



**Medical Administration Audit
of Blue Cross Blue Shield of Kansas
(BCBSKS) – Calendar Year 2023**

Final Summary Report

August 8, 2024

**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 2023.

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 81,000 active participants, early retirees 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 April 15, 2024 and ending on April 19, 2024. 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 877,963 SEHP medical claims, totaling \$300,147,486,69 in paid amounts, processed between January 1, 2023 and December 31, 2023. 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 2023 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 one (1) payment error. BCBSKS agreed with the error. The payment error resulted in an overpayment of \$37.87. Sagebrush assessed two (2) non-payment or procedural errors during the review of the statistical sample.

Considering the one (1) payment error identified in the sample, the overall financial accuracy of the claims administered by BCBSKS in 2023 is 99.94%. The performance guarantee for financial accuracy is 99.25%. The calculated payment or dollar accuracy from the audit is 99.50%, compared to the BCBSKS performance guarantee of 98.00%. The calculated procedural accuracy is 99.99%, compared to the BCBSKS performance guarantee of 97.00%.

The statistics above show that BCBSKS has met contractual performance guarantee as stated in the administrative services contract with SEHP for calendar year 2023.

The following exhibits summarize the three (3) 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
Service paid on Incorrect Member	Claim has the birthdate of one family member but shows another family member as the patient. Claim paid for family member with birthdate listed in error.	1	\$37.87
Service Not Medically Necessary	Line denied as not medically necessary for CPT 82306 was not included in the claims data file provided by BCBSKS for the audit.	1	\$0.00
Service Experimental / Investigational	CPT codes 83695 and 82172, \$25 each were denied as experimental / investigational. These denied lines were not included in the claims data file provided by BCBKS for the audit.	1	\$0.00
Total		3	\$37.87

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
Clinical Edits			
Assistant Surgeon Not Allowed	Identified claims where payment was made to an assistant surgeon for 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	Identified instances where a provider billed an evaluation and management service during the all-inclusive 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.	●	\$143.89
Benefit Provisions			
Deductible – Coinsurance test	Identified the participants that appear to have incorrect deductible and coinsurance amounts applied	●	\$0.00
Benefit Limitations/Exclusions			
Cosmetic Procedures	Identified claims for surgical procedures that could be considered cosmetic and not medically necessary.	●	\$3,178.52
Bariatric Services	Identified claims for bariatric services that do not meet the criteria outlined by the plan for medical necessity.	●	\$0.00
TMJ	Medical, surgical or dental treatment or services related to the treatment of temporomandibular joint (jaw hinge) disease (TMJ) are not covered.	●	\$1,026.41

Test	Description	Findings	Net Amount of Error Corrected/To Be Corrected
Routine Foot Care	Routine footcare 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	Massage therapy is excluded per the summary plan description.	●	\$0.00
Routine Hearing Test	Routine hearing test is covered once per plan year. Identified hearing tests at a frequency greater than allowed by the plan.	●	\$35.60
Acupuncture	Identified acupuncture services and associated expenses that are not covered, including, but not limited to, the treatment of certain painful conditions or for anesthesia purposes.	●	\$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	●	\$14,270.18
Duplicate Payments	Electronically test claims data for duplicate payments for the same service for the same participant	●	
TOTALS			\$22,827.58

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 prior to the audit due to an error in processing.

The findings shown in the chart above are detailed below.

- **Visits During Global Period** – The industry standard for the global surgical period for a minor procedure is 10 days and major procedure is 90 days. Sagebrush identified two (2) claims with a total paid amount of \$217.99 within the 10 day period and four (4) claims in the 90 day period totaling \$546.36. BCBSKS disagreed with one (1) claim for \$74.10 in the 10 day period stating the service was for an outpatient facility fee. Sagebrush agrees that visits billed by an outpatient facility and not a physician are not included in the global period. The other claim in the 10 day period for \$143.89 was adjusted and recovered prior to the audit.

The four (4) claims in the 90 day global period had a total paid amount of \$546.36. BCBSKS provided their internal policy that shows a 42 day global period for major surgical procedures. The claims in question were all outside of the 42 day period, and therefore, paid correctly.

- **Cosmetic Services – Mammoplasty** – Sagebrush identified two (2) claims totaling \$13,381.55 paid, for what appeared to be routine Mammoplasty claims. BCBSKS disagreed with one (1) totaling \$10,203.03 stating there is nothing in the benefit plan indicating that services related to gender identity disorder is not covered. Services were reviewed and medically necessary per our medical review department. Sagebrush will agree with the assessment of the medical review. BCBSKS agreed with the other with an overpaid amount of \$3,178.52, as the diagnosis was encounter for cosmetic surgery.
- **TMJ** – Sagebrush identified one claim totaling \$1,026.41 paid with a primary diagnosis of temporomandibular joint disorder (TMJ). Services for the treatment of TMJ are not covered. The services were for a Maxillofacial Prosthetic Procedure. BCBSKS agrees with the error.
- **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 \$547.23 for these excluded services. BCBSKS agreed with one (1) of the claims for \$35.60. BCBSKS disagreed with the three (3) remaining claims stating that the primary diagnosis for hearing loss testing is a covered service. Sagebrush agrees that a routine hearing test is covered under the preventative benefit, once per year.
- **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 thirteen (13) participants with paid claims totaling \$21,776.7 in the 50 electronic testing sample sent to BCBSKS.

BCBSKS agreed to recover the payments for four (4) of the participants with claims totaling \$1,167.31, stating the claims were processed correctly at the time of payment, however the participants were retroactively cancelled in the system. For two (2) participants, with claims totaling \$7,506.69, BCBSKS disagreed as the participant still had active coverage on the Dates of service in question.

Ten (10) participants had claims totaling \$13,102.87 that had been adjusted and recovered prior to the audit.

- **Duplicate payments** - Sagebrush’s review of the 2023 paid claims data identified duplicate claim payments totaling \$7,001.74. BCBSKS adjusted and recovered \$502.85 prior to this audit review. BCBSKS disagreed with \$2,828.76 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 \$2,828.76 are not duplicate payments. BCBSKS agreed with five (5) of the errors totaling, \$3,670.13.

Based on the review of the electronic testing, BCBSKS had previously adjusted and recovered \$502.85. **BCBSKS agreed to recover \$3,670.13.**

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 2023.

EXHIBIT 3: TURNAROUND TIME– ASO ONLY

Business Days	# of Claims	% of Claim Population	Cumulative # of Claims	Cumulative % of Population
0 - 10 days	838,419	95.45%	838,419	95.45%
11 - 14 days	19,880	2.26%	858,299	97.71%
15 - 30 days	18,677	2.13%	876,976	99.84%
> 30 days	1,402	0.16%	878,378	100.00%
Total	878,378	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 95.00% of claims within 14 days and 99.00% of claims within 30 days calendar year 2023. 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 overall accuracy for 2023 was 99.5%. The following areas will be addressed by BCBSKS.

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 Member / Participant - There was one (1) claim paid on the incorrect participant. The claims resulted in a net overpayment of \$37.87.

- **Sample #10** – The claim was billed with the date of birth for one participant and the name of another. The claim was processed for the wrong participant.

Action: BCBSKS agreed to the error. An inquiry to the provider resulted in the claim being adjusted for a full recovery.

Finding: Procedural Error - Two (2) claims were flagged for a procedural error or a non-payment error due to missing data.

- **Sample #83** – Line 6 was missing from the data file received from BCBSKS for the audit. Procedure 82306, \$366.00. The charge was denied as not medically necessary by medical ClaimsXTN. All lines within a claim should be passed in the data file. Since they were not, this is a procedural error.
- **Sample #93** – Two (2) lines were missing from the data file received from BCBSKS for the audit. Procedures 83695 and 82172 were billed for \$25 each and were denied as experimental & investigational. All lines within a claim should be passed in the data file. Since they were not, this is a procedural error.

Action: BCBSKS disagreed that an error should be assessed as part of the statistical review. During the screen share session, the auditor confirmed that the claim was processed accurately. Consequently, BCBSKS requests that these claims be removed from the audit findings, as the procedural error occurred during the data compilation process overseen by the audit manager.

BCBSKS Response: The audit identified that specific coding was implemented to exclude certain denials, such as Not Medically Necessary and Experimental & Investigational, due to their invalidity for utilization analysis. Addressing the missing data separately in the final report is essential to ensure full transparency for all entities.

Additionally, the BCBSKS audit team has a plan in place to ensure complete population compilation for the SEHP yearly external audit. Prior to next year's audit, the audit team will collaborate with Sagebrush to confirm the data elements and reporting criteria for future populations.

- **Financial Payment 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 2023.

BCBSKS reports the financial accuracy rate of 99.90 for the claims reviewed by the internal quality review in calendar year 2023.

Action: No further action is required.

- **Claims processing (total) accuracy:** The projected claims processing (total) accuracy of the medical claim population is 99.50%. Claims processing (total) 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 97.00%.

Finding: Based on the calculated claims processing (total) accuracy from the audit, 99.50%, BCBSKS has met the contractual performance guarantee between SEHP and BCBSKS of 97.00%.

BCBSKS reports the average claims processing (total) accuracy rate of 98.00% for the claims reviewed by the internal quality review for calendar year 2023.

Action: BCBSKS has reported missing the claims processing (total) accuracy for Quarter 3 of calendar year 2023 and has paid the penalty of \$2,500.00 on check #800988 issued 11/9/23 & cashed 11/21/23. No further action is required.

- **Payment incidence accuracy:** - The projected payment incidence accuracy of the medical claim population is 99.00%. Payment incidence accuracy refers to the percentage of claims that do not contain coding, data entry, or other errors not resulting in the incorrect payment of the claim.

Finding: Based on the calculated payment incidence accuracy from the audit, 99.00%, BCBSKS has met the contractual performance guarantee between SEHP and BCBSKS of 98.00%.

BCBSKS reports the payment incidence accuracy rate of 98.00% for the claims reviewed by the internal quality review for calendar year 2023. However, for Quarter 3, BCBSKS reports a procedural accuracy of 92.00%, which falls below the contracted guarantee of 98.00%.

Action: BCBSKS has reported missing the Procedural Accuracy for Quarter 3 of calendar year 2023 and has paid the penalty of \$2,500.00 on check #800988 issued 11/9/23 & cashed 11/21/23. No further action is required.

- **Turnaround Time** – Sagebrush tested the turnaround time for calendar year 2023 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

- **Finding: Global Surgical Period** – Sagebrush identified two (2) claims where an office follow-up visit was paid during the 10 day global period of a minor procedure and four (4) claims during the 90 day global period of a major procedure. These claims had a total paid amount of \$764.35

BCBSKS disagreed to one (1) claim in the 10 day global period stating that the service was for an outpatient facility fee, not a physician service. The other claim in the 10 day global period for \$143.89 was adjusted prior to the audit.

For the four (4) claims paid during the 90 day global period, BCBSKS provided the internal policy that shows their internal guideline is only 42 days for a major procedure.

Action: No further action is required.

- **Finding: Cosmetic Procedures** - Sagebrush identified two (2) members with services related to cosmetic procedures. These claims had a total paid amount of \$13,381.55.

Action: BCBSKS agreed to an overpayment of \$3,178.52 as one of the member's claims clearly stated encounter for cosmetic surgery. This amount will be adjusted and credited back to SEHP. BCBSKS states the claims for the other member totaling \$10,203.03, were paid correctly, as nothing in benefit plan indicates services related to gender identity disorder is not covered. Services were reviewed and medically necessary per the medical review department.

- **Finding: TMJ** – Sagebrush identified one (1) participant with a claim totaling \$1,026.41 paid with a primary diagnosis of temporomandibular joint disorder (TMJ). BCBSKS agrees that this claim was paid in error.

Action: BCBSKS agreed to the \$1,026.41 error. The claims will be adjusted and credited back to SEHP.

- **Finding: 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 \$547.23 for these excluded services.

Action: BCBSKS agreed with one (1) of the claims for \$35.60. The claim will be adjusted to deny and will be credited back to SEHP.

BCBSKS disagreed with the three (3) remaining claims stating that the primary diagnosis is for hearing loss testing and is a covered benefit. Sagebrush agrees with this assessment.

- **Finding: Duplicate payments** - Sagebrush’s review of the 2023 paid claims data identified duplicate claim payments totaling \$7,001.74.
- **Action:** BCBSKS adjusted and recovered \$502.85 prior to this audit review. BCBSKS disagreed with \$2,828.76 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 \$2,828.76 are not duplicate payments.

BCBSKS agreed with five (5) of the claims totaling \$3,670.13. BCBSKS will include this amount in check payable to SEHP at the conclusion of the audit.

- **Finding: 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 thirteen (13) participants with paid claims totaling \$21,776.87 in the 50 electronic testing sample sent to BCBSKS.

Action: BCBSKS agreed to recover the payments for four (4) of the participants with claims totaling \$1,167.31, stating the claims were processed correctly at the time of payment, however the participants were retroactively cancelled in the system.

For two (2) participants, with claims totaling \$7,506.69, BCBSKS disagreed as the participant still had active coverage on the Dates of service in question.

Ten (10) participants had claims totaling \$13,102.87 that had been adjusted and recovered prior to the audit

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 \$37.87 for the agreed upon claim errors identified in the 250-claim sample and an additional \$9,077.97 for the agreed upon claims identified in the electronic focused review.

BCBSKS has issued check #803628 dated 8-1-2024 in the amount of \$9,15.84. The check was delivered on 8/2/2024.

BCBSKS had identified and adjusted claims totaling \$13,749.61 prior to the audit. This amount should have already been credited back to SEHP through the monthly invoicing.