



Office of the
Washington
State Auditor
Pat McCarthy

PERFORMANCE AUDIT

Report Highlights

Child Support Payments: Increasing past-due collections through mandatory interception of insurance payments

The Washington Division of Child Support (DCS) reported more than \$2 billion in accumulated past-due child support at the end of 2019. When non-custodial parents fall behind in paying child support, DCS can use multiple tools to collect the past-due amount, including wage garnishment, liens on real property, and withholding lottery winnings. The state can also intercept insurance claim payments payable to non-custodial parents who owe past-due child support, but only if the state's child support agency is aware of the claims.

During fiscal year 2018, DCS reported collecting about \$1.8 million by intercepting insurance payments due to non-custodial parents who owed past-due child support. These collections derived from different types of insurance claims, including workers' compensation, and claims from other states. Twelve states require insurance companies to share insurance claim payment information for this purpose. In Washington, such data sharing is voluntary, and less than half of the largest insurance companies operating in the state participate. For this reason, state child support agencies are unaware of many eligible insurance claim payments that could be intercepted to pay past-due child support.

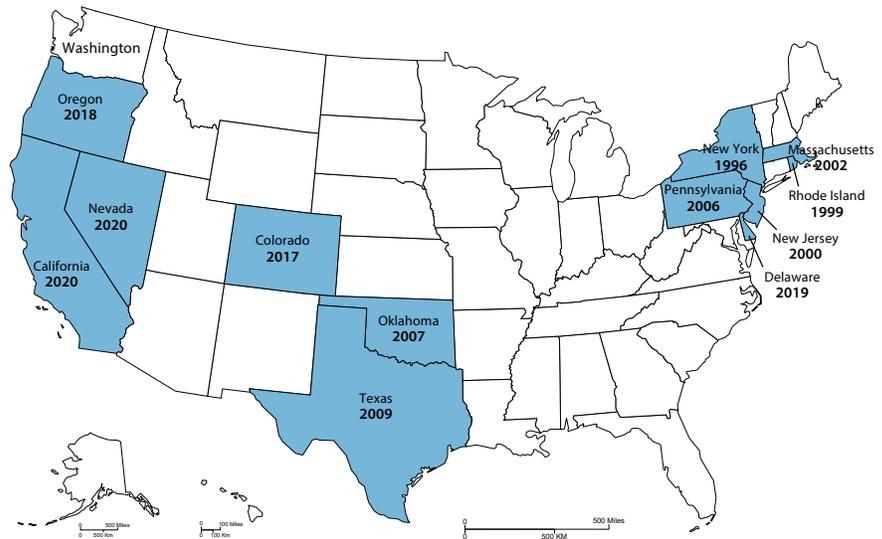
This audit evaluated historic DCS insurance intercept collections, as well as the rate of voluntary participation by insurance companies in the state's insurance intercept program, to determine how much the state could increase collections of past-due child support by requiring participation in that program.

Washington could increase collections of past-due child support by requiring participation in an insurance payment intercept program

The audit found that DCS could almost double current collections of past-due child support received from insurance payment intercepts if the state made program participation mandatory. We estimate that this would be an increase of \$1 million to \$3 million annually above current collections. Experiences of other states with mandatory insurance intercept programs suggest this estimate is reasonable.

Twelve states mandate insurance claim reporting for purposes of collecting past-due child support

Washington could rely on the experiences of other states to address insurance industry concerns about a mandatory intercept program. A mandatory insurance intercept program could likewise build on Washington's existing program. Previous efforts to develop legislative language for a mandatory insurance intercept program provide a starting point.



State Auditor's Conclusion

As of 2019, the Division of Child Support within the Department of Social and Health Services reported that non-custodial parents in Washington had accumulated more than \$2 billion in past-due child support. This total includes years of past-due payments, much of which the state may never collect. These payments are owed to custodial parents to help pay for the financial responsibilities of raising a child, including the costs of food, clothing, medical care and education.

The state currently helps recoup child support owed to custodial parents through various means, including a program that intercepts insurance payouts to the parents who owe child support. For example, a parent receiving an insurance payment following an automobile accident could have all or a portion of that payment diverted to fulfill an outstanding child support obligation.

Insurance companies operating in Washington participate in this intercept program voluntarily. This audit shows that expanding the program by making it mandatory would be a small but meaningful step toward collecting more past-due child support for custodial parents. The likely increase in collections would be between \$1 million and \$3 million a year. While this is just a small portion of the total past-due child support owed in Washington, it would greatly benefit the hundreds of families who would receive the payments.

Washington has considered mandatory insurance intercepts in the past. It is time to take action and implement a mandatory program to help families. Twelve other states have mandatory insurance intercept programs that work. Washington should draw on the experiences of those states to craft and pass legislation that would make our state's intercept program mandatory for all insurance companies that do business here.

Recommendations

We recommend the Legislature enact a new law requiring insurance companies that conduct business in Washington to participate in an insurance payment intercept program. We also recommend several provisions it should consider when drafting the legislation.