



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

***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 2020.

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 May 17, 2021 and ending on June 4, 2021. 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 790,768 SEHP medical claims, totaling \$258,215,904.36 processed between January 1, 2020 and December 31, 2020.

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 2020 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 underpayment of \$238.49.

Considering the one (1) payment error identified in the sample, the overall financial accuracy of the claims administered by BCBSKS in 2020 is 99.98%. The calculated payment or dollar accuracy from the audit is 99.97%. The calculated procedural accuracy is 100.00%.

The following exhibits summarizes the one (1) error 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	Covid-19 services are payable at 100.00% of the allowable during the emergency pandemic.	1	(\$238.49)
Total		1	(\$238.49)

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			
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.	●	\$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.	●	\$442.24
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 painful conditions or for anesthesia purposes are not covered.	●	\$0.00
Dental Services	Treatment of teeth or supporting structures is not covered, except as specified in the Dental Services and the Transplant within the Covered Service Section provided under the terms of the Plan.	●	\$0.00
Other			
Claims Paid for Ineligibles	Electronically compare claims data to eligibility data to identify claims payments on behalf of ineligible participants	●	\$2,949.08
Duplicate Payments	Electronically test claims data for duplicate payments for the same service for the same participant	●	\$59,379.00

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 four (4) participants with claims totaling \$442.24 paid with a primary diagnosis of TMJ. BCBSKS agrees that these claims were paid in error.

Duplicate payments - Sagebrush's review of the 2020 paid claims data identified duplicate claim payments totaling \$59,379.02. BCBSKS has adjusted and recovered \$59,284.19 prior to the publication of this report and is pursuing the remaining \$94.83.

- 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 twelve (12) participants with paid claims totaling \$106,347.65 in the 50 electronic testing sample sent to BCBSKS.

BCBSKS agreed with two (2) of the participants with claims totaling \$2,377.07, stating the participants have now been cancelled in the system. For the other ten (10) participants, BCBSKS disagrees that the paid claims totaling \$103,398.57 were incorrectly paid after the participants termination date, as the information BCBSKS has on file still shows active coverage for these participants. The remaining \$572.01 has been previously adjusted by BCBSKS.

At the request of 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 findings.

BCBSKS Response: BCBSKS determined the SEHP has a 15-month window to adjust claims processed for members prior to updating the eligibility files. If the claims are outside the 15-month window, a management exception (at the group's request) is needed to allow adjustments on claims. The 85 claims identified in this audit are in the process of, or have already been adjusted and refunds obtained, and credited back to the SEHP account.

BCBSKS did determine there was one (1) member for which they are responsible for not completing the termination. This member resulted in 11 claims totaling \$396.95, and will be refunded to the SEHP by BCBSKS.

Recommendation: Additional controls have been implemented between SEHP and BCBSKS regarding the transfer of eligibility files and data. In addition to the 2 files provided each week, the SEHP will also include a monthly eligibility file which includes all the changes or updates which

occurred in the weekly files. This additional file will serve as a secondary protocol to help reduce the number of claims which may be paid after a member should be terminated.

In addition, SEHP has implemented eligibility file enhancements to eliminate issues when members are enrolled and terminated on the same date.

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 2020. The test 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
2020-1	0 - 10 days	181,958	89.23%	181,958	89.23%
2020-1	11 - 14 days	9,976	4.89%	191,934	94.10%
2020-1	15 - 30 days	8,234	4.04%	200,168	98.16%
2020-1	> 30 days	3,762	1.84%	203,930	100.00%
	Total	203,930	100.00%		
2020-2	0 - 10 days	145,642	93.32%	145,642	93.32%
2020-2	11 - 14 days	5,220	3.34%	150,862	96.66%
2020-2	15 - 30 days	3,937	2.52%	154,799	99.19%
2020-2	> 30 days	1,270	0.82%	156,069	100.00%
	Total	156,069	100.00%		
2020-3	0 - 10 days	177,141	86.65%	177,141	86.65%
2020-3	11 - 14 days	18,112	8.86%	195,253	95.51%
2020-3	15 - 30 days	8,002	3.92%	203,255	99.43%
2020-3	> 30 days	1,174	0.57%	204,429	100.00%
	Total	204,429	100.00%		
2020-4	0 - 10 days	187,903	84.13%	187,903	84.13%
2020-4	11 - 14 days	21,811	9.77%	209,714	93.90%
2020-4	15 - 30 days	13,120	5.87%	222,834	99.77%
2020-4	> 30 days	514	0.23%	223,348	100.00%
	Total	223,348	100.00%		

The findings using the ASO business data only are that BCBSKS processed 94.10% of all claims within 14 business days of receipt and 98.16% of claims within thirty (30) days for the first quarter and only 93.90% of all claims within 14 business days for the fourth quarter. However, the contracted performance guarantee between SEHP and BCBSKS is based on the ASO and fully insured lines of business combined. Due to the scope of audit, Sagebrush did not have access to the claims data for the fully insured lines of business. Based on the results reports provided by BCBSKS tabulated based on the combined fully insured and ASO data, BCBSKS meets the performance guarantee for turnaround time for each quarter in 2020.

SEHP agrees with this assessment.

Conclusion

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 pay SEHP a total of \$2,914.14 for the errors identified during the audit that were not adjusted and / or recouped prior to the audit.