



Medical Administration Audit of Aetna

Executive Summary Report

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**Prepared for
The State Employee Health Plan
State of Kansas**

Submitted by:

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Executive Summary

Sagebrush Analytic Solutions LLC (Sagebrush) was engaged by The State Employee Health Plan (SEHP), State of Kansas (SOK), to review and evaluate the medical claims processing services provided on behalf of the SEHP employee benefit plan by Aetna for calendar year 2021.

The State Employee Health Plan (SEHP) currently offers five self-insured medical plan designs, Plan A, Plan C, Plan J, Plan N, and Plan Q, administered by Aetna and Blue Cross Blue Shield of Kansas (BCBSKS). The plans cover more than 83,000 active participants, early retirees, and their dependents.

The purpose of the audit is to verify that Aetna is administering the benefit provisions as intended. The audit is designed to evaluate overall claims processing accuracy and efficiency and identify opportunities for improved administration.

In addition to conducting a statistical audit to verify administrative accuracy, SEHP engaged Sagebrush to:

- o Electronically compare claims to eligibility data to identify any payment for ineligible participants; and
- o Interrogate 100% of the claims data electronically for potential errors, such as duplicate payments and clinical edits.
- o Interrogate 100% of the claims data electronically to verify that plan provisions were administered properly. Tests would include deductible, copayments, and plan limitations and exclusions.

Sagebrush conducted the review of claims remotely starting on May 16, 2022 and ending on May 20, 2022. During this review, the audit team tested a statistical sample of 250 medical claims for financial and processing accuracy. The claims were tested for eligibility, timeliness, payment accuracy and adherence to plan benefits and administration procedures. The sample was selected from the population of 74,399 SEHP medical claims, with a total paid amount of \$21,264,614.49, processed between January 1, 2021 and December 31, 2021.

Based on Sagebrush's review of the claims data, contracts, and other documents and information provided for audit, Aetna administered the medical benefits within the scope of the contract with SEHP during the 2021 calendar year.

The following summary provides an overview of the audit findings, including both statistical and focused electronic testing. The detailed audit results are discussed in the body of the report.

Exhibit 1: Summary of Audit Findings

Finding	Description	Impact
Performance Guarantees	Aetna did not meet performance guarantees for financial accuracy or processing timeliness.	Aetna paid 2021 penalty payments to SEHP for all guarantees as follows: <ul style="list-style-type: none"> • Quarter 2 \$2,500, • Quarter 3 \$2,500, and • Quarter 4 \$2,500.
Statistical Audit	The statistical sample revealed \$803.52 in overpayments in the sample of 250 claims tested.	<ul style="list-style-type: none"> • Aetna disagrees with all four overpayments, totaling \$803.52. Aetna corrected and recovered two of the four overpayments, totaling \$631.73, during 2022, after the study period. • The total overpayments of \$803.52 does not include three underpayments identified in the sample, totaling (\$2,503.91). • Aetna previously recovered and credited SEHP \$631.73. • Aetna is in process of recovering the remaining amounts, totaling \$171.79, that will be paid to SEHP via check.
Focused Electronic Testing	The electronic testing identified \$1,013.42 in overpayments.	<ul style="list-style-type: none"> • Aetna is in process of recovering the \$1,013.42 in overpayments that will be paid to SEHP via check.
TOTAL IMPACT		<ul style="list-style-type: none"> • Total fees and overpayments paid/to be paid to SEHP: \$9,316.94 • Less total Performance Guarantees Fees previously paid to SEHP: \$5,000 • Less total overpayments previously credited to SEHP: \$631.73 • Equals total remaining fees and overpayments to be recovered and paid to SEHP: \$3,685.21

Summary of Statistical Sample Review Results

The statistical sample review identified seven (7) errors. Aetna agreed with two of the errors. Sagebrush and Aetna agree to disagree with five (5). There were seven (7) payment errors with a net underpayment amount of \$1,700.39.

Considering the seven (7) payment errors identified in the sample, the overall financial accuracy of the claims administered by Aetna in 2021 is 88.83%. The performance guarantee for financial accuracy is 99.25%. The calculated payment or dollar accuracy from the audit is 96.07%, compared to the Aetna performance guarantee of 98.00%. The calculated procedural accuracy is 100.00%, compared to the Aetna performance guarantee of 97.00%.

Aetna did not meet the performance guarantees for financial accuracy or payment processing accuracy in the 2021 audit period.

The following exhibits summarizes the 7 errors identified in the 250-claim statistical sample by root cause and error amount.

Exhibit 2: Summary of Statistical Sample Errors by Net Value

Root Cause Type	Description	# of Errors	Net Amount of Error Corrected/To Be Corrected
Incorrect Fee Allowed	The allowed fees were calculated incorrectly.	3	(\$197.73)
Benefits Applied Incorrectly ¹	Deductibles and/or coinsurance not applied correctly to claim or service was incorrectly denied. Aetna disagrees with three of the four errors, totaling \$106.79 (Not included in To Be Corrected).	4	(\$1,609.45)
Total		7	(\$1,807.18)

Exhibit 3: Number of Statistical Errors by Root Cause Type

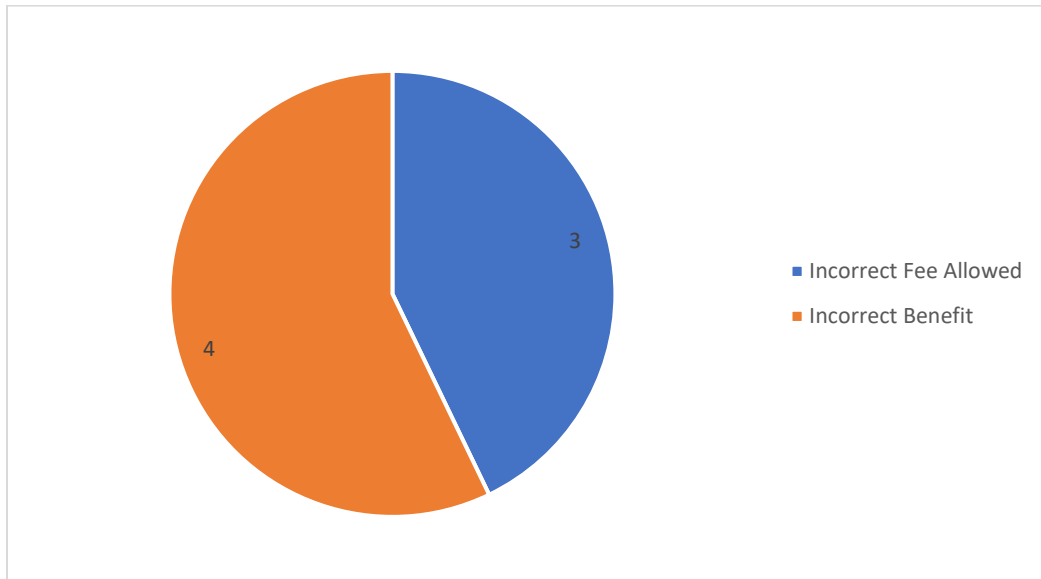
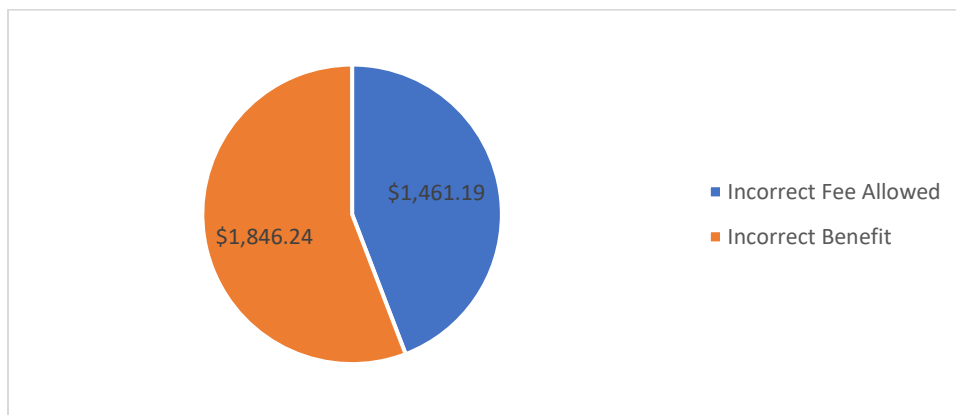


Exhibit 4: Absolute Value of Statistical Errors by Root Cause Type



Summary of Focused Electronic Testing Results

In addition to the statistical claim review, Sagebrush electronically tested 100% of the claims data to identify potential duplicate claim payments, analyzed medical claim payments utilizing clinical editing software, identified participants with claim payments after coverage terminated, and tested specific benefit provisions and exclusions. The chart below is a summary of the testing that was completed.

Exhibit 5: Electronic Testing Summary

Test	Description	Findings	Net Amount of Error Corrected/To Be Corrected
<i>Clinical Edits</i>			
Multiple Procedures, Incidental, and Mutually Exclusive Procedures	Electronically apply clinical edits to claims data to identify claims where unbundling edits have not been applied	●	\$0.00
Assistant Surgeon Not Allowed	Identify claims where payment was made on a procedure that the American Medical Association states an assistant at surgery is not necessary or recommended	●	\$0.00
Visits in the Global Surgical Period	Identify instances where a provider billed an evaluation and management service during the global post-operative period. When the diagnosis submitted on these claims is the same or related to the diagnosis submitted for the operative procedure, the services are considered post-op visits and should be included in the fee that was paid for the surgery and not separately reimbursed.	●	\$0.00
<i>Benefit Provisions</i>			
Deductible – Coinsurance test	Identify the participants that appear to have incorrect deductible and coinsurance amounts applied	●	\$0.00
<i>Benefit Limitations/Exclusions</i>			
Cosmetic Procedures	Identify claims for surgical procedures that could be considered cosmetic and not medically necessary.	●	\$0.00
Bariatric Services	Identify claims for Bariatric services that do not meet the criteria outlined by the plan.	●	\$0.00
TMJ	Medical, surgical or dental treatment or services related to the treatment of temporomandibular joint (jaw hinge) disease (TMJ) is not covered.	●	\$0.00
Routine Foot Care	Is not a covered service unless Medically Necessary for the treatment of a person who, due to a demonstrated medical condition, is unable to perform such activity, and except as specifically provided for a diabetic Participant	●	\$0.00
Massage Therapy	General exclusion per the summary of plan description.	●	\$0.00
Routine Hearing Test	Routine hearing test is covered once per plan year	●	\$0.00

Test	Description	Findings	Net Amount of Error Corrected/To Be Corrected
Acupuncture	Those acupuncture services and associated expenses that include, but are not limited to, the treatment of certain painful conditions or for anesthesia purposes are not covered.	●	\$0.00
Dental Services	Treatment of teeth or supporting structures is not covered, except as specified in the Dental Services and the Transplant within the Covered Service Section provided under the terms of the Plan.	●	\$0.00
Other			
Claims Paid for Ineligibles	Electronically compare claims data to eligibility data to identify claims payments on behalf of ineligible participants	●	\$679.71
Duplicate Payments	Electronically test claims data for duplicate payments for the same service for the same participant	●	\$333.71

Exhibit 2 Key:

- Aetna has adequate system edits/controls in place for this test.
- Opportunities for improvement exist for System edits and/or processes for this test.
- Less than satisfactory, needs immediate action

Summary of Turnaround Time Testing Results

The following exhibit presents the findings of turnaround time, or time taken to process each claim, for the entire population of medical claims processed by Aetna in 2021.

Exhibit 6: Turnaround Time

Business Days	# of Claims	% of Claim Population	Cumulative # of Claims	Cumulative % of Population
0 - 10 days	63,203	94.79	63,203	94.79%
11 - 14 days	780	1.17	63,983	95.96%
15 - 30 days	606	0.91	64,589	96.87%
> 30 days	2,086	3.13	66,675	100%
	66,675	100.0%		

The findings are that Aetna processed 95.96% of all claims within 14 business days of receipt and 96.87% of claims within thirty (30) days. The performance guarantees for these measures are 95.0% and 99.0%, for time to process all claims within fourteen (14) and thirty (30) business days, respectively.

Aetna satisfied the guarantee to process 95.0% of all claims in fourteen days but *did not* meet the performance guarantee for processing 99.0% within 30 days.

Overall Findings and Recommendations

Findings and Recommendations

The statistical and electronic testing results indicate that Aetna's performance relative to claims accuracy, specifically processes for coordination of benefits and eligibility updates, and timeliness did not meet expectations in 2021.

Sagebrush's observations during the claim reviews and the analysis of the administrative questionnaire are that Aetna appears to have adequate system edits and controls in place or, with regards to processing eligibility updates, have been enhanced to provide adequate controls. The claims operation effectively utilizes technological solutions as evidenced by the largely paperless environment and efficient claims processing system.

The following information provides a summary of Sagebrush's general observations and recommendations relative to the claims and operational review and electronic testing.

- **Financial Accuracy:** The performance guarantee between Aetna and SEHP for financial accuracy is 99.25%. This guarantee has an at-risk amount of \$2,500 per calendar quarter.

Recommendation: Based on the calculated financial accuracy from the audit, 88.83%, Aetna did not meet the contractual performance guarantee of 99.25% and penalties should be assessed per the contract. Per the Administrative Services Contract, Aetna's internal quality results are used to determine guarantee compliance. Aetna incurred 2021 penalties for financial accuracy as follows: Quarter 2 \$2,500, Quarter 3 \$2,500, and Quarter 4 \$2,500. Aetna paid SEHP for the Quarter 3 penalty on 11/16/21 and the Quarter 4 penalty on 2/15/22. Aetna will remit the Quarter 2 penalty to SEHP via check.

SEHP states that Aetna paid a penalty for Quarter 1.

Aetna Response: The payment / dollar accuracy of the audit was impacted by one error received in the Stratum 1 – Sample 15 in the amount of \$1,609.45. When this error is removed from the calculation of Aetna's agreed to errors, the results improve to Pay Dollar Accuracy 99.99% and Payment Incidence Accuracy 100%.

Aetna will enter into separate discussion with SEHP on the results for 2nd Quarter.

- **Payment/ Dollar Accuracy:** The performance guarantee between Aetna and SEHP for payment or dollar accuracy is 98.00% with a total at risk amount of \$2,500.00 per calendar quarter

Finding: Based on the calculated payment or dollar accuracy from the audit, 96.07%, Aetna has not met the contractual performance guarantee between SEHP and Aetna of 98.00%. However, per the Administrative Services Contract, Aetna’s internal quality results are used to determine guarantee compliance. Per Aetna’s internal quality results, Aetna satisfied the payment accuracy guarantee, achieving the following accuracy rates by quarter: 99.86% Quarter 1, 99.23% Quarter 2, 99.63% Quarter 3, and 99.63% Quarter 4.

The payment accuracy calculated for this audit is based on SEHP claims exclusively. However, the internal quality results reported by Aetna and used to determine performance guarantee penalties are not specific to the State of Kansas. The Aetna-reported results are the quality results for North Central Public and Labor accounts combined. The State of Kansas is part of this combined group.

Aetna Response: The payment / dollar accuracy of the audit was impacted by one error received in the Stratum 1 – Sample 15 in the amount of \$1,609.45. When this error is removed from the calculation of Aetna’s agreed to errors, the results improve to Pay Dollar Accuracy 99.99% and Payment Incidence Accuracy 100%.

- **Ineligible Participants -** Sagebrush identified seven (7) claims in the sample where services were paid after the participant’s termination date. The claims resulted in a net overpayment of \$679.71. It appears that SEHP reported the terminations in the eligibility data feeds to Aetna after the claims were processed.

Recommendation: The claims have been/will need to be adjusted to reflect the services were incurred after the participant’s termination date of coverage, and the money recovered from the provider of service.

Aetna Response: The seven claims identified in the focused audit were for two individual members who were showing active when the claims were received and paid. The retro termination for both members was received on 3/4/22. All claims have been reprocessed and the overpayments in the amount of \$679.71 have been recovered and credited back to SEHP. Please see the error summary above for the specific date each claim was recovered and credited back to SEHP.

- **Incorrect Fee Schedule Allowable -** There were three (3) claims identified with the incorrect fee schedule allowable calculated. This resulted in a net underpayment of (\$197.73).

Recommendation: Aetna will need to adjust these claims and issue the additional payment to the provider of service.

Aetna Response: Aetna agreed to one error in this category, an underpayment of \$829.46. The sample claim has been reprocessed and the additional benefits issued.

Aetna disagreed with two of the errors in this category for a total overpayment of \$621.73. The claims have not been reprocessed since we considered the payment to be accurate.

Overall Conclusions

Sagebrush's review of the Aetna systems encompassed the remote on-line testing of each claim in the statistical sample. The on-line testing consisted of "re-adjudicating" each of the claims sampled, just as an Aetna examiner would have paid the claim using the Aetna system. The auditors' review did not include the application of Aetna systems to functions beyond the scope of claims processing, such as participant services, utilization management or general financial functions.

Based on the responses provided in the questionnaire, Sagebrush's understanding of Aetna operations, and the testing of claims in the statistical claim audit, Sagebrush concludes that Aetna has appropriate and adequate system, controls, guidelines, and processes.

The statistical sample revealed \$803.52 in overpayments. Of this amount, Aetna previously recovered, prior to the preparation of this report, \$631.73; these amounts were previously credited to SEHP. Aetna is in process of recovering the remaining amounts that will be paid to SEHP via check.

The electronic testing identified \$1,013.42 in overpayments. Aetna is in process of recovering the remaining amounts that will be paid to SEHP via check.