

Child Support Payments:

Increasing past-due collections
through mandatory interception
of insurance payments

Melissa Smith, *Principal Performance Auditor*

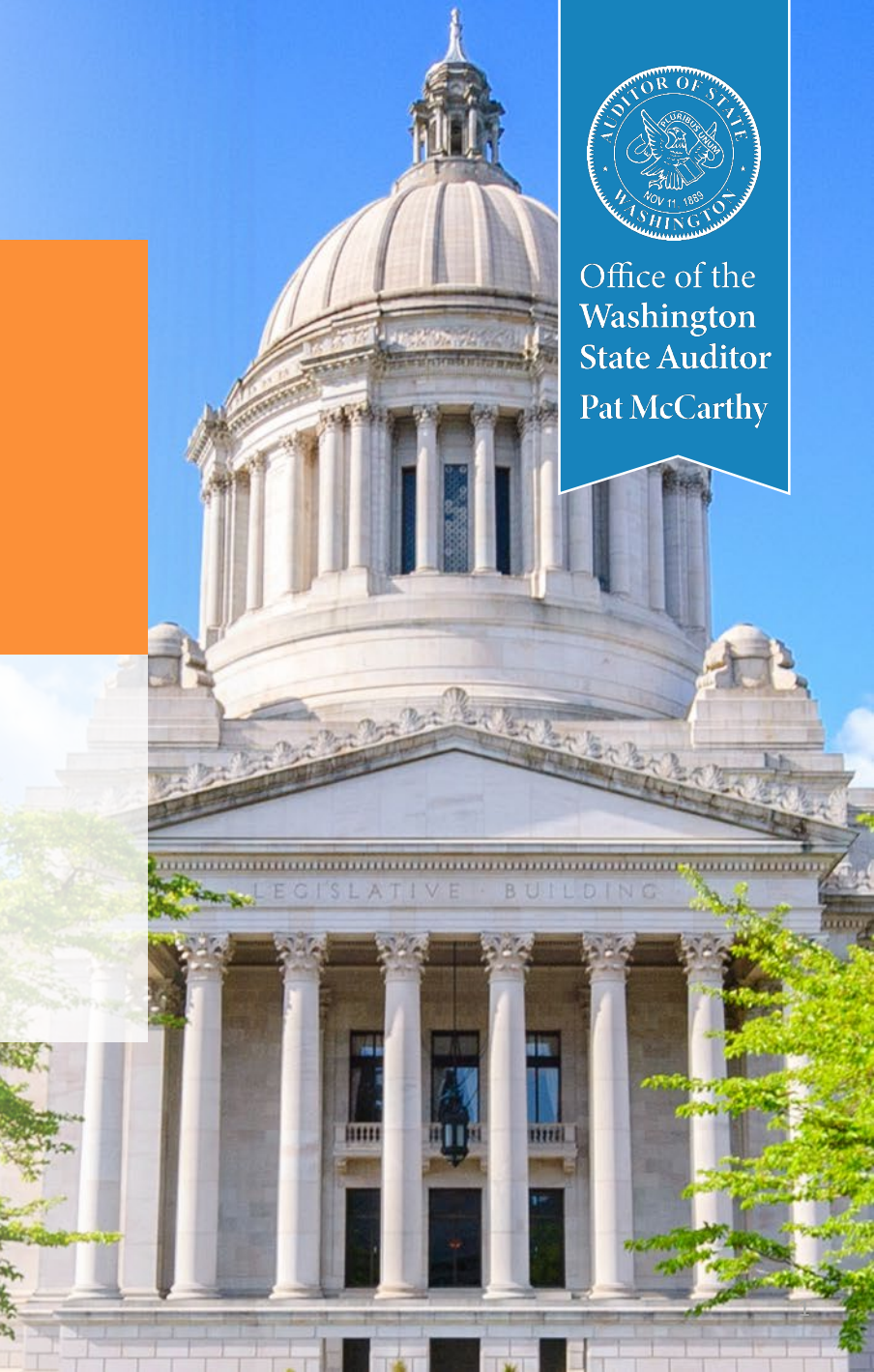
Marcia Evans, *Performance Auditor*

Joint Legislative Audit & Review Committee

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Office of the
Washington
State Auditor
Pat McCarthy



Audit question



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



Key audit results



- Washington does not collect past-due child support from many eligible insurance claims
- Collections of past-due child support could increase between \$1 million and \$3 million
- Experiences of other intercept programs could help Washington

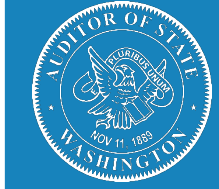
Helping families through child support



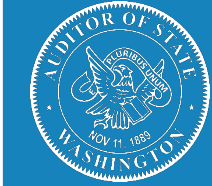
Division of Child Support:

- Enforces child support orders
- 245,000 cases of past-due child support, more than \$2 billion owed
- Collected \$170 million in past-due support, with \$1.8 million from intercepted insurance claims
- Has many ways to collect past-due child support

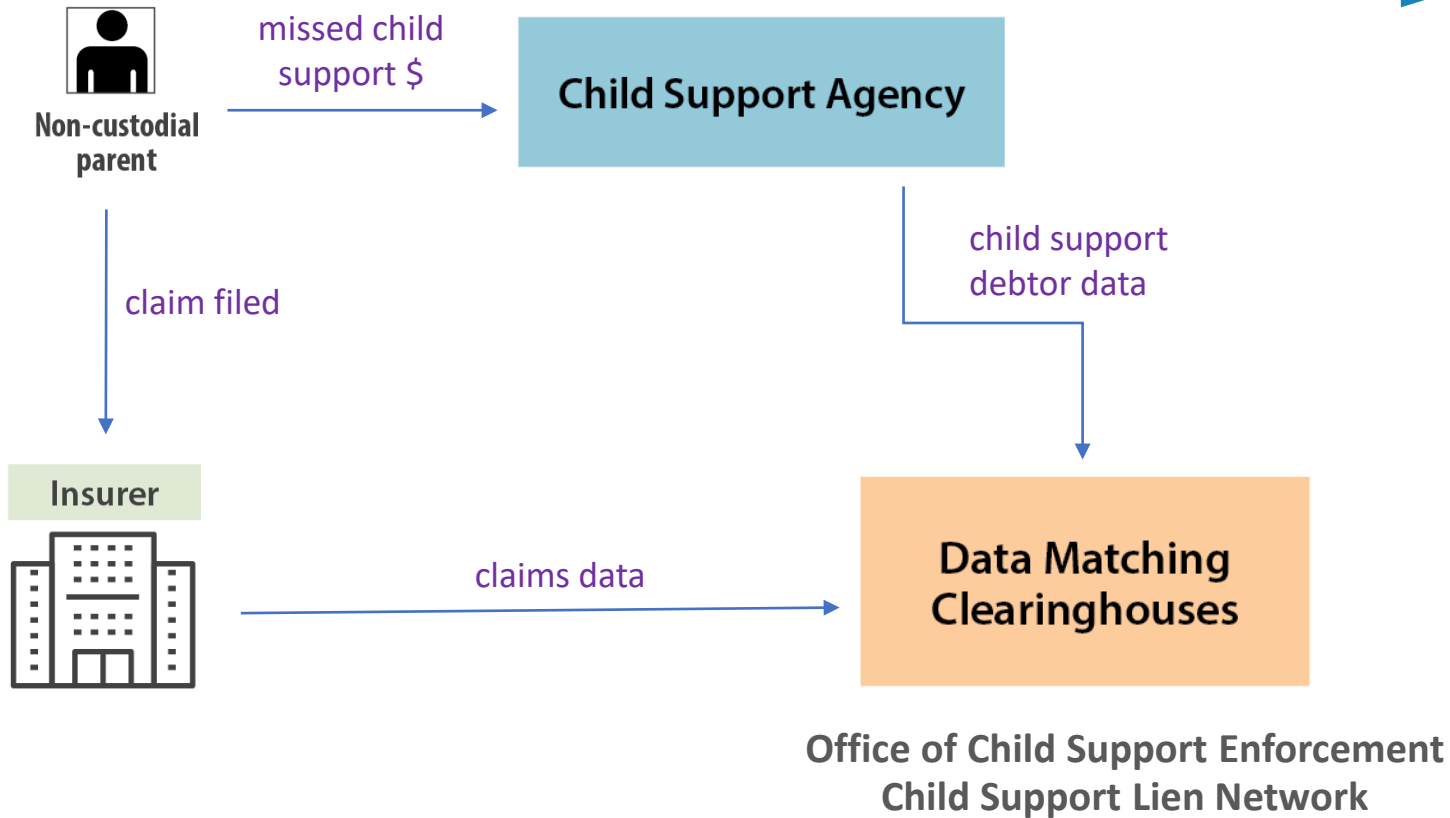
Washington has a voluntary insurance intercept program



- Intercepted insurance claims come from these sources
 - ✓ Insurance companies that report voluntarily
 - ✓ Claims from other states
 - ✓ Claims reported by other people
- Most common claim type is bodily injury
- DCS does not know about many potentially eligible claims because most insurers do not report them

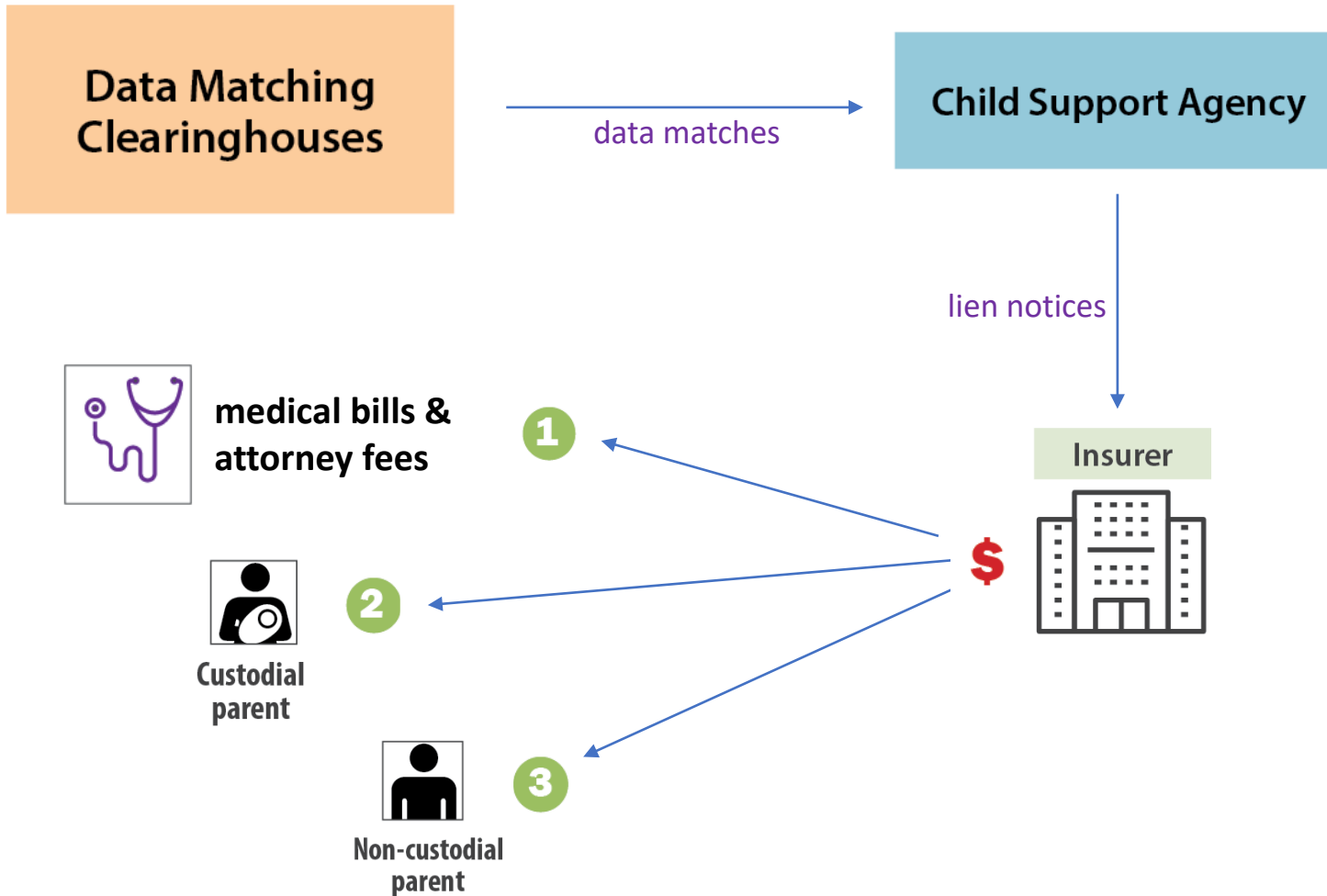


How insurance intercept programs work

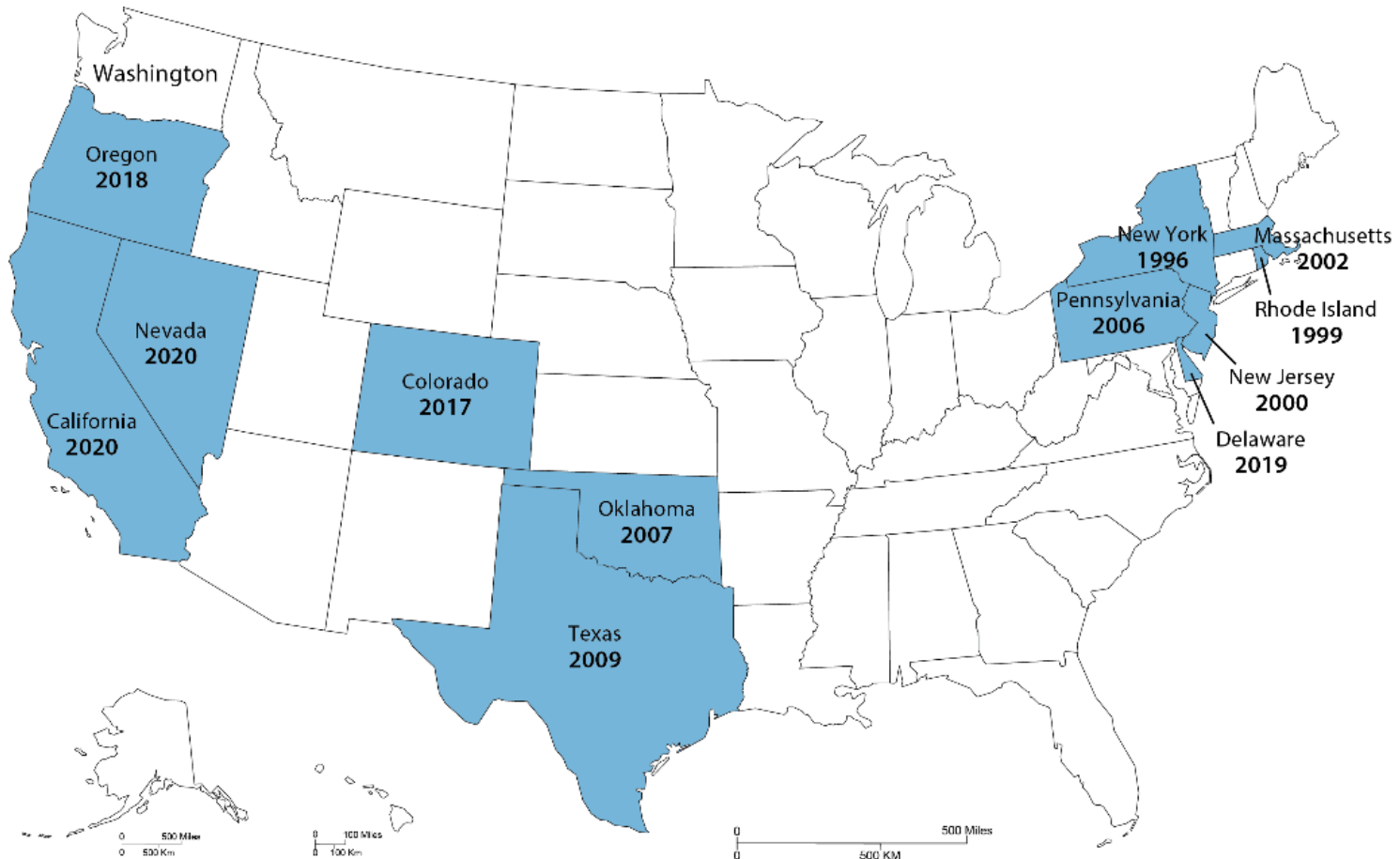


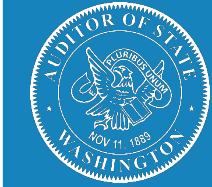


How insurance intercept programs work



12 states require claim reporting for insurance intercepts





Additional child support could be collected if reporting were required

DCS could increase collections by \$1 million to \$3 million annually within three years

- One estimate used insurance market share data
- Only two of the top 10 automobile liability insurers report claims voluntarily

Top 10 automobile liability insurers in Washington (2018)

Insurance group	Voluntarily reports bodily injury claims
State Farm Group	No
Berkshire Hathaway Group (GEICO)	No
Progressive Group	No
Liberty Mutual Group	Reports some but not all
Allstate Insurance Group	Yes
United Services Automobile Association Group (USAA)	Inconclusive: May or may not be reporting some claims
Farmers Insurance Group	No
Pemco Mutual Insurance Company	Yes
American Family Insurance Group	No
Hartford Fire and Casualty Group	No

Other sources support this conclusion



- Another estimate showed collections could increase by about \$3 million annually
- Other states' improved collection results support these estimates
 - ✓ Oregon - nearly 50 percent more in the first year
 - ✓ Texas - 85 percent more after one year
 - ✓ Colorado - more than tripled within two years

Doubled work volumes will increase operational costs at DCS



- Additional costs associated with increased volumes include:
 - ✓ Staffing costs of about \$200,000 a year
 - ✓ Data clearinghouse fees of \$23,000 a year
- Costs reflect current work practices but there may be opportunities for efficiencies

Other states' laws and practices can guide Washington's efforts



Other state programs specify:

- Which claims must be reported
- Dollar value of claim payments to intercept
- Which claim-related expenses can be paid first
- Program set in law or regulation
- Legal protections for insurers
- Method for claim reporting

Common claim types

Bodily injury
Personal injury
Workers' compensation
Life insurance
Annuities

Recommendations for the Legislature



Enact a law requiring insurance companies to participate in an insurance payment intercept program

- Develop it collaboratively with DSHS, Office of the Insurance Commissioner and insurance company stakeholders to address:
 - ✓ Reporting claims data using existing data warehouses
 - ✓ Paying attorney fees and medical costs first
 - ✓ Liability protections for insurers acting in good faith
 - ✓ Determining which claim types will be subject to intercept

Questions



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