

PERFORMANCE AUDIT



Office of the
Washington
State Auditor
Pat McCarthy

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

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Executive Summary

Background (page 6)

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. The collections from intercepted claim payments included claims from different types of insurance and claims that originated in other states, including out-of-state workers' compensations claims. Twelve states require insurance companies to share insurance claim payment information for this purpose. In Washington, such data sharing is voluntary, and fewer 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.

Could Washington increase collections of past-due child support by requiring participation in an insurance payment intercept program (page 11)

Yes. Currently, Washington cannot collect child support from many eligible insurance claims because some insurance companies choose not to report them. Mandating claim reporting could help DCS almost double collections of past-due child support from intercepted insurance claims. We estimate DCS could provide families between \$1 million and \$3 million in additional support annually by requiring insurers operating in Washington to report bodily injury

claims. Experiences of other states with mandatory insurance intercept programs suggest this estimate is reasonable. However, with more claims to process, DCS's operational costs will also increase, but far less than the additional \$1 million to \$3 million it would intercept.

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 (page 21)

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 (page 22)

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.

Next steps

Our performance audits of state programs and services are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the Office of the State Auditor will review this audit with JLARC's Initiative 900 Subcommittee in Olympia. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time, and location (www.leg.wa.gov/JLARC). The Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion. See **Appendix A**, which addresses the I-900 areas covered in the audit. **Appendix B** contains information about our methodology.

Background

The Division of Child Support (DCS) helps establish, modify and enforce child support orders

The Division of Child Support (DCS), within the Washington Department of Social and Health Services, provides child support services to more than 250,000 Washington families across the state. DCS has almost 1,100 employees statewide. They help families establish and modify child support orders (see sidebar), and enforce those orders by collecting child support on behalf of custodial parents. In fiscal year 2020, DCS had an annual operating budget of about \$160 million in state and federal dollars.

When a Washington court orders a non-custodial parent to pay child support, state law requires DCS to help enforce the court order. DCS sets up payment arrangements with the non-custodial parent and then sends the money to the custodial parent. If the non-custodial parent falls behind in payments, federal and state law give DCS the authority to collect past-due support by seizing certain assets, including payments from insurance companies.

“Support order”

A court order, administrative order or tribal court order that sets a child support obligation for a non-custodial parent. It directs that parent to pay a set or determinable amount of money:

- For current support and/or a support debt
- For medical support
- Or both

Washington Administrative Code 388-14A-1020

DCS reported more than \$2 billion in accumulated past-due child support at the end of 2019

As of November 2019, DCS reported that non-custodial parents in Washington had accumulated more than \$2 billion in past-due child support. At that time, the agency had about 245,000 cases with past-due child support owed, averaging about \$9,300 each. Child support debt in Washington persists until 10 years after a family’s youngest child turns 18. As a result, the accumulated debt includes decades of past-due payments.

Although most past-due money is owed to custodial parents, some is owed directly to the state. For example, certain state programs, like Temporary Assistance for Needy Families (TANF), use child support due to custodial parents to offset the cost of state benefits. These parents assign their right to collect and keep child support to the state while on TANF. This means they receive the same benefit amount every month, regardless if the non-custodial parent has paid that child support or not.

Then if the state receives past-due money – voluntarily paid by the non-custodial parent or acquired by other means – it uses some of those collections to reimburse itself for child support payments already made.

State and federal laws offer multiple methods to collect past-due child support from non-custodial parents, including intercepting insurance payments

State child support agencies like DCS have several ways to collect past-due child support, including garnishing wages and workers' compensation benefits, withholding lottery winnings, or placing liens on other personal property like an insurance claim payment. Using these methods and others, DCS collected and distributed about \$170 million in past-due child support during fiscal year 2018, about 9 percent of the total past-due child support owed.

One collection method available to states is to intercept insurance claim payments

One resource available to state child support agencies is to implement an insurance intercept program. Such programs allow the state to seize all or part of a non-custodial parent's insurance claim payment. The basic process, illustrated in **Exhibit 1** (on the following page), takes data about people who are behind on child-support payments and matches it to data about people who have filed insurance claims. When a match is made between the two, the state can intervene and divert money from insurance claims toward the past-due child support debt.

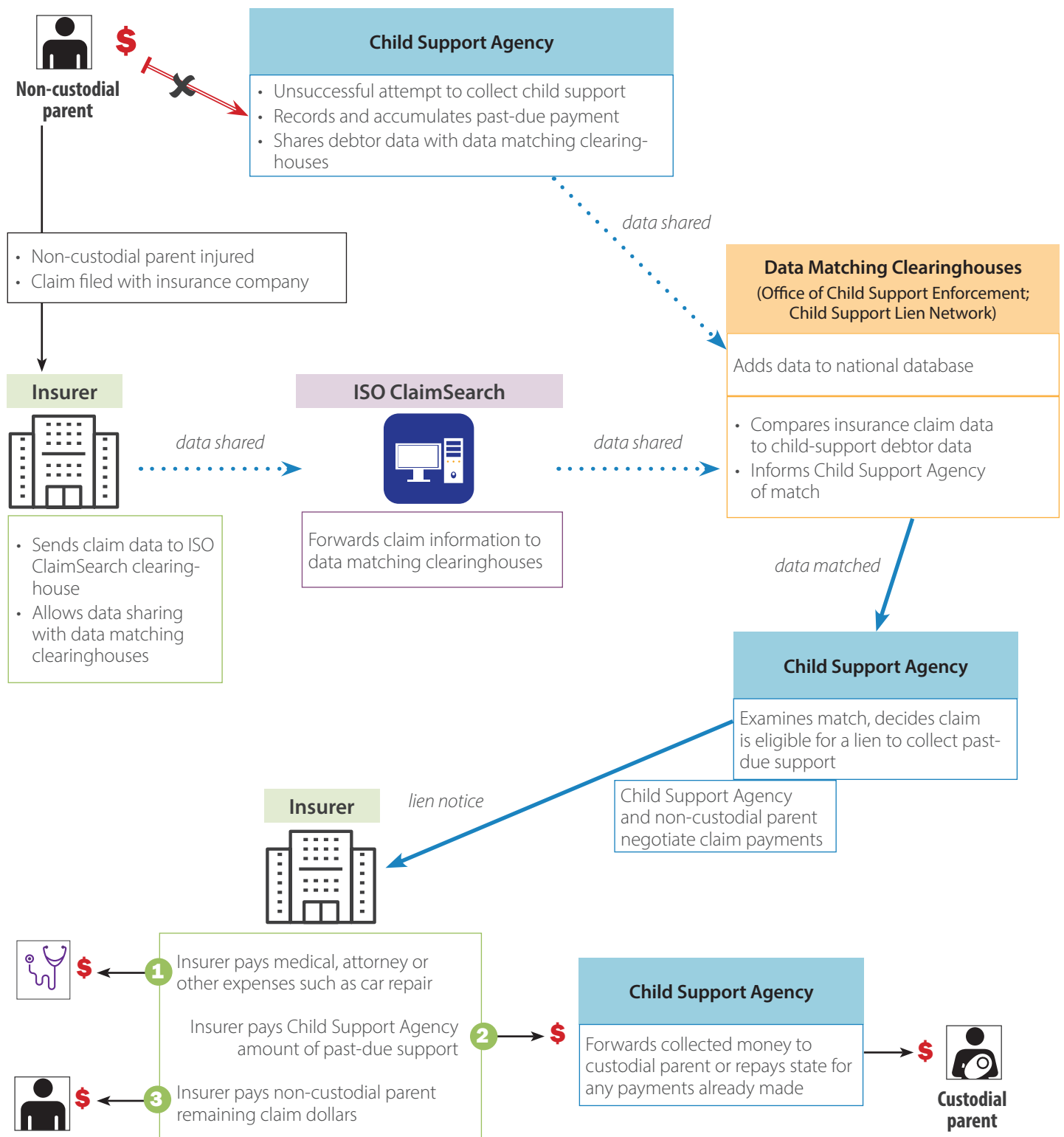
States wishing to establish an insurance claim intercept program can use two organizations to facilitate identifying eligible insurance claims for intercept:

The federal **Office of Child Support Enforcement** is responsible for overseeing the national child support program. It helps child support agencies develop, manage and operate their programs according to federal law using child support enforcement tools, including an insurance intercept matching service.

The public/private **Child Support Lien Network** provides an insurance intercept matching service to help state agencies quickly identify eligible insurance claims. The Network offers additional contractual services to state agencies, such as more comprehensive claim vetting for Office of Child Support Enforcement claim matches and follow-up services for issued liens.

Both organizations manage nationwide databases, helping agencies identify past-due collection opportunities from insurance claims across the country. They return matches to states, so states can place liens on eligible claims. States are not required to use these services, but the federal Office encourages them to do so.

Exhibit 1 – Example of an insurance intercept process to collect past-due child support



Source: Auditor created.

For an insurance intercept program to be most effective, the state's child support agency must be aware of as many eligible insurance claims as possible. Insurance companies can provide this data voluntarily or states can legally require their cooperation. When participation is required, one way insurance companies can meet the reporting requirements is by using the ISO ClaimSearch® Child Support Enforcement Agency (ISO) reporting service. Many insurance companies already report their claims data to ISO ClaimSearch® for fraud detection purposes. To participate in this service, insurers need only sign an agreement so ISO ClaimSearch® can share their claim information with the two data clearinghouses that specialize in matching claim information to past-due child support data.

Washington has an insurance intercept program, but participation is not required

State law already allows DCS to place liens on insurance claims. However, DCS is not necessarily aware of all eligible claims it might intercept, because state law does not require insurance companies operating in Washington to report new insurance claims for purposes of collecting past-due child support. Instead, DCS must rely on claims reported by insurers operating in states with mandatory reporting (listed in the sidebar), claims voluntarily reported by other insurers, and on tips submitted by the public.

Of the \$170 million in past-due support that was collected and distributed in fiscal year 2018, DCS reported collecting about \$1.8 million by intercepting money from insurance claim settlements. The collections from intercepted claim payments included claims from different types of insurance and claims that originated in other states, including out-of-state workers' compensations claims. DCS also collects child support from in-state workers' compensation claims, but does so through a separate process; that amount is not included in the \$1.8 million figure. Bodily injury claims are the most commonly intercepted claim types by DCS and other state child support agencies.

The Office of the Insurance Commissioner is responsible for regulating insurance companies that operate in Washington

Insurance companies that operate in Washington are regulated by the state's Office of the Insurance Commissioner. The Insurance Commissioner enforces the state's insurance code, and is responsible for regulating the state's insurance industry in the public interest. This can include conducting investigations or taking actions against insurance companies. The Insurance Commissioner would likely oversee some aspects of enforcing a mandatory insurance intercept program, which means their cooperation and support is important to a mandatory program's success.

States with mandatory programs

California
Colorado
Delaware
Massachusetts
Nevada
New Jersey
New York
Oklahoma
Oregon
Pennsylvania
Rhode Island
Texas

This audit examines whether Washington could increase collections of past-due child support by requiring insurance companies to participate in an insurance intercept program

While Washington already has a program in place to collect insurance claim payments from non-custodial parents who owe past-due child support, Washington insurance companies are not required to participate. We conducted this audit to answer the following question:

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

Audit Results

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

Answer in brief

Yes. Currently, Washington cannot collect child support from many eligible insurance claims because some insurance companies choose not to report them. Mandating claim reporting could help DCS almost double collections of past-due child support from intercepted insurance claims. We estimate DCS could provide families between \$1 million and \$3 million in additional support annually by requiring insurers operating in Washington to report bodily injury claims. Experiences of other states with mandatory insurance intercept programs suggest this estimate is reasonable. However, with more claims to process, DCS's operational costs will also increase, but far less than the additional \$1 million to \$3 million it would intercept.

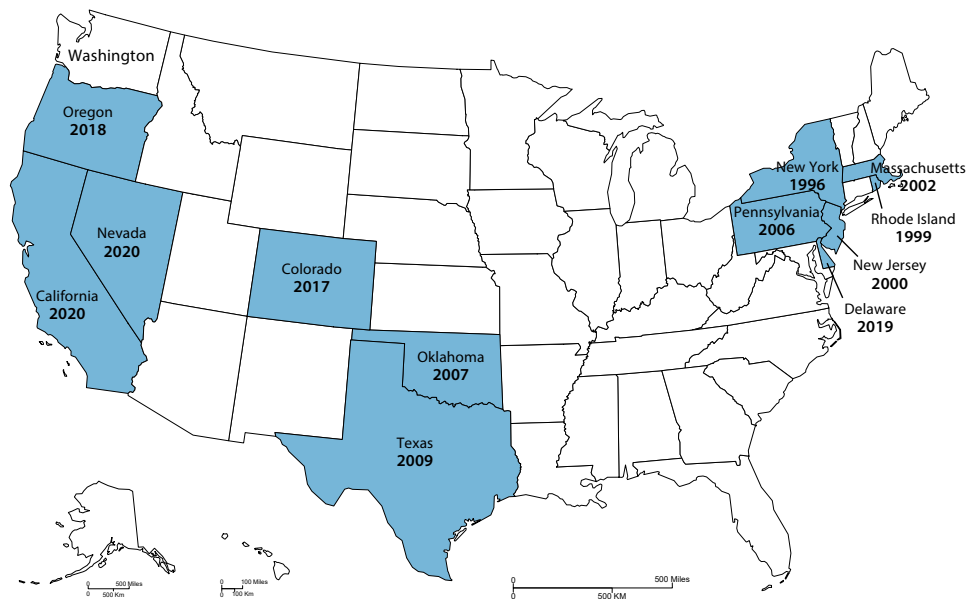
Washington could rely on the experiences of other states to address insurance industry concerns about a mandatory intercept program. A mandatory insurance intercept program could likewise build on Washington's existing program. Previous efforts to develop legislative language for a mandatory insurance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

Washington cannot collect child support from many eligible insurance claims because some insurance companies choose not to report them

DCS collects only a portion of past-due child support from eligible claims because Washington's practice of voluntary reporting means some of the largest insurance companies operating in Washington choose not to report their claims. For example, at least six of the top 10 auto liability insurers do not voluntarily report some or all of their Washington claims.

Exhibit 2 – Twelve states mandate insurance claim reporting for purposes of collecting past-due child support

With year mandate came into effect



Source: Auditor created using data from the Office of Child Support Enforcement's Intergovernmental Reference Guides and the Child Support Lien Network.

Twelve states have addressed this issue by mandating that insurance companies report claims (see Exhibit 2), although the types of claims that must be reported vary. The most commonly reported claims are bodily or personal injury, workers' compensation, and life insurance claims. All 12 states require companies to report bodily injury or personal injury claims and workers' compensation claims, and five states – California, Massachusetts, Nevada, Pennsylvania and Texas – require reporting of life insurance claims. Some states also collect on other types of claims, though this is less common and the reporting requirements vary. Appendix C lists all reportable claim types by state.

Mandating claim reporting could help DCS almost double collections of past-due child support from intercepted insurance claims

Requiring insurance companies to report all claims could help DCS increase its past-due collections from liens on insurance payments. This section of the report presents two ways to estimate the effect mandatory reporting would have on Washington's past-due child support collections. In addition, we reviewed the reported collection increases in the 12 mandatory-reporting states to determine how they changed following implementation of their programs.

We estimate DCS could provide families between \$1 million and \$3 million in additional support annually by requiring insurers operating in Washington to report bodily injury claims

If every insurer licensed to operate in Washington were required to report just bodily injury claims, DCS could collect more past-due child support from insurance intercepts. We estimated the gain at between 70 percent and 170 percent more from these intercepted claims – or roughly between \$1 million and \$3 million – annually, in addition to the \$1.8 million that DCS reported collecting from intercepted insurance claims in 2018. Because it can take up to three years to collect on an identified claim, the full increase amount would likely not be realized until three years after passage of a reporting requirement.

We developed this estimate based only on bodily injury claims related to automobile accidents for two reasons:

- They are the most commonly mandated claim type.
- They are the most common source of claims from which DCS currently collects past-due child support.

Because DCS does not report workers' compensation insurance intercepts in their collection numbers, we did not include those claims in our estimate. Liens on workers' compensation are collected on by the Department of Labor and Industries.

To determine the value of claims insurers are not reporting, we assessed which automobile liability insurers did not voluntarily report their Washington claims, and found that at least six of the top 10 insurers did not. These top 10 insurers (listed in Figure 2 in Appendix B) made up more than 80 percent of the \$3.6 billion auto liability market in 2018. This market includes very large national chains and smaller regional companies. Of the top 10 insurers, DCS and insurance stakeholders concluded that two companies were voluntarily reporting claims for matching to past-due child support data. Two others may voluntarily report some Washington claims, but neither DCS nor insurance stakeholders could verify whether reported claims were from Washington or another state.

An additional \$1 million to \$3 million in collections of past-due child support annually will benefit hundreds of Washington families, despite the more than \$2 billion owed in accumulated past-due child support. In some instances, money provided from intercepted insurance claims may be the only child support a custodial parent receives. In fact, while the average amount DCS collects on an insurance claim is about \$4,800, individual payments can range from less than a hundred dollars to one-time claim settlements in the tens of thousands of dollars. Regardless of whether the amount recovered is large or small, receiving child support is important to families.

Experiences of other states with mandatory insurance intercept programs suggest this estimate is reasonable

Examining the experiences of other states also offers an opportunity to estimate the gains in collections made possible by mandatory claims reporting. The Child Support Lien Network, one of the two major organizations that identify insurance claim matches, used data it had collected primarily from Colorado to demonstrate an alternative approach to estimating the potential increase in collections. The Network used Colorado data because it said Colorado's claim matches were comparable to Washington's before Colorado implemented mandatory reporting. We used the approach to develop another estimate, which suggests an annual increase in collections of about \$3 million is possible within three years – a number that is comparable to our other estimate. As with our other estimate, the increase would likely be incremental until the third year, because it can take up to three years to collect on insurance claims after they are identified. Appendix B provides additional detail about the methodology used to generate this estimate.

Other states experienced a wide range of increased collections after mandating insurance claim reporting. States that already had voluntary reporting in place, like Washington, reported increases in collections ranging from about 50 percent to almost 350 percent more than previous insurance intercept collection amounts. Some of these estimates are comparable to the 70 percent to 170 percent increase in collections we estimate for Washington in the previous section. Because there is no publicly available data for insurance intercept collections by state, we had to rely on information provided during interviews or in articles about the results of the mandatory intercept programs. As a result, the time frames for gains differ in the following examples.

- Oregon reported a nearly 50 percent increase in collections from insurance intercepts in the first year after mandating its program in 2018.
- Colorado reported its collections more than tripled within two years after passing its mandatory reporting law in 2017.
- Texas reported an 85% increase in collections from insurance intercepts after only one year of implementing its mandatory program in 2009.
- Oklahoma reported almost doubling collections from bodily injury insurance intercepts from 2009 to 2015, after mandating its program in late 2007.

Claim matches are another important indicator for states that introduce mandatory insurance claim reporting. The number of matched claims is useful early in program reporting because it can take up to three years to collect money after an eligible insurance claim is matched to an outstanding child-support debt. Delaware, for example, made its program mandatory in 2019 and reported an immediate upward trend in matches. Nevada started seeing increases in matches after its law passed in 2019, even before it went into effect in 2020. California also implemented mandatory reporting in 2020 and reported seeing a 50 percent increase in matches the first month.

With more claims to process, DCS's operational costs will also increase, but far less than the additional \$1 million to \$3 million it would intercept

DCS already has a process in place and a budget to cover the costs to monitor and collect past-due child support by intercepting insurance claim payments. As the number of insurance claims to monitor rises, so will DCS's workload and associated costs for staff and claim matching services. For example, DCS told us it takes two employees to work the current insurance intercept program. We estimated if DCS doubled its staff to address a doubling of workload, it would cost no more than \$200,000 a year. In addition, if DCS received twice the number of matches from the Child Support Lien Network, the fees paid to the Network would increase by around \$23,000 a year.

The additional staffing estimates are based on DCS's current processes, which include time spent to verify matches received, and also assume DCS will continue to use both data matching clearinghouses as they currently do.

Washington could rely on the experiences of other states to address insurance industry concerns about a mandatory intercept program

The 12 states that already require insurance companies operating in their state to participate in their insurance intercept programs have experience that could help Washington as it develops a new law. We asked insurance companies about their concerns, researched all 12 states' programs, and spoke with child support agency officials in 10 of them (listed in the sidebar) to identify aspects of their programs and how they developed their laws and regulations.

Consider factors that could inadvertently hamper insurance companies

Insurance representatives we spoke to broadly agreed with the importance of collecting past-due child support. When considering mandatory programs that serve this goal, the representatives we spoke to said such programs should consider and address certain factors that could have negative effects on the insurance businesses' operations and costs.

One representative from a large national insurance company said that even with an automated claim match process, considerable effort goes into complying with such programs. This representative indicated that insurance intercept programs would place a staffing burden on a large insurer with a high volume of claims in a mandatory-reporting state.

States interviewed:

California
Colorado
Delaware
Massachusetts
Nevada
New Jersey
New York
Oregon
Pennsylvania
Rhode Island

Not interviewed:

Oklahoma
Texas

However, a representative from a smaller, regional insurer said Washington's voluntary reporting program had minimal effect on the company's operations. Since liens against claims are common, an additional child support lien did not change the company's settlement process and added little complexity for its claims adjusters.

Other factors industry representatives said should be considered:

- Ensuring clear requirements in state law and/or regulation that address items including what order liens are paid; what impact requirements have on claim processing times; and how a new mandatory program interplays with other laws describing companies' legal liability.
- Avoiding creation of a database exclusive to Washington, since two national clearinghouses already exist.

Work with insurance companies before and during program development

Child support agencies in other states worked closely with members of the insurance industry in the early stages of program development to help ensure industry concerns were addressed. Considering insurer needs helped minimize pushback from the insurance industry when the bills went through the legislative process. The various strategies used by the states to gain insurer support included:

- At least seven states said they worked extensively with insurers during program development, including through work groups.
- California's effort was led by its insurance regulator, who sets and enforces insurance industry requirements.
- Three states agreed to specifically exclude life insurance from mandatory reporting due to concerns from the industry.
- Colorado and Massachusetts phased in their programs over a couple of years to help insurance companies adjust to the new requirements.

Despite the initial concerns of insurance companies, the states we spoke to reported that they experienced no major problems with insurance company compliance after mandating participation in an insurance intercept program.

Consider other state practices to improve Washington’s chances for a successful mandatory program

Our review of other states’ laws and interviews with officials also produced a list of commonly used practices DCS could use to develop Washington’s mandatory program.

Allow insurance companies to use existing networks to report claims. Ten states allow claim reporting through either or both of the widely used data matching clearinghouses, the Office of Child Support Enforcement and Child Support Lien Network. Two states (Massachusetts and New York) use their own claim-matching systems, but still offer automated reporting options for insurers.

Allow other lienholders to retain certain reasonable costs and fees. Insurance settlements cover a variety of costs and fees, such as medical expenses, automobile damage and attorney fees. All 12 states allow payments for reasonable, claim-related attorney fees or medical costs before they collect any past-due child support. In addition, 10 of the 12 states allow payments related to the repair or replacement of property, like automobile damage, before they collect. State child support agencies, including Washington’s, said that some claimants submit costs unrelated to the claim, which means that the child support agency must review claim costs to ensure all submitted costs are appropriate for the actual claim.

Determine which claims types will be required for mandatory reporting. All 12 states intercept bodily or personal injury claims and workers’ compensation, and five also intercept life insurance claims. Fewer states have added other types of insurance claims to their mandatory reporting programs. While more eligible claim types allows for more collections, states reported that insurers are hesitant to work with those less commonly subject to intercept.

Specify the dollar value of claims payments to intercept. Setting a claim threshold too high will limit the number of claims available for intercept and so decrease the total amount of collections. On the other hand, low claim thresholds can increase operational costs for insurers by increasing the number of related liens they must process. Four states set a minimum amount of \$500, while three set minimum claims thresholds ranging from \$1,000 to \$2,000. The remainder will intercept claims of any value.

Include provisions that protect insurance companies from liability. These provisions protect insurance companies from lawsuits when they comply with state child support liens and usually specify insurers have to be acting in good faith for protections to apply. They are generally supported by federal law (see sidebar), which protects them from liability when they act in accordance with the federal insurance matching law. However, some states reported they had to work closely with insurance companies to strengthen these protections in order to secure insurer support for legislation.

Federal law already offers insurers “good faith” protections

An insurer (including any agent of an insurer) shall not be liable under any Federal or State law to any person for any disclosure provided for under this subsection, or for any other action taken in good faith in accordance with this subsection.

USC 2017, Title 42, Chapter 7, Subchapter IV, Part D, Section 652, (m)(2) Liability

Consider what enforcement authority is appropriate. Some states had enforcement authority for both failing to report a claim and failing to respond to a lien; others had the authority only for the latter. A few had no enforcement authority at all. The penalties for not complying included specific monetary penalties and holding insurers liable for the claim amount. None of the interviewed states reported using their enforcement authority. Any issues that came up after program implementation were typically resolved through conversation or negotiation.

States used different strategies to incorporate mandatory reporting requirements in their legal frameworks

States varied in the methods they used to establish their new mandatory insurance intercept program. Some states included the majority of program requirements into the establishing statute, while others also described requirements in state regulations. Furthermore, some added their insurance claim intercept laws into their social services or domestic relations statutes, some in their insurance statutes, and some did so in multiple statutes, depending on the different aspects of the law. For example, New York placed program requirements in its social services statute, but enforcement authority and insurer protections in its insurance statute.

There are pros and cons to the various options. For example, putting program details in regulation allows the state more flexibility to make changes in the future. However, this approach could create a gap in time between passage of the law and enacting the regulations, which can prompt unnecessary questions about program details from insurance companies.

A mandatory insurance intercept program could build on Washington's existing program

In addition to the lessons gained from the experiences of other states, Washington can build on successful elements of its existing voluntary program. DCS staff said that in addition to maintaining some flexibility in the way they operate a new, mandatory reporting program, there are certain components of the current program they would like to maintain.

Authority to pursue any claim. When DCS is made aware of an insurance claim – for example, by receiving a tip – current law gives it wide authority to pursue the claim, regardless of its type or amount. The agency would like to maintain this authority, even if legislation only requires insurance companies to report certain claim types.

Ability to compromise with non-custodial parents. If DCS intercepts a claim, it has the flexibility to negotiate with the non-custodial parent. Allowing the non-custodial parent to keep some portion of the claim settlement amount can promote cooperation, if needed. In these instances, DCS would prefer to compromise on the amount of past-due support collected, rather than get no funds at all if the non-custodial parent decides to drop the claim because they do not expect to receive any of it.

Allow other lienholders to retain certain reasonable costs and fees. DCS currently does not collect claims payment dollars designated for attorney fees and medical expenses. The agency considers this a best practice but it is not required by law or regulation: DCS has the authority to collect this money if it chooses to. If this practice is incorporated into law, DCS would like to add language to specify only reasonable costs and claim-related fees be paid before past-due child support.

Previous efforts to develop legislative language for a mandatory insurance intercept program provide a starting point

The idea of establishing a mandatory insurance intercept program in Washington is not new. Staff from the Department of Social and Health Services (DSHS) have had ongoing discussions with staff from the Office of the Insurance Commissioner and insurance industry representatives to discuss such a program. Initial attempts to develop a mandatory intercept program began more than five years ago. However, none of the participants have formally proposed legislation for several reasons, including timing, the availability of agency resources, and competing legislative priorities of the agencies.

DSHS has already addressed significant issues, but work remains to be done. During earlier efforts, staff from the Office of the Insurance Commissioner said they were involved too late in the process for their contributions or views to be meaningful or timely. In more recent discussions, they have been involved earlier in the process. DSHS also refined an earlier concept of a broader debt registry, unique to Washington, that would have encompassed many debts other than child support. This proposal was met with much opposition, so recent discussions have focused on an insurance intercept program solely for past-due child support.

Two issues that may require additional discussion include:

- **How and when program details are put into statute and regulation.** DSHS has concerns about defining all program details in statute as opposed to in regulations, because statute is less flexible for adjusting program details over time. Insurers are concerned that delays in the publication of regulations after implementation of a statute can create confusion and raise questions about how to comply with a new law.

- **Details about insurer liability under a mandatory law.** While staff at the Office of the Insurance Commissioner told us the current liability clause under Washington's voluntary insurance intercept program is sufficient, they said they would need to see the actual language of proposed legislation to determine whether it would be sufficient for a mandatory program.

Renewed efforts and cooperation between DSHS, the Office of the Insurance Commissioner and insurance industry representatives have produced draft legislative language that could form the basis of a new bill. Similarly, DSHS and the Office of the Insurance Commissioner came to agreement during the audit that enforcement authority under a mandatory insurance intercept program should remain with the Insurance Commissioner, setting the stage for greater progress in months to come.

State Auditor's Conclusions

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

For the Washington State Legislature

We recommend the Legislature enact a new law requiring insurance companies conducting business in Washington to participate in an insurance payment intercept program to increase collections of past-due child support payments.

In drafting the text, we recommend legislators consider language developed collaboratively with the Department of Social and Health Services, the Office of the Insurance Commissioner and insurance company stakeholders.

The law should:

- Allow companies to use existing systems for reporting claims data, such as the public/private Child Support Lien Network and the federal Office of Child Support Enforcement, rather than establish a state-specific system
- Exempt reasonable claim-related attorney fees and medical costs from intercept
- Protect insurance companies from legal liability when they comply with the law in good faith
- Determine which types of insurance claims will be subject to intercept

Agency Response



STATE OF WASHINGTON

August 31, 2020

Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

Thank you for the opportunity to review and respond to the State Auditor's Office performance audit report, "Child Support Payments: Increasing past-due collections through mandatory interception of insurance payments." The Department of Social and Health Services collaborated with the Office of Financial Management to provide this response.

We agree that a mandatory insurance intercept program would benefit families. We support the SAO's recommendation to the Legislature to enact a new law requiring insurance companies that conduct business in Washington to participate in an insurance payment intercept program. As the report notes, there have been prior efforts to advance this concept beyond the current optional participation. We agree that with renewed efforts and cooperation between DSHS, the Office of the Insurance Commissioner, insurance industry representatives, as well as the support of the Governor's Office, it will be possible to draft new legislation.

The DSHS Division of Child Support (DCS) collects over \$600 million in current and past-due child support annually. Child support collections are a critical bridge in reducing poverty. The recommendation in this report supports DSHS' goal of reducing the number of individuals and families living in poverty by 50% by 2025, in a way that eliminates disparities.

DCS has authority to use various enforcement mechanisms to collect child support. Adding mandatory insurance claim reporting would enhance the collection program and potentially bring support to many more families. However, we are somewhat skeptical of the report's estimated \$1 million to \$3 million in additional collections each year. We appreciate the SAO's methodology for determining this estimate and acknowledgement that the full increase may not be realized for a few years. However, given the current economy and difficulties in determining the collection potential, we recommend using a more conservative estimate or referencing the current economic climate.

As mentioned in the audit report, two DCS employees currently use a manual process to monitor the insurance claims. The report notes that as the number of monitored insurance claims increases, so will DCS's workload and associated costs for staff. The auditor estimates that doubling DCS staff to address the increased workload would cost no more than \$200,000 a year. However, the report did not capture other costs associated with an increase in workload, such as IT support resources. If legislation is proposed, DSHS will prepare a fiscal note showing the full cost associated with implementation and ongoing service delivery.

Honorable Pat McCarthy
August 31, 2020
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Please convey our thanks to your audit team. We believe any increase in child support collections will make a difference and be greatly appreciated by the families receiving the funds.

Sincerely,



Cheryl Strange
Secretary
Department of Social and Health Services



David Schumacher
Director
Office of Financial Management

cc: David Postman, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Drew Shirk, Executive Director of Legislative Affairs, Office of the Governor
Pat Lashway, Deputy Director, Office of Financial Management
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Keith Phillips, Director of Policy, Office of the Governor
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MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

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OFFICE OF
INSURANCE COMMISSIONER

August 3, 2020

Pat McCarthy, State Auditor
302 Sid Snyder Avenue Southwest
Olympia, Washington 98501

Re: Washington State Auditor's Office Performance Audit of Child Support Payments – July 13, 2020

Dear Ms. McCarthy:

I would like to thank the Washington State Auditor's Office (SAO) for conducting the Child Support Payments Performance Audit and for the opportunity to respond to the technical draft report. Although our office was not officially examined by your agency as part of this performance audit, we are pleased to receive your recommendations on how the Office of the Insurance Commissioner (OIC) can contribute to improving the collection of child payments in our state.

There were several recommendations on page 18 of the report, including pursuing legislation requiring insurance companies doing business in Washington to participate in an insurance payment intercept program. My office is prepared to collaborate with the SAO, the Department of Social and Health Services, and industry and insurance company stakeholders to develop suitable language to propose legislation requiring company participation in a mandatory insurance payment intercept program.

Based on our review of the report and considering the experience of states that currently operate a mandatory insurance payment intercept program, the OIC must undertake several steps to implement this program successfully. These steps will include auditing insurance company claims to ensure proper reporting and compliance with the new program, and possibly seeking additional legal authority to take enforcement action should an insurance company violate the program requirements.

Thank you again for providing this opportunity to comment. I look forward to moving this effort forward together.

Sincerely,

A handwritten signature in black ink that reads "Mike Kreidler".

Mike Kreidler,
Insurance Commissioner

Mailing Address: PO Box 40255 Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd Tumwater WA 98501

Please note

The Office of the Insurance Commissioner reviewed both a technical draft of the report and the final report. After reviewing the final draft, the Office had no additional comments to those provided in the letter dated August 3, 2020, which is included in this report on the previous page.

Appendix A: Initiative 900 and Auditing Standards

Initiative 900 requirements

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor’s Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor’s Office to “review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.” Performance audits are to be conducted according to U.S. Government Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor’s Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in the audit. Specific issues are discussed in the Results and Recommendations sections of this report.

I-900 element	Addressed in the audit
1. Identify cost savings	No. However, the audit did estimate how much more past-due child support could be collected if insurance companies doing business in Washington were required to report claim information to help identify the claims of non-custodial parents who owe child support.
2. Identify services that can be reduced or eliminated	No. The audit evaluated how much money the state might obtain by placing liens on certain private insurance payments to help pay past-due child support. It did not review the services provided by the Division of Child Support or other state agencies for possible reduction or elimination.
3. Identify programs or services that can be transferred to the private sector	No. The audit evaluated services that are already provided by a public/private partnership. It did not review whether current child support services provided by the Department of Social and Health Services should be transferred to the private sector.

I-900 element	Addressed in the audit
4. Analyze gaps or overlaps in programs or services and provide recommendations to correct them	Yes. The audit analyzed the gap between the amount of past-due child support currently collected under a voluntary insurance intercept program, and how much could be collected with a mandatory one. The audit found that Washington could almost double collections from insurance intercepts by closing this gap.
5. Assess feasibility of pooling information technology systems within the department	No. The audit focused on a requirement for insurance companies to participate in a state program. It did not focus on state systems used to implement that program, or review the feasibility of pooling IT systems.
6. Analyze departmental roles and functions, and provide recommendations to change or eliminate them	Yes. The audit recommends making insurance claim reporting mandatory, which would add to Division of Child Support’s functions.
7. Provide recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	Yes. The audit recommends that the Legislature work with the Department of Social and Health Services, the Office of the Insurance Commissioner, and other insurance industry stakeholders to change state statute and regulations to make participation in Washington’s insurance intercept program mandatory.
8. Analyze departmental performance data, performance measures and self-assessment systems	No. The audit focused on the participation of private companies in a state program. It did not analyze the performance, performance measures or self-assessment systems of that state program.
9. Identify relevant best practices	Yes. The audit identifies best practices related to insurance intercept programs using federal policy on the matter, as well as the experiences and policies of other states with mandatory programs.

Compliance with generally accepted government auditing standards

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted government auditing standards as published in Government Auditing Standards (December 2018 revision) issued by the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Appendix B: Scope, Objectives and Methodology

Scope

The scope of this audit included Washington's past-due child support payments collected by the Division of Child Support (DCS) from intercepted insurance claim payments made between January 2017 and December 2019. It did not include a review of DCS's collection processes, but instead reviewed whether a new policy in Washington would increase past-due child support collections.

Objectives

While Washington already has a program in place to collect insurance claim payments from non-custodial parents who owe past-due child support, insurance companies operating in the state are not required to report claims that may be eligible. Some other states do require insurance companies to participate in an insurance intercept program. We conducted this audit to answer the following question:

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

Methodology

We obtained the evidence used to support the findings, conclusions and recommendations in this audit report during our fieldwork period (December 2019 to May 2020), with some additional follow-up work afterward. We have summarized the work we performed to address the audit objective in the following section.

To address our objective, we reviewed insurance claim and collection data supplied by DCS for the calendar years 2017, 2018 and 2019, as well as Washington state automobile liability insurance market share data for 2018. We conducted research on 12 states that have a mandatory reporting law, reviewing their laws, regulations and other program information to identify requirements around their mandatory reporting programs. We also interviewed program officials in 10 of the 12 states to gain additional information about how they developed and implemented their own programs. These officials provided estimates of the increase in matches and collections they experienced after implementing a mandatory insurance intercept program.

For each state with a mandatory insurance intercept program, we reviewed child support collections for the three years preceding and the three years following the year the state mandated its program, as well as the most recent five years of collections. **Figure 1** lists the 12 states with the year their program became mandatory and the years of child support data we reviewed. In some cases, because programs were put in place only recently or because they were implemented so long ago they lacked data, we were unable to review all years.

Figure 1 – States with a mandatory insurance intercept program

Year of implementation, years of program data reviewed

State	Year program became mandatory	Years of child support data reviewed
California	2020	2017-2020 *
Colorado	2017	2014-2020 *
Delaware	2019	2016-2020 *
Massachusetts	2002	1999-2005
Nevada	2020	2017-2020 *
New Jersey	2002	1999-2005
New York	1996	1998-1999 †
Oklahoma	2007	2004-2010
Oregon	2018	2015-2020 *
Pennsylvania	2006	2003-2009
Rhode Island	1999	1998-2002 †
Texas	2009	2006-2012

Data notes: Data was collected from all states for the years 2014-2018, regardless of when the program was mandated. However, we only analyzed states' information concerning the three years before and after their programs became mandatory.

* Detailed child support data for 2019 and 2020 was unavailable at time of analysis.

† Detailed data was unavailable for 1996 and 1997. In these cases, if available, we used data reported by the state child support agencies.

Source: Office of Child Support Enforcement's Intergovernmental Reference Guides; Child Support Lien Network.

Methods for estimating potential past-due collection increases

We used two methods to estimate the potential increase in past-due child support collections that DCS could receive if the state made participation in an insurance intercept program mandatory. Both of the estimates used historical insurance intercept collection totals reported by DCS as the baseline for estimating increases.

Market share analysis

The first estimate analyzed Washington's automobile liability insurance market share information to determine how much collections could increase if all insurers reported their claims. Figure 2 lists the top 10 automobile liability insurers in Washington by market share. Between them, these insurance groups, including their subsidiary companies, represent 83 percent of this market share in Washington.

Figure 2 – Top 10 automobile liability insurers in Washington

2018 Washington automobile liability market share and current voluntary claim reporting status for bodily injury claims

Insurance Group	Market share ¹	Voluntarily reports bodily injury claims ²
State Farm Group	16%	No
Berkshire Hathaway Group (GEICO)	12%	No
Progressive Group	10%	No
Liberty Mutual Group	10%	Reports some but not all claims
Allstate Insurance Group	9%	Yes
United Services Automobile Association Group (USAA)	8%	Inconclusive, may or may not be reporting some claims
Farmers Insurance Group	7%	No
Pemco Mutual Insurance Company	5%	Yes
American Family Insurance Group	4%	No
Hartford Fire and Casualty Group	2%	No
Total market share for top 10	83%	

Data sources:

1. National Association of Insurance Commissioners 2018 Market Share Reports for Property/Casualty Groups and Companies By State and Countrywide, pdf page 418.

2. Analysis of insurer practices as of March 2020, drawn from interviews with the Child Support Lien Network and DCS, as well as DCS-reported data for intercepted insurance claim payments.

Once we had identified the companies, we attempted to determine whether they voluntarily reported their claims by reviewing information from stakeholder interviews and collections data from DCS. We then used the percentage of the market share from insurers that were not reporting their claims compared to the past-due collection totals reported by DCS to identify the potential increase in past-due collections.

We were unable to determine with absolute certainty whether two insurers were voluntarily reporting all of their claims. Thus, the estimate provides a range of potential collections, which includes the possibility that the two companies are not currently reporting all claims.

Projected insurance claim match analysis

The second method used Colorado's increases in claim matches when they implemented their mandatory insurance intercept program to inform an estimate of Washington's potential increase in claim matches, and thereby past-due collections. This method was provided by the public/private Child Support Lien Network and was based on average collection amounts and increases in matches after Colorado made its program mandatory.

The Child Support Lien Network suggested we compare to Colorado because of their relative similarity to Washington in terms of the number of voluntary matches and the amount of past-due child support collections they reported before implementing a mandatory insurance intercept program. We used the growth in matches from Colorado reported by the Child Support Lien Network and applied that growth to Washington's current matches, as reported by DCS. We then applied the percentage of matches that would likely result in collections, as well as the average collection amount per insurance intercept claim, which were also generated using information reported by DCS, to calculate a total potential increase in insurance intercept collections for Washington. Because Colorado's claim increases included workers' compensation claims as well as bodily injury claims, we adjusted the projected estimate down by 11 percent to take into account the fact that Washington already collects workers' compensation using a different program.

Data limitations

Insurance intercept claim and collection data from the Division of Child Support

We asked DCS to supply data for historical insurance intercept claim matches and collections. This information serves as the baseline for estimating the potential increase in past-due child support collections that Washington might experience if participation in an insurance intercept program became mandatory.

To evaluate the reliability of the amount of insurance intercept collections DCS reported, we compared this amount to a list of individual claim collections provided by DCS. We then confirmed that a selection of individual claim collections from that list were received. To do this, we verified copies of the actual checks or electronic remittances and verified these payments were posted to the accounts of the custodial parents identified by the insurance companies. We gained reasonable assurance about the reliability of the list of individual claim collections.

We were unable to verify other DCS data used to estimate the potential increase in collections because DCS staff do not document certain details related to individual claim records and track some data manually. We could not verify the proportion of annual child support collections by insurance type, the amount of insurance intercept collections DCS receives from other states, and what their average collection success rate is. DCS staff provided their best estimates of these data points based on their experience working with the program.

Despite these limitations, we believe our estimate is likely still reasonable, in part because our estimate of the additional intercept collections DCS could collect with a change in statute appeared comparable to self-reported collections from other states interviewed during the course of the audit.

Washington insurance market share data

To analyze the market share data and make a determination about which insurance companies are not voluntarily sharing their Washington claim information, we relied upon information provided by the public/private Child Support Lien Network, and two insurance companies themselves, which was then verified in part by DCS staff and collections data. We were unable to verify the assumptions used in our determination with insurance company stakeholders, but because the Child Support Lien Network is an expert in the insurance claims intercept field, and DCS staff have extensive knowledge of their current insurance intercept program including some of the insurers in question, we feel the conclusions are sufficiently reliable to provide a reasonable basis for our audit findings and conclusions.

Insurance intercept claim and collection data from other states

The main limitation of the audit evidence from other states is that we were unable to audit or verify the information they provided about their annual insurance intercept matches and collections totals. This is because the data is self-reported and not publicly available. States are required to report total annual child support collections, and break this total out into various subcategories, but they are not required to isolate collections that they gathered specifically from insurance intercepts. Likewise, the data is unique in that it is not published in another format that would allow us to compare values for relative accuracy. Therefore, we were unable to further test the data from other states for reliability beyond a basic review of missing values and appropriateness. This data was not used as the basis of our audit findings and conclusions, but we did use it to provide additional context to our primary audit evidence.

Appendix C: Other States' Insurance Intercept Laws

During the audit, we identified insurance intercept program details from the 12 states with mandatory reporting laws. The following tables are the result of interviews conducted with states and auditor analysis using mandatory state statutes which are included as a subheader for each state, and referenced specifically for each category.

Here, we summarize the program details of each state, and include references to the statute/rule that guides that program detail (for example, minimum claim amounts). Each listing includes the state website where it was sourced.

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Figure 3 – California: California Insurance Code, Sections 13550-13555

Data source: https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=3.&title=&part=&chapter=2.&article=8

Reporting	Office of Child Support Enforcement (OCSE) or Child Support Lien Network (CSLN). Cal Ins 13550(a-b), (f)(3) and Cal Ins 13553
Claim Types	Personal injury, life, disability, mutual funds, annuity claims and workers' compensation. Property damage claims are excluded. Cal Ins 13550(b-e)
Minimum Claim Amount	Insurance companies are required to report claims of at least \$1,000, although they are allowed to report all claims. Cal Ins 13550(b)(1)
Minimum Arrears Amount	No minimum threshold in law. \$500 minimum threshold used operationally.
Precedence of Attorney and Medical Fees	Attorney fees and medical costs are both paid first operationally, but only medical costs are in statute. Cal Ins 13550(c)(2)
Insurer Protections	Statute includes protections for insurers acting in good faith. Cal Ins 13553
Enforcement Remedies	No enforcement remedies in law

Figure 4 – Colorado: Colorado Revised Statutes, Title 26, Human Services Code, Article 13, Section 122.7

Data source: <https://leg.colorado.gov/sites/default/files/images/olls/crs2019-title-26.pdf>

Reporting	CLSN or OCSE. CRS 26-13-122.7(1)(a)
Claim Types	Personal injury under liability, wrongful death, and workers' compensation. CRS 26-13-122.7(1)(c)(I), (IV)
Minimum Claim Amount	\$1,000. CRS 26-13-122.7(1)(c)(I)
Minimum Arrears Amount	No minimum arrears threshold in law. \$500 used operationally.
Precedence of Attorney and Medical Fees	Medical costs are paid first for all claims. Attorney fees are only paid first for bodily injury claims. CRS 26-13-122.7(1)(c)(II)(B), (8)
Insurer Protections	Statute includes protections for insurers acting in good faith. CRS 26-13-122.7(2)
Enforcement Remedies	No enforcement remedies in law

Figure 5 – Delaware: Delaware Code, Title 13, Domestic Relations, Chapter 22, Sections 2215 and 2215A

Data source: <https://delcode.delaware.gov/title13/c022/index.shtml>

Reporting	CSLN or OCSE. 13 Del. C., § 2215A (b-c)
Claim Types	Personal injury and workers' compensation. Negligence under personal injury only (not medical or property claims). 13 Del. C., § 2215A(b)(1)
Minimum Claim Amount	No minimum threshold in law.
Minimum Arrears Amount	No minimum threshold in law. \$500 and no voluntary payments in the past 60 calendar days used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. 13 Del. C., § 2215(g) (3-4)
Insurer Protections	Statute includes protections for insurers acting in good faith. 13 Del. C., § 2215(e)
Enforcement Remedies	Liability for judgment amount for failure to report claim and for failure to respond to lien. 13 Del. C., § 2215(g)

Figure 6 – Massachusetts: Massachusetts General Laws, Chapter 175, Insurance, Section 24D

Data source: <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter175/Section24D>

Reporting	State system. Mass. Gen. Laws, ch. 175, § 24D(a)
Claim Types	Any third-party claims (i.e., claims that are not on behalf of insurers' clients) and workers' compensation. Mass. Gen. Laws ch. 175, § 24D(a),(g)
Minimum Claim Amount	\$500. Mass. Gen. Laws, ch. 175, § 24D(a)
Minimum Arrears Amount	No minimum threshold in law. \$1,000 minimum threshold used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. Mass. Gen. Laws, ch. 175, § 24D(b)
Insurer Protections	Statute includes protections. Mass. Gen. Laws, ch. 175, § 24D(d)
Enforcement Remedies	Penalties for failing to report claims and penalties and/or liability for judgment amount for failing to respond to lien. Mass. Gen. Laws, ch. 175, § 24D(d)

Figure 7 – Nevada: Nevada Revised Statutes, Title 38, Public Welfare, Chapter 425, Section 364Data source: <https://www.leg.state.nv.us/NRS/NRS-425.html#NRS425Sec364>

Reporting	CSLN or OCSE. NRS § 425.364(1-2),(6),(8)
Claim Types	Personal injury, life, and workers' compensation. NRS § 425.364(1),(7),(9)
Minimum Claim Amount	No minimum threshold in law.
Minimum Arrears Amount	No minimum threshold in law. \$500 minimum threshold used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. NRS § 425.364(4)
Insurer Protections	Statute includes protections for insurers acting in good faith. NRS § 425.364(5)
Enforcement Remedies	No enforcement remedies in law.

Figure 8 – New Jersey: New Jersey Revised Statutes, Title 2a, Administration of Civil and Criminal Justice, Section 2A:17-56.23(a) and (b), Section 2A:17-56.34

New Jersey Administrative Code, Title 10, Human Services, Chapter 110

Data sources: <https://lis.njleg.state.nj.us/nxt/gateway.dll?f=templates&fn=default.htm&vid=Publish:10.1048/Enu>
<https://advance.lexis.com/container?config=00JAA5OTY5MTdjZi1lMzYxLTQxNTFtOWFkNi0xMmU5ZTViODQ2M2MKAfBvZENhdGFsb2coFSYEAfv22IKqMT9DIHrf&crd=d0baf207-3657-45b6-94ba-7d63f4e1b968&prid=33451b5f-680a-48b9-8cc2-b0f03cbadf62>

Reporting	CSLN or OCSE. CSLN vets OCSE matches. NJSA 2A:17-56.23(b)(2) and NJAC 10:110(u)(2)
Claim Types	Inheritances, personal injury settlements, employer injury related and labor arbitration. Workers' compensation claims are handled separately. NJSA 2A:17-56.23(b)(1)(a)
Minimum Claim Amount	\$2,000. NJSA 2A:17-56.23(b)(1)(a)
Minimum Arrears Amount	No minimum threshold in law. \$1,000 minimum (arrears-only cases) or three months' support owed (current cases) are used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. NJSA 2A:17-56.23(b)(1)(a)
Insurer Protections	Statute includes protections for insurers. NJSA 2A:17-56.23(b)(1)(d-f)
Enforcement Remedies	Liability for judgment amount for failure to respond to lien. NJSA 2A:17-56.23(a)(1)

Figure 9 – New York: Consolidated Laws of New York, Insurance Law, Article 1, Section 109 and Article 3, Section 340 and Social Services Law, Article 3, Title 6, Section 111(u)

Data source: <http://public.leginfo.state.ny.us/lawssrch.cgi?NVLWO>:

Reporting	State system. NY Ins, art 3, § 340(b-c)
Claim Types	Bodily injury and death benefits from personal injury claims. Workers' compensation is handled separately. NY Ins, art 3, § 340(b)
Minimum Claim Amount	No minimum threshold in law.
Minimum Arrears Amount	Four months of arrears due. NY Soc Serv, § 111(u)(1).
Precedence of Attorney and Medical Fees	Medical costs and attorney fees are paid first operationally, but not required in statute.
Insurer Protections	Statute includes protections for insurers acting in the absence of fraud and bad faith. NY Ins, art 3, § 340(d),(f)
Enforcement Remedies	Penalties, forfeiture, and/or criminal charges for failing to report claims and/or failing to respond to liens. NY Ins, art 1, § 109(a-c)

Figure 10 – Oklahoma: Oklahoma Statutes, Title 56, Poor Persons, Section 237B; Title 43, Marriage and Family, Section 135

Data source: <http://www.oklegislature.gov/osStatuesTitle.aspx>

Reporting	OCSE. 56 OS § 237B(B-D)
Claim Types	Personal injury, wrongful death, and workers' compensation. 56 OS § 237B(A)
Minimum Claim Amount	\$500. 56 OS § 237B(B)
Minimum Arrears Amount	One month of arrears. 43 OS § 135
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. 56 OS § 237B(F).
Insurer Protections	Statute includes protections for insurers. 56 OS § 237B(J)(3),(L)
Enforcement Remedies	Penalties for failing to report claims and for failing to respond to liens. 56 OS § 237B(H)

Figure 11 – Oregon: Oregon Revised Statutes, Title 2, Courts, Oregon Rules of Civil Procedure, Chapter 25, Support Enforcement, Sections 640-646, 670, 680
Oregon Administrative Rules, Chapter 137, Department of Justice, Division 55, Section 4510

Data source: https://www.oregonlegislature.gov/bills_laws/ors/ors025.html

Reporting	OCSE. ORS 25.643(1-4), (7) and OAR 137-055-4510
Claim Types	Liability, uninsured auto and workers' compensation. Excludes property damage. ORS 25.640(1-2),(4)(d)
Minimum Claim Amount	\$500. ORS 25.640(1-2),(4)(d)
Minimum Arrears Amount	No minimum threshold in law. \$500 minimum threshold used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. ORS 25.670(1), 25.680(3)
Insurer Protections	Statute includes protections for insurers acting in good faith. ORS 25.643(6)
Enforcement Remedies	No enforcement remedies in law.

Figure 12 – Pennsylvania: Consolidated Statutes of Pennsylvania, Title 23, Domestic Relations, Chapter 43, Subchapter A, Sections 4305 and 4308.1

Data source: <https://www.legis.state.pa.us/WU01/LI/LI/CT/PDF/23/23.PDF>

Reporting	CSLN or OCSE. CSLN vets OCSE matches. 23 PaCS § 4308.1(d)
Claim Types	Personal injury, life, and workers' compensation. 23 PaCS § 4308.1(i)
Minimum Claim Amount	No minimum threshold in law.
Minimum Arrears Amount	No minimum threshold in law. \$1,000 minimum threshold used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. 23 PaCS § 4308.1(i)
Insurer Protections	Statute includes protections for insurers. 23 PaCS § 4308.1(a),(f)
Enforcement Remedies	No enforcement remedies in law.

Figure 13 – Rhode Island: Rhode Island General Laws, Title 27, Insurance, Chapter 57 and Title 15, Domestic Relations, Chapter 22-3

Data source: <http://webservice.rilin.state.ri.us/Statutes/>

Reporting	CLSN or OCSE. CSLN vets OCSE matches. RI Gen L §§ 27-57-1(a), 27-54-4(b)
Claim Types	Liability and workers' compensation. RI Gen L § 27-57-1(a)
Minimum Claim Amount	\$500. RI Gen L § 27-57-1(a)
Minimum Arrears Amount	\$500. RI Gen L § 27-57-4(a)
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. RI Gen L §§ 27-57-1(c), 27-57-3
Insurer Protections	Statute includes protections for insurers. RI Gen L § 27-57-1(c)
Enforcement Remedies	Penalties for failure to respond to lien. RI Gen L § 15-22-3

Figure 14 – Texas: Texas Family Code, Title 5, Subtitle D, Chapter 231, SubChapter A, Section 231.015 and Subtitle B, Chapter 157, SubChapter G, Section 157.311 Texas Administrative Code, Title 1, Part 3, Chapter 55, Child Support Enforcement, SubChapter M

Data sources: <https://statutes.capitol.texas.gov/>
[https://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac_view=5&ti=1&pt=3&ch=55&sch=M&rl=Y](https://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=1&pt=3&ch=55&sch=M&rl=Y)

Reporting	CSLN or OCSE. Tex Fam § 231.015(a) and 1 TAC 55.602-604
Claim Types	All claims excluding property damage. Tex Fam §§ 157.317(a)(3), 231.015(c) and 1 TAC 55.601
Minimum Claim Amount	No minimum threshold in law.
Minimum Arrears Amount	No minimum threshold in law. Greater of three months' support or \$500 used operationally.
Precedence of Attorney and Medical Fees	Both medical costs and attorney fees are paid first, per statute. Tex Fam §§ 157.318(a), 157.319(c), 231.015(c)(4)
Insurer Protections	Statute includes protections for insurers acting in good faith. Tex Fam § 231.015(b) and 1 TAC 55.601(i), 55.605(a)
Enforcement Remedies	Penalties and/or forfeiture for failing to report claims and respond to liens. Tex Fam §§ 157.319(b), 157.324 and 1 TAC 55.605(a)



“Our vision is to increase **trust** in government. We are the public’s window into how tax money is spent.”

– Pat McCarthy, State Auditor

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