

Claim Administration Audit

SPECIFIC FINDINGS REPORT

**Kansas State Employee Health Plan Dental Plan
Administered by Delta Dental of Kansas**

Audit Period: January 1, 2018 through December 31, 2018

Presented to

Kansas State Employee Health Plan

February 20, 2020

Presented by



**CLAIM TECHNOLOGIES
INCORPORATED**

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INTRODUCTION

This **Specific Findings Report** contains findings and recommendations from CTI’s audit of Delta Dental of Kansas’s (Delta Dental) claim administration of the Kansas State Employee Health Plan (State) plan.

CTI conducted the audit according to current, accepted standards and procedures for claim audits in the health insurance industry. We base our audit findings on the data and information provided by the State and Delta Dental. Their validity is reliant upon the accuracy and completeness of that information. While performing the audit, CTI complied with all confidentiality, non-disclosure, and conflict of interest requirements and did not receive anything of value or any benefit of any kind.

We planned and performed the audit to obtain a reasonable assurance claims were adjudicated according to the terms of the contract between Delta Dental and the State as well as all approved plan documents and communications.

CTI specializes in the audit and control of health plan claim administration. Accordingly, the statements we make relate narrowly and specifically to the overall effectiveness of policies, procedures, and systems Delta Dental used to pay the State’s claims during the audit period.

OBJECTIVES AND SCOPE

The audit objectives of Delta Dental’s claims administration were to determine whether:

- Delta Dental followed the terms of the services agreement;
- Delta Dental paid claims according to the provisions of the plan documents and if those provisions were clear and consistent;
- Members were eligible and covered by the State’s plan at the time a service paid by Delta Dental was incurred;
- Any claim administration or eligibility maintenance systems or processes need improvement.

CTI audited Delta Dental’s claim administration of the State dental plan for the period of January 1, 2018 through December 31, 2018. The population of claims and amount paid during that period were:

Total Paid Amount	\$26,892,594
Total Number of Claims Paid/Denied/Adjusted	173,020

The audit included the following components:

- Random Sample Audit of 120 claims
- 100% Electronic Screening with 20 Targeted Sample Analysis (ESAS®)
- Plan Documentation Analysis
- Operational Review
- Data Analytics

AUDIT FINDINGS AND RECOMMENDATIONS

Random Sample Findings

CTI validated claim processing accuracy based on a sample of 120 dental claims paid or denied by Delta Dental during the audit period. We selected the random sample (stratified by the claim billed amount and the date processed) to provide a statistical confidence level of 95% +/- 3% margin of error.

CTI’s Random Sample Audit categorizes errors into key performance indicators. We use this systematic labeling of errors and calculation of performance as the basis for the benchmarks generated using results from our most recent 40 dental claim audits.

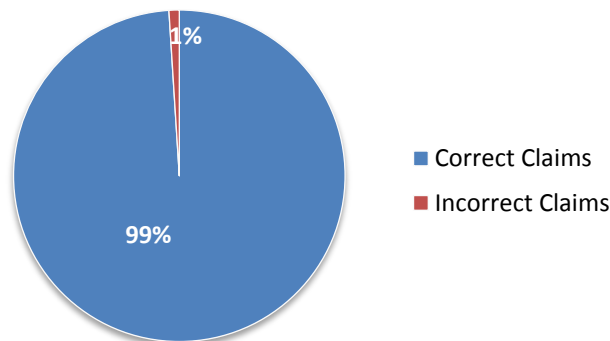
The following table illustrates Delta Dental’s performance was above the median and in the fourth quartile for financial accuracy, accurate payment and accurate processing of CTI’s benchmarked performance indicators.

Key Performance Indicators	Administrator’s Performance by Quartile				
	Quartile 1	Quartile 2	MEDIAN	Quartile 3	Quartile 4
	Lowest $\xrightarrow{\hspace{10em}}$ Highest				
Financial Accuracy: Compares total dollars associated with correct claim payments to total dollars of correct claim payments that should have been made.			99.24%		99.89%
Accurate Payment: Compares number of correctly paid claims to total number of claims paid.			97.99%		99.17%
Accurate Processing: Compares number of claims processed without any type of error (financial or non-financial) to total number of claims processed.			96.43%		99.17%

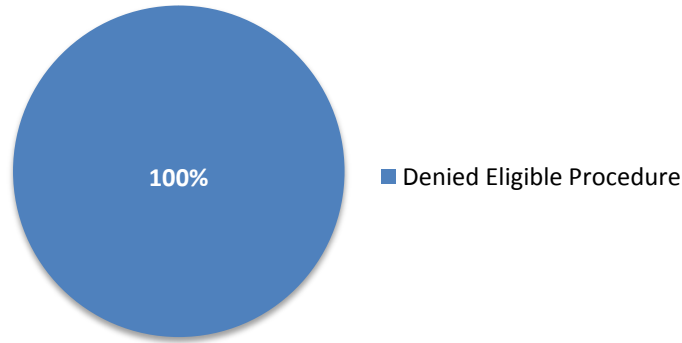
Prioritization of Process Improvement Opportunities

The following charts can help to prioritize improvement and/or recovery opportunities based on savings and service impact and also to pinpoint problem causes.

Overall Accurate Processing



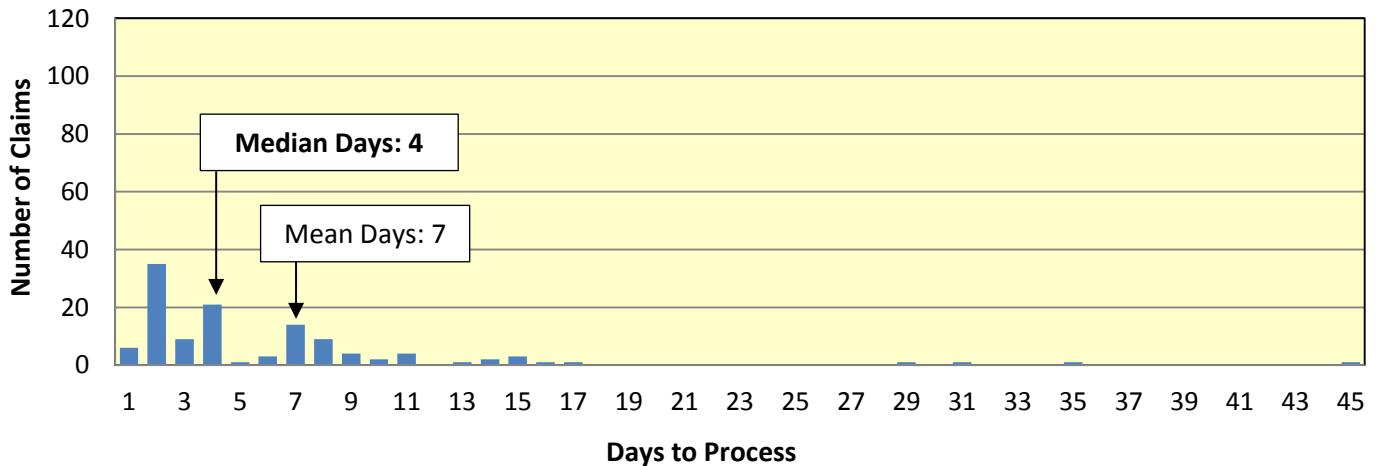
Financial Accuracy, Accurate Processing and Policy Provisions by Error Type



Claim Turnaround Time

A final measure of claim administration performance is claim turnaround time. Through the audit sample, Delta Dental demonstrated its median turnaround time on a complete claim submission was one day from the date it received a complete claim to the date the claim was paid or denied.

Median and Mean Claim Turnaround



Random Sample Recommendations

The State and CTI met with Delta Dental to discuss the audit findings and the steps necessary to maintain its high levels of Financial Accuracy, Accurate Payment Frequency and Accurate Processing Frequency. We reviewed the financial error identified in our random sample audit and verified the claim was reprocessed in October.

100% Electronic Screening with Targeted Samples Findings

We used our proprietary Electronic Screening and Analysis System (ESAS) software to further analyze claim payment and eligibility maintenance accuracy and opportunities for system and process improvement. We screened 100% of claims paid or denied during the audit period, and our Technical Lead Auditor selected a targeted sample of 20 electronically screened claims to validate findings and test Delta Dental's claim administration systems.

The following table shows the dental services identified as potentially overpaid. It is important to note that the amount shown represents **potential payment errors**; additional testing would be required to substantiate the findings and provide the basis for remedial action planning or recovery.

ESAS Candidates for Additional Testing	Potential Recovery/Savings
Plan Limitations	\$7,475
<ul style="list-style-type: none"> • Crowns Under Age 16 • Stainless Steel Crowns Over Age 12 • Annual Plan Maximum • Timely Filing 	\$4,307 \$1,451 \$796 \$921
Employee Eligibility Screening – Claims Paid	\$29,781.50

100% Electronic Screening with Targeted Samples Recommendations

The State, CTI and Delta Dental discussed conducting a focused analysis of the seven claims identified through ESAS to determine if overpayment recovery and/or system improvements are possible and to reduce or eliminate similar errors going forward. For the issues identified by ESAS, CTI prepared claim detail which Delta Dental used in its analysis. Where any research or impact analyses were requested by the State, Delta Dental completed it and reported its findings to the State.

CTI provided Delta Dental with detail reports listing individuals with flagged claims during the eligibility screening to validate the data provided by the State for this screening was correct and did not generate false positives. Delta Dental reviewed the eligibility report detail and performed causal analysis and reported its findings to the State.

Operational Review Findings

Delta Dental completed our Operational Review Questionnaire that provided information on its:

- Systems, staffing, and workflow;
- Claim administration and eligibility maintenance procedures; and
- Internal control risk mechanisms, e.g., HIPAA protections; internal audit policies and practices; and fraud, waste, and abuse detection and prevention.

Highlights of our Operational Review indicated:

- Delta Dental provided a copy of its crime policy declaration page that showed a \$5 million aggregate and \$100,000 deductible. A copy of its errors and omissions and cyber liability policy declaration page showed a \$5 million aggregate with a deductible of \$250,000. Delta Dental also provided a copy of a separate cyber liability insurance declaration page specific to data breaches and extortion showing a \$5 million aggregate and \$250,000 deductible.
- Delta Dental and the State had a performance agreement in place for each year of the audit period with targets in the following categories:
 - Network Utilization
 - Claim Quality and Timeliness
 - Customer Service
 - Member Satisfaction and Complaint Rate

Delta Dental’s self-reported results showed that all targets had been met or exceeded in the audit period.

- Delta Dental indicated it had been audited for compliance with the standards of the American Institute of Certified Public Accountants (AICPA) through the issuance of a Statement on Standards for Attestation Engagements (SSAE) No. 18, reporting on controls at a service organization. Under

SSAE 18, the administrator is required to provide a description of its system, which the service auditor validates. CTI has a copy of Delta Dental’s SOC 1 and SOC 2 audit reports, and we can confirm that Delta Dental’s external auditor did not note any deviations in the installation and maintenance of customer benefits, enrollment information, and healthcare provider agreements control, or in the claim adjudication and claim payment and customer funding controls.

- Delta Dental indicated all electronic data, systems, and documents are backed-up nightly and secured at an offsite storage location. It also has offsite back-up servers to support disaster recovery.
- Delta Dental had appropriate levels of security and control within its check issuance procedures to protect the State’s interest and ensure all transactions were performed by authorized personnel only.
- Delta Dental has adequately documented training, workflow, procedures, and systems to provide consistently high levels of accuracy in the processing of claims and enrollment.
- Delta Dental reported COB savings of .33% and .39%, respectively, for 2017 and 2018.
- Delta Dental contracts with Recheck to pursue overpayment recovery for all amounts. It allows 30 days before considering auto-deducting. The administrator’s payable amount must be more than the refund before the auto-deduct is processed. Recheck’s fee is 30% of claims recovered. Delta Dental does not charge those fees back to the State. Delta Dental said an overpayment recovery report is not available.
- Delta Dental maintains a database of claim appeals. The database is monitored daily to ensure timely processing of all appeals. Delta Dental provided an appeals report for 2018. The report showed a total of 184 appeals submitted during the audit period. A breakdown of outcomes is as follows:

Final Resolution	No.
Claim Adjusted	102
Decision Stands	43
Based on Additional Information Predetermination Will be Reissued	14
Need Additional Information – Will Request	12
Will Process Duplicate Pending Claim	5
Returned to Rep Needs “Ok to Enter”	3
Pending Claim Processed	2
“OK’d to Enter	2
Refund Requested	1
TOTAL	184

- Delta Dental indicated that over 98.5% of the State’s claims came from in-network providers.
- Delta Dental reported a 21.81% fee savings from the use of Delta Dental PPO and Premier Providers in 2018.
- Delta Dental had appropriate levels of security and controls in place to protect the plan sponsor’s dental plan records and data and was compliant with HIPAA requirements at the time of the audit. An independent, accredited reviewing company, HIPAAOne has verified Delta Dental’s compliance.
- Delta Dental indicated it did not have any breaches triggering notification requirements for the State.

Operational Review Recommendations

We recommend the following:

- Verify all performance metrics were met and no credits were owed;
- Regularly review outstanding overpayment reports and discuss root causes of overpayments with Delta Dental to determine if system or process improvements would reduce the volume of overpayments;
- Request coordination of benefits reports to identify the proportion of the State’s members’ claims paid by other plans and the potential liability should those coverages terminate; and
- Periodically request appeal reports to monitor activity, identify communication opportunities to help members understand their coverage and processing issues.

Plan Documentation Analysis Findings and Recommendations

Our Plan Documentation Analysis did not find any missing or ambiguous provisions in our review of the State’s plan documents and we recommend the State continue its process of timely revisions as plan changes are made.

Data Analytics Findings

CTI used electronic claim data provided by Delta Dental to identify improvement opportunities and potential recoveries. The informational categories we analyzed include:

- Network Provider Utilization and Discount Savings;
- Sanctioned Provider Identification;

Network Provider Utilization and Discount Savings

CTI compared submitted charges to allowable charges for all claims paid for the plan during the audit period. The analysis relied on data provided by Delta Dental and we made no assumptions when necessary data fields were not provided. The following table shows the results of CTI’s analysis of the value of discounts given by network providers as a percentage of all claims processed during the audit period.

Total of All Claims			
Claim Type	Eligible Charge	Provider Discount	Paid
Total	\$45,066,335	\$10,426,865 23.1%	\$22,174,583

The State members had high network utilization with 97.9% of all allowed charges and 98.4% of all claims.

Sanctioned Provider Identification

CTI screened 100% of non-facility provider claims from Delta Dental against the Office of Inspector General’s (OIG) List of Excluded Individuals/Entities (LEIE). No claims were paid to sanctioned providers during the audit period.

Data Analytics Recommendations

Although only a small percentage of claims, 1.6%, were for out-of-network providers, we recommend periodic review of the out-of-network provider utilization by the State’s members to determine if strategic additions to the network by Delta Dental’s contracting area could generate additional savings for the plan

CONCLUSION

We understand you will need to review these findings and recommendations to determine your priorities for action. Should the State desire additional assistance with this, our contract offers eight hours of post-audit time to help you create an implementation plan.

CTI also suggests that the State perform a follow-up audit to verify that Delta Dental continues to perform above benchmark, and no new processing issues have emerged.

We consider it a privilege to have worked for, and with, your staff and we welcome any opportunity to assist you in the future. Thank you again for choosing CTI.



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