



**Medical Administration Audit
of Blue Cross Blue Shield of Kansas
(BCBSKS) Calendar Year 2021**

***Summary Report
Final***

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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 Blue Cross Blue Shield of Kansas (BCBSKS) 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 Blue Cross Blue Shield of Kansas (BCBSKS) and Aetna. The plans cover more than 83,000 active participants, early retirees, seniors, and their dependents.

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

In addition to a stratified random statistical sample to verify administrative accuracy, Sagebrush will conduct electronic tests, focused on specific benefits, exclusions, and potential types of error:

- 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.

The findings will be reviewed by Sagebrush during the remote review and 50 findings will be provided to BCBSKS for review.

Due to COVID19, Sagebrush conducted the review of claims remotely starting on June 20, 2022 and ending on June 24, 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 820,039 SEHP medical claims, totaling \$238,064,460.96 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, BCBSKS 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.

Summary of Statistical Sample Review Results

The statistical sample review identified four (4) payment errors. BCBSKS agreed with all of the errors. The payment errors resulted in an overpayment of \$3,916.45.

Considering the four (4) payment errors identified in the sample, the overall financial accuracy of the claims administered by BCBSKS in 2021 is 99.03%. The performance guarantee for financial accuracy is 99.25%. The calculated payment or dollar accuracy from the audit is 96.38%, compared to the BCBSKS performance guarantee of 98.00%. The calculated procedural accuracy is 100.00%, compared to the BCBSKS performance guarantee of 97.00%.

BCBSKS did not meet the performance guarantees for financial or payment accuracy.

BCBSKS Management Response:

When utilizing the accuracy formulas provided by SEHP, financial and payment accuracy measures were met.

a) Financial Payment: Accuracy of paid benefit dollars equals Ninety-nine and a quarter (99.25%) percent of State of Kansas Health Plan paid benefit dollars. Calculated as the total audited 'paid' dollars minus the absolute value of over and underpayments, divided by total audited paid dollars.	99.92%
b) Claims processing (total) accuracy: Incidence of claims processed without any error equals Ninety-seven (97) percent. Calculated as the total number of audited claims minus the number of claims processed with error, divided by the total number of audited claims. Definition of 'error' includes any type of error (coding, procedural, system, payment, etc.), whether a payment or non-payment error. Each type of error is counted as one full error and no more than one error can be assigned to one claim.	98%
c) Payment incidence accuracy: Incidence of claims processed without payment error equals ninety-eight (98) percent. Calculated as the total number of audited claims (pays and no-pays) minus the number of claims processed with payment error, divided by the total number of audited claims. Error is defined as any error, regardless of cause (e.g., coding, procedural, system) that results in an overpayment or an underpayment. Each type of error is counted as one full error and no more than one error can be assigned to one claim.	98%

Sagebrush: BCBSKS' formulae would be applicable only to an *unstratified* random sample, or sample selected entirely at random from the entire population of claims.

BCBSKS' internal measurement, using unstratified, random samples, shows that BCBSKS has satisfied the performance guarantees.

The following exhibits summarizes the four (4) errors identified in the 250-claim statistical sample by root cause and error amount.

Exhibit 1: Summary of Statistical Sample Errors

Root Cause Type	Description	# of Errors	Net Amount of Error Corrected/To Be Corrected
Benefits Applied Incorrectly	Deductible should have been applied	2	\$89.39
Benefits Applied Incorrectly	\$100 Emergency room copayment should have applied	1	\$80.00
Incorrect Fee Allowable	Incorrect allowable calculated for Out of network provider	1	\$3,747.06
Total		4	\$3,916.45

Summary of Focused Electronic Testing Results

In addition to the statistical claim review, Sagebrush electronically tested 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 2: 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>			

Test	Description	Findings	Net Amount of Error Corrected/To Be Corrected
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.	●	\$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.	●	\$177.75
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	●	\$1,032.92
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.	●	\$7,704.62
Other			
Claims Paid for Ineligibles	Electronically compare claims data to eligibility data to identify claims payments on behalf of ineligible participants	●	\$43,512.04
Duplicate Payments	Electronically test claims data for duplicate payments for the same service for the same participant	●	\$275.83

Exhibit 2 Key:

- BCBSKS 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

The totals reflected in the chart above are for the claims that BCBSKS either agrees that there is an error in processing or the claim was adjusted due to an error in processing.

The findings shown in the chart above are detailed below.

- TMJ – Sagebrush identified two (2) participants with claims totaling \$177.75 paid with a primary diagnosis of TMJ. BCBSKS agrees that these claims were paid in error. The claims have been adjusted to deny.

- Dental Services – Sagebrush identified three (3) claims with a totaled paid amount of \$9,153.59 for dental services on patients over the age of 7. The plan of benefits states that the administration of general anesthetic and facility charges for dental services on participants over the age of 7 are not a covered benefit under the plan. BCBSKS agrees with two (2) of the claims with an overpaid amount of \$7,704.62 and has adjusted these claims to deny as not medically necessary. BCBSKS has reviewed the medical records for the remaining claim and has determined that the services were medically necessary..
- Hearing Aids and Services – SEHP excludes services and associated expenses for hearing aids, bone-anchored hearing aid (BAHA) devices, digital and programmable hearing devices, the examination for prescribing and fitting hearing aids, hearing therapy and any related diagnostic hearing tests. Sagebrush identified four (4) claims with a combined paid amount of \$1,297.35 for these excluded services. BCBSKS agreed with three (3) of the claims for \$1,032.92. These claims have been adjusted to deny. BCBSKS disagreed with the one (1) remaining claim stating that Cochlear implants require prior authorization and are not considered excluded. Sagebrush agrees with this assessment.
- Duplicate payments - Sagebrush’s review of the 2021 paid claims data identified duplicate claim payments totaling \$7,518.78. BCBSKS adjusted and recovered \$275.83 prior to the publication of this report. BCBSKS disagreed with \$7,112.67 stating further review determined that the claims were for different providers or different services on the same date. Based on the statements provided, Sagebrush agrees that the \$7,112.67 are not duplicate payments. There was one (1) claim for \$130.28 where BCBSKS disagreed as it was adjusted on 3-29-22, prior to this audit review. Sagebrush agrees that \$130.28 was previously identified as a duplicate and adjusted prior to the audit.
- Ineligible Participants – Sagebrush ran the eligibility file that was received from the State of Kansas against the paid claims data provided by BCBSKS to identify claims paid for participants that were no longer eligible for coverage. Sagebrush included fifteen (15) participants with paid claims totaling \$134,195.67 in the 50 electronic testing sample sent to BCBSKS.

BCBSKS agreed with three (3) of the participants with claims totaling \$43,512.04, stating the participants have now been cancelled in the system. For the other twelve (12) participants, BCBSKS disagrees that the paid claims totaling \$90,683.63 for the other twelve (12) participants were incorrectly paid after the participants termination date, as the information BCBSKS had on file, at the time of processing, still showed active coverage for these participants.

All eligibility issues identified have been verified with SEHP. BCBSKS has now updated the eligibility records with the correct termination date for all of the members and their dependents that were included in the eligibility test finding. All claims have been adjusted to reimburse the SEHP account.

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 ASO population of medical claims processed by BCBSKS in 2021. The performance guarantee is based on quarterly performance.

Exhibit 3: Turnaround Time Per Quarter – ASO Only

PAID_QTR	Business Days	# of Claims	% of Claim Population	Cumulative # of Claims	Cumulative % of Population
2021-1	0 - 10 days	187,754	91.31%	187,754	91.31%
2021-1	11 - 14 days	11,734	5.71%	199,488	97.01%
2021-1	15 - 30 days	5,989	2.91%	205,477	99.92%
2021-1	> 30 days	155	0.08%	205,632	100%
	Total	205,632	100.00%		
2021-2	0 - 10 days	188,605	87.58%	188,605	87.58%
2021-2	11 - 14 days	21,570	10.02%	210,175	97.6%
2021-2	15 - 30 days	4,936	2.29%	215,111	99.89%
2021-2	> 30 days	243	0.11%	215,354	100%
	Total	215,354	100.00%		
2021-3	0 - 10 days	204,651	92.82%	204,651	92.82%
2021-3	11 - 14 days	9,680	4.39%	214,331	97.21%
2021-3	15 - 30 days	5,710	2.59%	220,041	99.8%
2021-3	> 30 days	450	0.2%	220,491	100%
	Total	220,491	100.00%		
2021-4	0 - 10 days	210,723	89.79%	210,723	89.79%
2021-4	11 - 14 days	18,917	8.06%	229,640	97.85%
2021-4	15 - 30 days	4,193	1.79%	233,833	99.63%
2021-4	> 30 days	858	0.37%	234,691	100%
	Total	234,691	100.00%		

The findings using the ASO business data only are that BCBSKS has met the performance guarantee for claim processing turn-around-time (TAT) of 95% of claims within 14 days and 99% of claims within 30 days for each quarter of 2021.

Conclusion

Sagebrush’s review of the BCBSKS systems encompassed the remote on-line testing of each claim in the statistical sample using system screen prints of how a BCBSKS examiner would have paid the claim using the BCBSKS system. The auditors’ review did not include the application of BCBSKS 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 BCBSKS operations, and the testing of claims in the statistical claim audit, Sagebrush concludes that BCBSKS has appropriate and adequate system, controls, guidelines, and processes.

BCBSKS will credit SEHP a total of \$56,619.61 for the agreed upon claim errors identified and adjusted as a result of the audit.

BCBSKS has also confirmed that all eligibility issues have been resolved with SEHP and updated in the claim system. An additional \$90,683.63 for claims paid on retro-terminated participants, as a result of the audit, were also adjusted and will be credited back to SEHP.

BCBSKS states that the check (#797625) in the amount of \$147,303.24, was delivered to the SEHP on December 29, 2022 and cashed/reconciled with BCBSKS's bank on January 4, 2023.

BCBSKS Management Response:

BCBSKS agrees with the Overall Conclusion. We appreciate the Sagebrush audit team's professionalism and collaboration.