



Medical Administration Audit of Aetna

Summary Report

December 8, 2023

**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 2022.

The State Employee Health Plan (SEHP) currently offers four self-insured medical plan designs, Plan A, Plan C, Plan J, and Plan N, 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 June 26, 2023 and ending on June 30, 2023. 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 69,940 SEHP medical claims, with a total paid amount of \$20,076,118.43, processed between January 1, 2022 and December 31, 2022.

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 2022 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 – Claims adjudication	Aetna did not meet performance guarantees for financial accuracy or processing timeliness.	Aetna paid 2022 penalty payments to SEHP for all guarantees as follows: <ul style="list-style-type: none"> • Quarter 2 \$2,500, and • Quarter 4 \$2,500. 												
Performance Guarantees – Customer Service	Aetna did not meet performance guarantees for First Call Resolution, Open call Resolutions turnaround time 5 days, Open call Resolutions turnaround time 10 days, Customer Service Quality, Complaint and Appeals Processing and Written Correspondence	Aetna paid 2022 penalty payments to SEHP for all guarantees as follows: <ul style="list-style-type: none"> • Quarter 1 \$7,500, • Quarter 2 \$12,500 • Quarter 3 \$12,500, and • Quarter 4 \$7,500 												
Statistical Audit	The statistical sample revealed a net overpayment of \$25,656.27 in the sample of 250 claims tested: <ul style="list-style-type: none"> • Five overpayments, totaling \$28,823.42 • Five underpayments, totaling \$3,167.15 • Aetna disagrees with three of the payment errors. One \$40 overpayment and two underpayments, totaling \$28.73. One procedural (non-payment) 	<p>Aetna will/has recovered the \$28,823.42 overpayments less \$40 disagreed amount = \$28,783.42</p> <p>Based on the errors identified in the sample, the following table shows Aetna’s measured performance compared to guarantees:</p> <table border="1"> <thead> <tr> <th>Accuracy Measure</th> <th>Measured Statistic</th> <th>Guarantee</th> </tr> </thead> <tbody> <tr> <td>Financial</td> <td>98.33%</td> <td>99.25%</td> </tr> <tr> <td>Payment</td> <td>94.59%</td> <td>98.00%</td> </tr> <tr> <td>Procedural</td> <td>99.99%</td> <td>97.00%</td> </tr> </tbody> </table>	Accuracy Measure	Measured Statistic	Guarantee	Financial	98.33%	99.25%	Payment	94.59%	98.00%	Procedural	99.99%	97.00%
Accuracy Measure	Measured Statistic	Guarantee												
Financial	98.33%	99.25%												
Payment	94.59%	98.00%												
Procedural	99.99%	97.00%												
Focused Electronic Testing	The electronic testing identified \$2,114.33 in overpayments.	<ul style="list-style-type: none"> • Aetna is in process of recovering the \$2,114.33 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: \$68,397.75 • Less total Performance Guarantees Fees previously paid to SEHP: \$37,500.00 • Less \$8,316.30 previously recovered by Aetna • Equals total remaining fees and overpayments to be recovered and paid to SEHP: \$22,581.45. 												

Summary of Statistical Sample Review Results

The statistical sample review identified eleven (11) errors. Aetna agreed with eight (8) of the errors. Sagebrush and Aetna agree to disagree with three (3). There were ten (10) payment errors with a net overpayment amount of \$25,656.27.

Considering the ten (10) payment errors identified in the sample, the overall financial accuracy of the claims administered by Aetna in 2022 is 98.33%. The performance guarantee for financial accuracy is 99.25%. The calculated payment or dollar accuracy from the audit is 94.59%, compared to the Aetna performance guarantee of 98.00%. The calculated procedural accuracy is 99.99%, compared to the Aetna performance guarantee of 97.00%.

Based on the results of the audit, Aetna did not meet the performance guarantees for financial accuracy or payment processing accuracy in the 2022 audit period. However, the contracted performance guarantee is not group specific, but based on the overall book of business.

SEHP received \$2,500 on check #1835481 issued 11-21-22 for quarter 2 financial accuracy and \$2,500 on check 1876032 issued 3-1-2023 for quarter 4 financial accuracy.

The following exhibits summarizes the eleven (11) 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.	5	\$20,460.44
Coordination of Benefits (COB)	Coordination of Benefits incorrectly applied at time of processing	3	\$8,332.84
Incorrect Inpatient pricing	Inpatient contract rates were calculated incorrectly.	2	(\$3,137.01)
Data Entry	Claim processed under incorrect dependent.	1	\$0.00
Total		11	\$25,656.27

Exhibit 3: Number of Statistical Errors by Root Cause Type

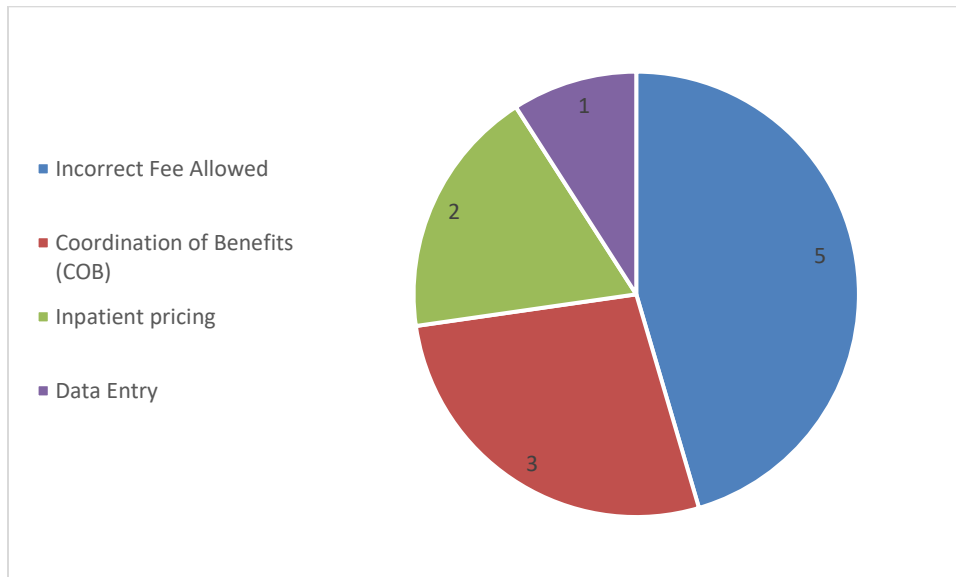
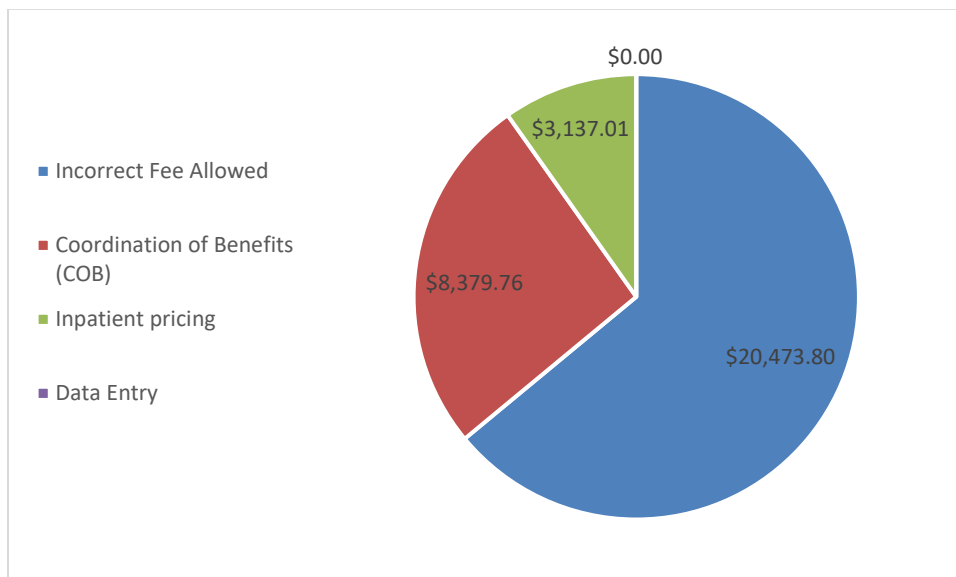


Exhibit 4: Absolute Value of Statistical Errors by Root Cause Type



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
Clinical Edits			
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
Benefit Provisions			
Deductible – Coinsurance test	Identify the participants that appear to have incorrect deductible and coinsurance amounts applied	●	\$0.00
Benefit Limitations/Exclusions			
Cosmetic Procedures	Identify claims for surgical procedures that could be considered cosmetic and not medically necessary, such as Mammoplasty	●	\$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
Acupuncture	Those acupuncture services and associated expenses that include, but are not limited to, the treatment of certain	●	\$0.00

Test	Description	Findings	Net Amount of Error Corrected/To Be Corrected
	painful conditions or for anesthesia purposes are not covered.		
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. <i>All errors are retro terminations; Aetna notified of termination after process date. Variations noted between SEHP date termination was reported and date Aetna received the termination date.</i>	●	\$1,000.21
Duplicate Payments	Electronically test claims data for duplicate payments for the same service for the same participant	●	\$3,707.97

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 2022.

Exhibit 6: Turnaround Time

Business Days	# of Claims	% of Claim Population	Cumulative # of Claims	Cumulative % of Population
0 - 12 days	67,125	95.77%	67,125	95.77%
13 - 14 days	394	0.56%	67,519	96.33%
15 - 30 days	752	1.07%	68,271	97.40%
> 30 days	1,819	2.60%	70,090	100.00%
	70,090	100.00%		

The findings are that Aetna processed 96.33% of all claims within 14 business days of receipt and 97.40% 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 Response: The report states the 30-day performance guarantee as 99%; however, the correct performance guarantee is 98%. The report states a 14-day performance guarantee; however, the correct performance guarantee is 92% within 12 days.

The 30-day performance guarantee (PG) for SEHP is 98% within 30 days and is a quarterly PG metric. The turnaround time calculations do not include weekends and holidays for which Aetna is closed. The results for 2022 were: 1st quarter – 99.23%, 2nd quarter – 99.73%, 3rd quarter – 98.58%, and 4th quarter – 99.35%. There were no penalties paid for this PG metric in 2022. We continue to monitor claim processing turnaround time to ensure the performance guarantee objective is met or exceeded.

Aetna states that no penalties were paid for the turnaround time performance guarantees in 2022. However, \$5,000.00 was included in check #1866427 paid to SEHP on 2-8-2023 for the 4th quarter.

Statistical Claim Audit Results

Statistical Sample Findings

The statistical sample review identified ten (10) payment errors, resulting in a net overpayment amount of \$25,656.27. There was one (1) procedural (non-payment) error identified in the medical sample. Aetna agreed with seven (7) of the errors. Sagebrush and Aetna agree to disagree on the determination of the remaining three (3) errors.

- The stratified random sampling method permits projection of the audited financial accuracy rate to the entire population. The auditor's ability to statistically project the audit findings in this manner depends on the sampling technique used.
- The tested gross financial error in the statistical sample is \$31,990.57. Based on the distribution of the ten (10) financial errors identified in the statistical sample, Sagebrush's best estimate of the total absolute financial (dollar) error in the population is \$335,322.58 in the paid claim population of \$20,076,118.43. The projected gross financial (dollar) accuracy within the medical claim population is 98.33%. The standard commonly found in the industry for financial accuracy is 99.00%. The performance guarantee between Aetna and SEHP for financial accuracy is 99.25%.

Aetna does not guarantee the financial accuracy of 99.25% as group specific, but for the overall book of business.

- Based on the distribution of the ten (10) payment errors identified in the statistical sample, the projected payment accuracy or dollar accuracy of the medical claim population is 94.59%. Payment accuracy refers to the incidence of correct claim payments. The common industry standard for this measure is 95.00% - 97.00%. The performance guarantee between Aetna and SEHP for payment accuracy is 98.00%.

Aetna does not guarantee the payment accuracy of 98.00% as group specific, but for the overall book of business.

- There was one (1) procedural (non-payment) error identified in the sample. Based on this result, the projected procedural accuracy of the claim population is 99.99%. The common industry standard for this measure is 95.00%. The performance guarantee between Aetna and SEHP for processing accuracy is 97.00%.

Statistical Audit Accuracy Rates

Classification of Errors

The following exhibits provide a breakdown of the errors identified in the audited samples.

Exhibit 7: Classification of Errors

Error Classification	# of Errors	\$ Error
Overpayments	5	\$28,823,42
Underpayments	5	(\$3,167.15)
Non-Payment	1	
Total/Net Error	11	\$25,656,27

Exhibit 8: Root Cause Error Type

Error Type	# of Errors	% of Total	Absolute \$ Error	% of Total \$
Incorrect Fee Allowed	5	45.46%	\$20,473.80	64.00%
Coordination of Benefits (COB)	3	27.27%	\$8,379.76	26.19%
Inpatient pricing	2	18.18%	\$3,137.01	9.81%
Data Entry	1	9.09%	\$0.00	0.00%
Total	11	100.00%	\$31,990.57	100.00%

The statistical sample review identified eleven (11) errors with a net overpayment of \$25,656.27. Aetna agreed with eight of errors. Sagebrush and Aetna agree to disagree with three (3) of the errors.

Incorrect Fee Allowed

There were five (5) claims identified with the incorrect fee schedule allowable calculated. This resulted in a net overpayment of \$20,460.44

- Sample #19– This is a claim from Quest Diagnostics. There was a retroactive contract update for this provider. An impact report was generated four days prior to sample #19 being processed. Once the system was updated for with the new contract rates, the claims on the impact report were adjusted. Sample #19 was missed in this process. The claim is underpaid \$5.27. Aetna and Sagebrush agree to disagree with this error.
- Sample 189 – Pricing shows an allowed amount of \$15,049.35 less 25% coinsurance = \$11,286.98 payable. Claim is overpaid \$7,574.58. Aetna agrees with this error.

- Sample #202 – Other imaging services (revenue code 402) should price at 43.67% of billed charges. All other charges are paid correctly. Claim is overpaid \$12,871.96. Aetna agrees with this error.
- Sample #217 – The total correct allowed for the claim is \$124,534.16. The claim only allowed \$124,532.75, resulting in an underpayment of \$1.41. Aetna agrees with this error.
- Sample #237 - Transplant case rate letter submitted with claim shows total charges of \$120,711.28 payable at 98% = \$118,297.05 payable. The claim actually allowed \$118,317.63, resulting in an overpayment of \$20.58. Aetna agrees with this error.

Coordination of Benefits (COB)

There were three (3) claims that incorrectly processed for Coordination of Benefits. These claims resulted in a net overpayment of \$8,332.84.

- Sample #20– Aetna states that the original claim submission shows other. Aetna denied the claim and requested information regarding the other insurance; the information was not received. However, since the patient is the State of Kansas employee and the employee’s plan is always the primary payer, the claim should have been paid by Aetna. Sagebrush assessed a \$23.46 underpayment to this claim. Aetna and Sagebrush agree to disagree with this error.
- Sample #38 – The member has two Aetna policies, including the coverage through the State of Kansas. Aetna states there was no indication at the time of processing that the member had other insurance. However, Aetna’s system should have a flag that shows if there is another Aetna policy based on SSN. Claim was adjusted on 4/12/23 to coordinate the claim with the other Aetna policy. Sagebrush assessed a \$40.00 overpayment on this claim. Aetna denies responsibility for identifying dual Aetna coverage on its own systems. Aetna and Sagebrush agree to disagree with this error.
- Sample #126– This claim should have been coordinated with the member’s BCBS policy, and is overpaid by \$8,316.30. The BCBS payment amount was included in the original electronic claim submission. BCBS is the primary payer. The claim priced correctly but was not originally coordinated. The claim was adjusted on 6-6-23, after the audit period, and coordinated to allow only \$1,760.47. Aetna agrees with this error.

Incorrect Inpatient Pricing

There were two (2) inpatient claims that were priced incorrectly. These claims resulted in a net underpayment of \$3,137.01.

- Sample #133 – Room & Board (revenue code 171) priced at \$1,111 x 1 day + Room & Board (revenue code 172) priced at \$2,219 x 1 day + Room & Board (revenue code 173) priced at \$4,880 x 2 days = \$13,090 total allowed x 80% coinsurance = \$10,472 payable. The processor capped the revenue code 173 price at the lesser of billed charges or per diem in error; the per diem price should have applied. Claim is underpaid \$2,953.60. Aetna agrees with this error.
- Sample #170 - Claim was adjusted to price Diagnostic Related Grouping (DRG) 743 at \$18,849.79 less \$183.41 pre-op testing payment less \$1,593.68 patient coinsurance = \$17,072.70 payable. The payment for pre-op testing was subtracted twice in error, resulting in an underpayment of \$183.41. Aetna agrees with this error.

Data Entry Error

There was one (1) claim in the 250-claim random sample that resulted in a non-payment or processing error.

- Sample #169 - Claim was priced and paid correctly. The claim was for a twin, and processed under the wrong dependent. Aetna agrees with this processing error.

Focused Electronic Testing Results

Sagebrush reviewed the electronic results and provided Aetna with a file of 50 potentially erroneous claims from the menu of tests above. Aetna reviewed the claims and provided a response with additional documentation to support each position.

Clinical Edits

- Based on the clinical edit review, Sagebrush determined that multiple surgery reductions were generally being applied correctly and mutually exclusive or incidental procedures were denied accordingly.
- Sagebrush also tested for claims with office visits that would not normally be reimbursed separately from the related surgery and claims for assistant at surgery where an assistant is not medically necessary or required. No issues were found in these categories.

Aetna states that visits during the post operative period that are billed by the same physician with modifier -24, *an evaluation & management (E&M) service was performed during a post operative period for a reason(s) unrelated to the original procedure*, appended will be separately payable.

Sagebrush disagrees with Aetna's policy, as the erroneous office visit claims have the exact same diagnosis as the surgery procedure; there is nothing to show that the office visit is unrelated to the original procedure. This is a misuse of modifier -24.

Specific Benefit Provisions and Exclusion

- Cosmetic procedures – Sagebrush tested the claims data for procedures and related services performed to reshape structures of the body in order to alter the individual's appearance, to alter the aging process or when performed primarily for psychological purposes and determined not to be Medically Necessary.

Sagebrush identified two (2) claims for Mammoplasty, however, there was a medical necessity review on file and prior authorization in place for these claims to be paid.

- Sagebrush tested the deductible and coinsurance amounts in the claims data to determine whether the Aetna systems were accurately calculating the participant's deductible and out-of-pocket maximum. It appears that accumulators are working properly in the ACAS claim system.
- Bariatric procedures – Per the Bariatric rider in the summary of plan description, in order for Bariatric services to be eligible for benefits, the services must be prior authorized and the participant must be an adult age 18 or over, a non-tobacco user and have a documented medical history of two years or more of a Body Mass Index (BMI):
 - Equal to 35 and less than 40 with two or more co-morbid conditions
 - 40 or over with one or more co-morbid conditions

Sagebrush did not find any issues or exceptions for bariatric services.

- Sagebrush also tested 100% of the claims data looking for claims paid for excluded services, such as, TMJ, routine foot care, massage therapy, hearing aids and testing, acupuncture and dental services. Sagebrush did not find any issues or exceptions for the tested exclusions.

Other Electronic Testing

- Duplicate payments - Sagebrush's review of the potential duplicate payments identified 21 possible errors resulting in an overpaid amount of \$7,871.21. Aetna agreed with 18 of the errors totaling \$3,707.97.

- Ineligible Participants – Sagebrush compared the eligibility file that was received from the State of Kansas against the paid claims data provided by Aetna to identify claims paid for participants that were no longer eligible for coverage. Sagebrush included 22 participants with paid claims totaling \$33,857.74 in the 50 focused claims sent to Aetna for review.

Aetna disagreed with 15 of the participants with claims totaling \$22,748.50, stating the participants still had active coverage on the date of service. Claims for one (1) participant totaling \$10,109.03 had been previously recovered by Aetna. For the other participants, Aetna agrees that the paid claims totaling \$1,000.21 were paid after the participants termination date. Aetna disagrees that these claims are Aetna errors, stating that the termination date was provided to Aetna by the State after the claims were processed. Aetna is working to recover the \$1,000.21 and will issue payment to SEHP by check.

Sagebrush observed some variations in the date SEHP reported sending the termination information to Aetna vs. the date Aetna reported receiving the information.

- Sagebrush also tested the paper provider contracts against fifteen (15) of the randomly selected claim samples to ensure the contracts are accurately loaded in the Aetna claim system.

Sagebrush's review shows that the contracts appear to be loaded into the Aetna system correctly.

Customer Service

Aetna has a service unit separate from claims processing to handle participant service phone calls. Calls are routed through a system called Aetna Voice Advantage. The average call wait time was 16.5 seconds for calendar year 2022. The average speed to answer performance guarantee between Aetna and SEHP is 30 seconds. The average on line time with a customer service representative is 769.3 seconds. Customer service representatives take, on average, 40 calls per day.

All claims office personnel, including the customer service representatives have access to claim processing, inquiry and maintenance functions. Accordingly, all medical and dental claim history and financial history are immediately updated and available on-line as soon as the claim is accepted by a processor.

Aetna reports that Customer Service performance guarantee penalties were paid for 2022 as follows:

Exhibit 9: Customer Service CY2022 Penalties Paid

Quarter	Performance Guarantee	Target Goal	Reported	Penalty Assessed	Penalty Paid
1 st					
	First Call Resolution	95%	92.95%	\$2,500	Issued on 4/22/2022 check# 1774193
	Open call Resolution turnaround time within 10 days	98%	96.71%	\$2,500	Issued on 4/22/2022 check# 1774193
	Customer Service Quality	97.45%	96.52%	\$2,500	Issued on 4/22/2022 check# 1774193
2 nd					
	First Call Resolution	95%	92.94%	\$2,500	Issued on 7/28/2022 check # 1802305
	Open call Resolution turnaround time within 5 days	95%	93.48%	\$2,500	Issued on 7/28/2022 check # 1802305
	Open call Resolution turnaround time within 10 days	98%	96.15%	\$2,500	Issued on 7/28/2022 check # 1802305
	Customer Service Quality	97.45%	95.88%	\$2,500	Issued on 7/28/2022 check # 1802305
	Complaint and Appeals Processing	100%	88.89%	\$2,500	Issued on 7/28/2022 check # 1802305
3 rd					
	First Call Resolution	95%	92.63%	\$2,500	Issued on 11/21/2022 check# 1835481
	Customer Service Quality	97.45%	95.40%	\$2,500	Issued on 11/21/2022 check# 1835481

Quarter	Performance Guarantee	Target Goal	Reported	Penalty Assessed	Penalty Paid
	Written Inquiry Response within 10 days	100%	96.43%	\$5,000	Issued on 11/21/2022 check# 1835481
	Complaint and Appeals Processing	100%	66.67%	\$2,500	Issued on 11/21/2022 check# 1835481
4 th					
	Customer Service Quality	97.45%	95.65%	\$2,500	Issued on 3/1/2023 check# 1876032
	First Call Resolution	95%	93.24%	\$2,500	Issued on 3/1/2023 check# 1876032
	Open call Resolution turnaround time within 10 days	98%	97.69%	\$2,500	Issued on 3/1/2023 check# 1876032

Overall Findings, Recommendations and Actions

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 did not meet expectations in 2022.

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.

Action: 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 2022 penalties for financial accuracy as follows: Quarter 3 \$2,500 and Quarter 4 \$2,500. Aetna paid SEHP for the Quarter 3 penalty on 11/21/22 and the Quarter 4 penalty on 3/1/23.

- **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, 94.59%, 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: Quarter 1 - 99.01%, Quarter 2 - 98.66%, Quarter 3 - 99.93%, and Quarter 4 - 99.90%.

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.

- **Incorrect Fee Schedule Allowable** - There were five (5) claims identified with the incorrect fee schedule allowable calculated. This resulted in a net overpayment of \$20,460.44

Action: Aetna agreed with four (4) of the errors totaling \$20,460.44. Aetna is working to recover the money. A check for this amount will be issued to SEHP.

- **Coordination of Benefits (COB)** - There were three (3) claims that incorrectly processed for Coordination of Benefits. These claims resulted in a net overpayment of \$8,332.84.

Action: Aetna agreed to one (1) claim with an overpayment of \$8,316.30. Aetna is working to recover this money and will issue payment to SEHP by check.

- **Incorrect Inpatient Pricing** - There were two (2) claims that incorrectly applied the inpatient pricing allowable. These claims resulted in a net underpayment of \$3,137.01.

Action: Aetna will adjust these claims to issue the additional payment to the provider of service.

- **Duplicate payments** - Sagebrush's review of the potential duplicate payments identified 21 possible errors resulting in an overpaid amount of \$7,871.21. Aetna agreed with 18 of the errors totaling \$3,707.97.

Action: Aetna is working to recover the \$1,114.12 and will issue payment to SEHP by check.

- **Ineligible Participants** – Sagebrush compared the eligibility file that was received from the State of Kansas against the paid claims data provided by Aetna to identify claims paid for participants that were no longer eligible for coverage. Sagebrush included 22 participants with paid claims totaling \$33,857.74 in the 50 electronic testing sample sent to Aetna.

Aetna disagreed with fifteen (15) of the participants with claims totaling \$22,748.50 stating the participants still had active coverage on the date of service. Claims for one (1) participant totaling \$10,109.03 had been previously recovered by Aetna. For the other participants, Aetna agrees that the paid claims totaling \$1,000.21 were paid after the participants termination date. Aetna disagrees that these claims are errors, stating that the termination date was provided to Aetna by the State after the claims were processed.

Action: Aetna is working to recover the \$1,000.21 and will issue payment to SEHP by check.

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 \$28,783.42 in overpayments. Of this amount, Aetna previously recovered, prior to the preparation of this report, \$8,316.30; 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 \$2,114.33 in overpayments. Aetna is in process of recovering the remaining amounts that will be paid to SEHP via check.