



**Medical Administration Audit  
of Blue Cross Blue Shield of Kansas  
(BCBSKS) – Calendar Year 2022**

***Final Summary Report***

**August 16, 2023**

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

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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 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 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 conducted electronic tests, focused on specific benefits, exclusions, and potential types of error:

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

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

Sagebrush conducted the review of claims remotely starting on May 15, 2023 and ending on May 18, 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 848,581 SEHP medical claims, totaling \$268,491,876.14 in paid amounts, processed between January 1, 2022 and December 31, 2022. Sagebrush removes the negative paid claim lines and utilizes only the final outcome of the claim when selecting the random sample.

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 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.

**Summary of Statistical Sample Review Results**

The statistical sample review identified three (3) payment errors. BCBSKS agreed with all of the errors. The payment errors resulted in an overpayment of \$274.03

Considering the three (3) payment errors identified in the sample, the overall financial accuracy of the claims administered by BCBSKS in 2022 is 99.53%. The performance guarantee for financial accuracy is 99.25%. The calculated payment or dollar accuracy from the audit is 97.87%, 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%.

The statistics above show that BCBSKS did not meet the contractual performance guarantee of 98.00% for payment accuracy for calendar year 2022.

The following exhibits summarizes the three (3) errors identified in the 250-claim statistical sample by root cause and error amount.

Exhibit 1: Summary of Statistical Sample Errors

<b>Root Cause Type</b>	<b>Description</b>	<b># of Errors</b>	<b>Net Amount of Error Corrected/To Be Corrected</b>
<b>Benefits Applied Incorrectly</b>	One service was incorrectly paid at 100% as preventive. The amount should have applied deductible/coinsurance.	1	\$9.45
<b>Excluded Service Allowed</b>	Examinations for employment are considered an exclusion. Claim paid 100% as preventative and should have denied.	1	\$79.94
<b>Benefits Applied Incorrectly</b>	Plan J should pay at 75% of the allowed amount for durable medical equipment (DME). Benefit applied incorrectly by system.	1	\$184.64
<b>Total</b>		3	\$274.03

**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
<b>Clinical Edits</b>			
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
<b>Benefit Provisions</b>			
Deductible – Coinsurance test	Identify the participants that appear to have incorrect deductible and coinsurance amounts applied	●	\$0.00
<b>Benefit Limitations/Exclusions</b>			
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.	●	\$1,088.40
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	●	\$380.53
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
<b>Other</b>			
Claims Paid for Ineligibles	Electronically compare claims data to eligibility data to identify claims payments on behalf of ineligible participants	●	\$7,419.37
Duplicate Payments	Electronically test claims data for duplicate payments for the same service for the same participant	●	\$80,361.57
<b>TOTALS</b>			<b>\$89,249.87</b>

### 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 three (3) participants with claims totaling \$1,145.00 paid with a primary diagnosis of temporomandibular joint disorder (TMJ). Services for the treatment of TMJ are not covered. BCBSKS agrees that two (2) of these claims, totaling \$1,088.40 were paid in error. The claims have been adjusted to deny. BCBSKS disagrees with the other claim, stating the services are related to Segmental and somatic dysfunction of the head and neck region.
- 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 twelve (12) claims with a combined paid amount of \$2,571.57 for these excluded services. BCBSKS agreed with two (2) of the claims for \$380.53. These claims have been adjusted to deny. BCBSKS disagreed with the ten (10) remaining claims stating that Cochlear implants require prior authorization and are not considered excluded. Sagebrush agrees with this assessment.
- Duplicate payments - Sagebrush’s review of the 2022 paid claims data identified duplicate claim payments totaling \$97,802.95. BCBSKS adjusted and recovered \$17,133.45 prior to this audit review. BCBSKS disagreed with \$2,444.39 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 \$2,444.39 are not duplicate payments. BCBSKS agreed with eight (8) of the errors totaling, \$80,361.57.
- Ineligible Participants – Sagebrush compared the eligibility file that was received from the State of Kansas to the paid claims data provided by BCBSKS to identify claims paid for participants that were no longer eligible for coverage. Sagebrush included sixteen (16) participants with paid claims totaling \$120,918.85 in the 50 electronic testing sample sent to BCBSKS.

BCBSKS agreed to recover the payments for five (5) of the participants with claims totaling \$7,419.37, stating the claims were processed correctly at the time of payment, however the participants were retroactively cancelled in the system. For the other eleven (11) participants, with claims totaling \$113,499.48, BCBSKS previously adjusted these claims in the first quarter of 2023.

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.

**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 2022.

Exhibit 3: Turnaround Time Per Quarter – ASO Only

<b>Business Days</b>	<b># of Claims</b>	<b>% of Claim Population</b>	<b>Cumulative # of Claims</b>	<b>Cumulative % of Population</b>
0 - 10 days	788,827	93.02%	788,827	93.02%
11 - 14 days	37,448	4.42%	826,275	97.44%
15 - 30 days	18,664	2.20%	844,939	99.64%
> 30 days	3,058	0.36%	847,997	100.00%
<b>Total</b>	<b>847,997</b>	<b>100.00%</b>		

The findings using the ASO business data only are that BCBSKS has met the performance guarantee for claim processing turn-around-time (TAT) of 95.00% of claims within 14 days and 99.00% of claims within 30 days calendar year 2022. Sagebrush utilizes the original processing of the claim to determine the turnaround time. Claim adjustments are not included.

**Overall Findings and Actions**

The statistical and electronic testing results indicate that BCBSKS’s performance relative to claims accuracy, specifically processes for eligibility updates has room for improvement.

Sagebrush’s observations during the claim reviews and the analysis of the administrative questionnaire are that BCBSKS appears to have adequate system edits and controls in place. 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.

**Random Sample**

**Finding: Incorrect Benefit** - There were two (2) claims with incorrect benefits paid. The claims resulted in a net overpayment of \$194.09.

- **Sample #94** – Line 2 applied to the deductible correctly. However, line 1 procedure 99000 processed as preventive even though the diagnosis was medical. Code 99000-22 was coded

incorrectly and should have applied deductible/coinsurance. Claim overpaid \$9.45. BCBSKS agrees to the error.

- **Sample #159** - Plan J should pay at 75% of the allowed amount for DME. Coverage coded incorrectly in the claim system. Claim overpaid \$184.64

**Action:** BCBSKS agreed to the errors. The overpaid amount of \$194.09 will be reimbursed to SEHP, via check, at the conclusion of the audit.

**Finding: Excluded Service Allowed in Error** - One (1) claim for an encounter for pre-employment examination was paid in error. The service is not a covered service under the plan. This resulted in an overpayment of \$79.94.

- **Sample #116** – Per page 48 in the benefit book, examinations for employment are considered an exclusion. Claim paid 100% as preventative and should have denied. Diagnosis code Z02.1 - Encounter for pre-employment examination was not coded to deny for SOK, resulting in an overpayment of \$79.94. BCBSKS agreed to this error and states that the system configuration has been corrected.

**Action:** BCBSKS agreed to the error. The claim has been adjusted to deny and recover the overpaid amount.

- **Financial Accuracy** - The projected gross financial (dollar) accuracy within the medical claim population is 99.53%. The standard commonly found in the industry for financial accuracy is 99.00%. The performance guarantee between BCBSKS and SEHP for financial accuracy is 99.25%.

**Finding:** BCBSKS met the contractual performance guarantee for financial accuracy for calendar year 2022.

BCBSKS reports the financial accuracy rate of 99.39% for the claims reviewed by the internal quality review in calendar year 2022.

**Action:** No further action is required.

- **Payment/ Dollar Accuracy:** The projected payment accuracy or dollar accuracy of the medical claim population is 97.87%. 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 BCBSKS and SEHP for payment accuracy is 98.00%.

**Finding:** Based on the calculated payment or dollar accuracy from the audit, 97.87%, BCBSKS did not meet the contractual performance guarantee between SEHP and BCBSKS of 98.00%.

The small deviation from the performance guarantee of 98.00% is due to Sagebrush calculating the payment accuracy on the overall claim population for calendar year 2022.

BCBSKS reports the payment accuracy rate of 98.00% for the claims reviewed by the internal quality review in calendar year 2022.



**Action:** No further action is required.

- **Turnaround Time** – Sagebrush tested the turnaround time for calendar year 2022 and compared it to the contracted performance guarantee between SEHP and BCBSKS.

**Finding:** BCBSKS has met the performance guarantee for claim processing turn-around-time (TAT) of 95.00% of claims within 14 days and 99.00% of claims within 30 days for calendar year 2022.

**Action:** No further action is required.

### **Focused Review Findings**

- **TMJ** – Sagebrush identified two (2) participants with claims totaling \$1,088.40 paid with a primary diagnosis of temporomandibular joint disorder (TMJ). BCBSKS agrees that these claims were paid in error.

**Action:** BCBSKS agreed to the \$1,088.40 error. The claims have been adjusted and will be credited back to SEHP.

- **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 twelve (12) claims with a combined paid amount of \$2,571.57 for these excluded services.

**Action:** BCBSKS agreed with two (2) of the claims for \$380.53. These claims have been adjusted to deny and will be credited back to SEHP.

BCBSKS disagreed with the ten (10) remaining claims stating that Cochlear implants require prior authorization and are not considered excluded. Sagebrush agrees with this assessment.

- **Duplicate payments** - Sagebrush's review of the 2022 paid claims data identified duplicate claim payments totaling \$89,517.61.

**Action:** BCBSKS agreed with eight (8) of the claims totaling \$80,361.57. BCBSKS will include this amount in check payable to SEHP at the conclusion of the audit.

BCBSKS disagreed with two (2) claims totaling \$17,133.45 stating the claims were previously adjusted for recoupment, prior to the audit. After additional review, the three (3) remaining claims, totaling \$2,444.39, were not duplicates as the services were performed by different providers or multiple services were rendered on the date of service.

- Ineligible Participants – Sagebrush compared the eligibility file that was received from the State of Kansas to the paid claims data provided by BCBSKS to identify claims paid for participants that were no longer eligible for coverage. Sagebrush included sixteen (16) participants with paid claims totaling \$120,918.85 in the 50 electronic testing sample sent to BCBSKS.

**Action:** BCBSKS agreed to recover the payments for five (5) of the participants with claims totaling \$7,419.37, stating the claims were processed correctly at the time of payment, however the participants were retroactively cancelled in the system.

For the other eleven (11) participants, with claims totaling \$113,499.48, BCBSKS previously adjusted these claims in the first quarter of 2023.

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.

## **Overall Conclusions**

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 \$274.03 for the agreed upon claim errors identified in the 250-claim sample and an additional \$89,249.87 for the claims identified and adjusted in the electronic focused review.

**BCBSKS will issue a check to SEHP for the total of \$89,523.90, shown above. Please note that the amount of the check could differ depending on the timing of the adjustment and the claimant’s out of pocket expense at the time of adjustment.**

**Once the check is issued BCBSKS will advise Sagebrush of the check number and the amount.**