insurance claims have been reported as required for DCS to act upon. DCS staff sometimes learn about unreported claims through other means.

Despite DCS outreach efforts, some insurers may be unaware of mandatory reporting requirements. DCS tries to educate insurers who fail to report eligible claims, but has difficulty reaching the right person. Although not obligated by law to communicate with insurers specifically about this law, OIC has information that could help DCS.

Further amendments to the matching portion of the law could help increase collections for families

State law currently does not allow for enforcement if an insurer decides not to report a claim. If the law were to change, there are pros and cons to which agency – OIC or DSHS – is best positioned for monitoring and enforcement authority. However, other states provide examples for how monitoring and enforcement could be addressed and guide legislative changes.

State Auditor's Conclusions

In 2020, our Office published a performance audit of the state's child support collection program. It recommended requiring insurance companies to report payouts for certain types of claims, so they could be matched against records of unpaid child support. When warranted, we conduct follow-up performance audits to determine what progress the state has made since our last report.

This follow-up performance audit shows the Legislature acted on our earlier recommendations, and doing so greatly benefited the Washington families who are owed child support. With this report, we also make new recommendations to improve the system further. At the time of our first audit, submitting claims data to match against child support debt was voluntary for insurance companies in the state. After new legislation required those companies to participate in the intercept match program, collections more than doubled, from nearly \$1.7 million in 2021 to just over \$3.5 million in 2022.

The intercept program is the responsibility of the Department of Social and Health Services' Division of Child Support. This follow-up performance audit found that the Office of the Insurance Commissioner, while not required to do so, could help educate insurers about child support insurance intercepts. More significantly, we recommend one or both agencies be given enforcement authority to ensure compliance with the program. At this time, neither agency monitors insurers' compliance with the child support intercept law, and even if they should learn of noncompliance, neither has the authority to take enforcement action.

Overall, this report demonstrates the positive results that can be achieved through independent analyses like our audits, the policy making efforts of the Legislature, and the diligent administration of the law by state agencies. Working in collaboration, we can continuously improve public services.

Recommendations

We made a recommendation to the Legislature to assign responsibility for monitoring and enforcement of the reporting requirement under the child support insurance intercept law to either the Division of Child Support within the Department of Social and Health Services, the Office of the Insurance Commissioner, or both. We made a recommendation to the Office of the Insurance Commissioner to help inform insurers doing business in Washington and others about their requirements under the child support insurance intercept law.