

Senate Engrossed

workers' compensation; fraud investigations; adjudications

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

SENATE BILL 1164

AN ACT

AMENDING TITLE 23, CHAPTER 6, ARTICLE 2, ARIZONA REVISED STATUTES, BY
ADDING SECTION 23-934; RELATING TO WORKERS' COMPENSATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 23, chapter 6, article 2, Arizona Revised
3 Statutes, is amended by adding section 23-934, to read:

4 23-934. Fraud; investigations; rules

5 A. THE COMMISSION SHALL ESTABLISH A FRAUD UNIT FOR THE PURPOSE OF
6 INVESTIGATING FRAUDULENT ACTIVITIES, STATEMENTS OR REPRESENTATIONS MADE IN
7 CONNECTION WITH WORKERS' COMPENSATION CLAIMS. THE FRAUD UNIT MAY
8 INVESTIGATE ALLEGATIONS OF FRAUD EITHER ON RECEIVING A COMPLAINT OR ON THE
9 FRAUD UNIT'S OWN MOTION. ANY ALLEGATION INVOLVING UNFAIR CLAIM PROCESSING
10 PRACTICES OR BAD FAITH BY AN EMPLOYER, SELF-INSURED EMPLOYER, INSURANCE
11 CARRIER OR CLAIMS PROCESSING REPRESENTATIVE SHALL BE ADDRESSED PURSUANT TO
12 SECTION 23-930.

13 B. THE COMMISSION SHALL ADOPT RULES TO ESTABLISH A PROCESS FOR
14 RECEIVING FRAUD COMPLAINTS AND CONDUCTING FRAUD INVESTIGATIONS PURSUANT TO
15 THIS SECTION. THE RULES SHALL ESTABLISH:

16 1. A PROCESS BY WHICH THE FRAUD UNIT VERIFIES CLAIMANT ANNUAL
17 EARNINGS REPORTED PURSUANT TO SECTION 23-1047 WITH THE DEPARTMENT OF
18 ECONOMIC SECURITY UNEMPLOYMENT INSURANCE INFORMATION FOR THE PURPOSE OF
19 INVESTIGATING WORKERS' COMPENSATION FRAUD.

20 2. A PROCESS OF TIMELINESS FOR RECEIVING AND PROCESSING FRAUD
21 COMPLAINTS.

22 3. CRITERIA FOR DETERMINING WHICH ALLEGATIONS OF FRAUD WARRANT
23 INVESTIGATION.

24 4. DUTIES AND AUTHORITIES OF FRAUD INVESTIGATORS, INCLUDING ISSUING
25 AND SERVING SUBPOENAS FOR WITNESSES AND DOCUMENTARY EVIDENCE, TAKING
26 DEPOSITIONS, ADMINISTERING OATHS AND EXAMINING WITNESSES UNDER OATH
27 RELEVANT TO THE FRAUD INVESTIGATION.

28 C. IF, ON INVESTIGATION, THE FRAUD UNIT IS SATISFIED THAT
29 FRAUDULENT ACTIVITIES, STATEMENTS OR REPRESENTATIONS WERE MADE IN
30 CONNECTION WITH A WORKERS' COMPENSATION, BENEFITS OR PAYMENTS CLAIM FOR
31 THE PURPOSE OF OBTAINING COMPENSATION, BENEFITS OR PAYMENTS, THE FRAUD
32 UNIT MAY REPORT VIOLATIONS OF LAW TO THE REPORTING EMPLOYER, SELF-INSURED
33 EMPLOYER OR INSURANCE CARRIER, TO THE APPROPRIATE LICENSING AGENCY AS
34 DEFINED IN SECTION 20-466.04, AND TO THE APPROPRIATE COUNTY ATTORNEY OR
35 THE ATTORNEY GENERAL FOR PROSECUTION.

36 D. THIS SECTION DOES NOT LIMIT ANY OF THE FOLLOWING:

37 1. THE AUTHORITY OF THE COMMISSION, THE DEPARTMENT OF INSURANCE AND
38 FINANCIAL INSTITUTIONS OR ANY OTHER ENTITY TO PURSUE ANY REMEDY PURSUANT
39 TO SECTION 23-970 OR 23-1028.

40 2. THE RIGHT OF AN INSURANCE CARRIER, A SELF-INSURED EMPLOYER OR
41 THE SPECIAL FUND ESTABLISHED BY SECTION 23-1065 TO ISSUE A NOTICE
42 AFFECTING THE STATUS OF A WORKERS' COMPENSATION CLAIM AT ANY TIME IF A
43 PRIOR DETERMINATION OF COMPENSABILITY OR ENTITLEMENT TO BENEFITS WAS
44 PROCURED BY FRAUD.

45 3. THE OBLIGATION OF AN INSURER TO REPORT A FRAUD CLAIM PURSUANT TO
46 SECTION 20-466, SUBSECTION G.