

**Comprehensive Claim Administration Audit**

**SPECIFIC FINDINGS REPORT**

**Kansas State Employee Dental Plan  
Administered by Delta Dental of Kansas**

**Audit Period: January 1, 2019 through December 31, 2019**

**Presented to**

**Kansas State Employee Health Plan**

**August 28, 2020**



**CLAIM TECHNOLOGIES  
INCORPORATED**

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## INTRODUCTION

This **Specific Findings Report** contains CTI’s findings and recommendations from our audit of Delta Dental of Kansas’s (Delta Dental) administration of the Kansas State Employee Health Plan (the State) plan.

CTI conducted the audit according to accepted standards and procedures for claim audits in the health insurance industry. We based our audit findings on the data and information provided by the State and Delta Dental. The validity of our findings relies on the accuracy and completeness of that information. We planned and performed the audit to obtain a reasonable assurance claims were adjudicated according to the terms of the contract between Delta Dental and the State as well as all approved plan documents and communications.

CTI specializes in the audit and control of health plan claim administration. Accordingly, the statements we make relate narrowly and specifically to the overall effectiveness of policies, procedures, and systems Delta Dental used to pay the State’s claims during the audit period. While performing the audit, CTI complied with all confidentiality, non-disclosure, and conflict of interest requirements and did not receive anything of value or any benefit of any kind other than agreed upon audit fees.

## OBJECTIVES AND SCOPE

The objectives of CTI’s audit of Delta Dental’s claim administration were to determine whether:

- Delta Dental followed the terms of its contract with the State;
- Delta Dental paid claims according to the provisions of the plan documents and if those provisions were clear and consistent;
- Members were eligible and covered by the State’s plan at the time a service paid by Delta Dental was incurred; and
- Any claim administration or eligibility maintenance systems or processes need improvement.

CTI audited Delta Dental’s claim administration of the the State plan for the period of January 1, 2019 through December 31, 2019. The population of claims and amount paid during that period were:

Total Paid Amount	\$26,708,761
Total Number of Claims Paid/Denied/Adjusted	176,569

The audit included the following components which are described in greater detail on the following pages:

- Operational Review and Questionnaire
- Plan Documentation Analysis
- 100% Electronic Screening with 20 Targeted Samples
- Random Sample Audit of 120 Claims
- Data Analytics

# AUDIT FINDINGS AND RECOMMENDATIONS

## Random Sample Findings

CTI validated claim processing accuracy based on a sample of 120 dental claims paid or denied by Delta Dental during the audit period. We selected the random sample (stratified by the claim billed amount and the date processed) to provide a statistical confidence level of 95% +/- 3% margin of error.

CTI’s Random Sample Audit categorizes errors into key performance indicators. We use this systematic labeling of errors and calculation of performance as the basis for the benchmarks generated using results from our most recent 40 dental claim audits.

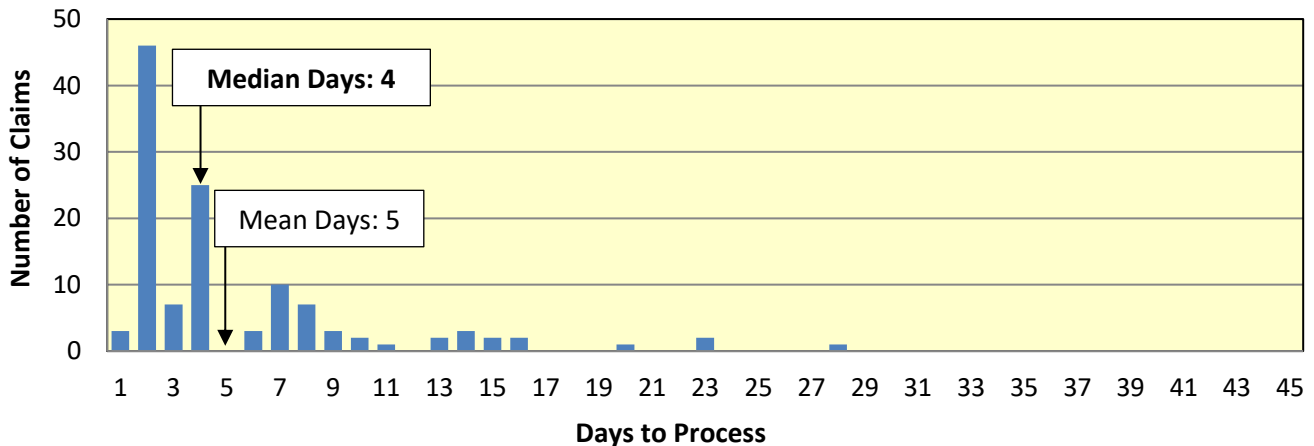
The following table illustrates Delta Dental’s performance was 100% in all three of CTI’s benchmarked performance indicators.

Key Performance Indicators	Administrator’s Performance by Quartile				
	Quartile 1	Quartile 2	MEDIAN	Quartile 3	Quartile 4
	Lowest <span style="display: inline-block; width: 100%; border-bottom: 1px solid black;"></span> Highest				
<b>Financial Accuracy:</b> Compares total dollars associated with correct claim payments to total dollars of correct claim payments that should have been made.			98.58%		100%
<b>Accurate Payment:</b> Compares number of correctly paid claims to total number of claims paid.			96.53%		100%
<b>Accurate Processing:</b> Compares number of claims processed without any type of error (financial or non-financial) to total number of claims processed.			96.03%		100%

## Claim Turnaround Time

A final measure of claim administration performance is claim turnaround time. Through the audit sample, Delta Dental demonstrated its median turnaround time on a complete claim submission was 4 days from the date it received a complete claim to the date the claim was paid or denied.

**Median and Mean Claim Turnaround**



## Random Sample Recommendation

The random sample audit did not identify any financial or procedural deficiencies. We recommend the State continue to monitor Delta Dental’s performance through its performance goal reporting and periodic audits to verify Delta Dental continues to perform at a high level and that no new processing issues have emerged.

## 100% Electronic Screening with Targeted Samples Findings

We used our proprietary Electronic Screening and Analysis System (ESAS) software to further analyze claim payment and eligibility maintenance accuracy as well as and opportunities for system and process improvement. Using the data file provided by Delta Dental, we readjudicated each line on every claim the plan paid or denied during the audit period against the plan’s benefits. Our Technical Lead Auditor tested a targeted sample of 20 claims to provide insight into Delta Dental’s claim administration as well as operational policies and procedures.

The following table shows the dental services identified as potentially overpaid. It is important to note that the amount shown represents potential payment errors; additional testing would be required to substantiate the findings and provide the basis for remedial action planning or recovery.

ESAS Candidates for Additional Testing	Potential Recovery
<b>Duplicate Payments</b>	<b>\$159,620</b>
<b>Plan Limitations</b>	<b>\$15,674</b>
Cleanings	\$406
Full Mouth Series/Panoramic X-ray	\$188
Testing	\$1,157
Porcelain Crown Under Age 16	\$1,784
Bitewing X-ray w/in 12 Mos. of Full Mouth X-ray	\$12,139
<b>Employee Eligibility Screening – Claims Paid*</b>	<b>\$17,0462</b>

*\*CTI notes that .0006% of the State’s total dental spend processed by Delta Dental was identified as paid for members who may not have been eligible for coverage. These results are low compared to the 1 – 2% CTI generally reports.*

## 100% Electronic Screening with Targeted Samples Recommendations

The State should talk to Delta Dental about conducting a focused analysis of the errors identified through ESAS to determine next steps to reduce or prevent similar errors going forward. We found the following:

- Delta Dental agreed to all five of the duplicate payment errors we cited and attributed them to claim examiners overriding system prompts that alerted them to pending duplicate claims. We recommend examiner refresher training and discussion of the quality assurance procedures Delta Dental has in place to review system overrides to verify their accuracy and to prevent manual duplicate payments. Delta Dental confirmed they implemented additional training programs and resources to examiners on the use of overrides and processes for obtaining permissions for overrides relative to the SEHP plan. They will provide follow-up information when the additional training is completed in 2021.

- Delta Dental reported 72% of the State’s claims auto-adjudicated. Should Delta Dental increase that rate, the incidence of manual intervention should decrease when coupled with enhanced system logic to identify and deny duplicate claims.
- Of the seven errors we cited for payments beyond plan limitations, Delta Dental agreed to six. Three of the errors were attributed to claim processor overrides of system prompts similar to what was seen with the duplicate payments. Three of the errors concerned payment of bitewing x-rays within 12 months of full mouth x-rays. Delta Dental didn’t indicate if these three errors were caused by system or manual processing. We recommend root cause and impact analysis to identify other claims paid in error and to ensure plan limitations are adhered to on a go-forward basis.

The final error concerned payment for testing which isn’t listed as a covered benefit in the State’s plan document. The State’s plan document indicates services not specifically provided in the Benefit Description of Dental Care Coverage are to be excluded while Delta Dental interprets silence on a service in the State of Kansas contract as approval to apply to apply Delta Dental Plans Association processing policies. As this contradicts the State’s plan document, we recommend the State discuss this with Delta Dental to ensure administration of services not referenced in the State’s contract meets the plan’s intent.

- The screening of every claim against two eligibility files the State provided flagged claims that appear to have been paid for ineligible claimants. The State should review the results of the eligibility screening to perform causal analysis to identify workflow and/or system improvements to reduce or eliminate paying claims for ineligible claimants.

The State, CTI and Delta Dental discussed the ESAS results to determine if overpayment recovery and/or system improvements were possible and to reduce or eliminate similar errors going forward. Where any research or impact analyses were requested by the State, Delta Dental completed it and reported its findings to the State.

The State asked Delta Dental to review a sample of high dollar claimants who were flagged in the eligibility screening to determine if they were eligible on their dates of service. Delta Dental shared their research with CTI and the screening was updated.

## **Operational Review Findings**

Delta Dental completed our Operational Review Questionnaire and provided information on its:

- Systems, staffing, and workflow;
- Claim administration and eligibility maintenance procedures; and
- Internal control risk mechanisms, e.g., HIPAA protections; internal audit policies and practices; and fraud, waste, and abuse detection and prevention.

Highlights of our Operational Review included:

- Delta Dental provided a copy of its crime policy declaration page that showed a \$10 million aggregate. A copy of its excess errors and omissions policy declaration page showed a \$2 million aggregate. Delta Dental’s cyber liability insurance declaration page shows a \$1 million aggregate. Finally, Delta Dental has a managed care errors and omissions policy with a \$2,000,000 aggregate.

- Delta Dental and the State had a performance agreement in place during the audit period with targets in the following categories:
  - Implementation
  - Claims Processing
  - Customer Service
  - Website Availability and Accuracy
  - Account Management
  - Data Management

Delta Dental indicated it issued credits totaling \$6,500.00 for missed performance guarantees (electronic files and quarterly financial payment) during the audit period and SEHP confirmed receipt.

- Delta Dental indicated it had been audited for compliance with the standards of the American Institute of Certified Public Accountants (AICPA) through the issuance of a Statement on Standards for Attestation Engagements (SSAE) No. 18, reporting on controls at a service organization. Under SSAE 18, the administrator is required to provide a description of its system, which the service auditor validates. CTI has a copy of Delta Dental's SOC 1 and SOC 2 audit reports, and we can confirm that Delta Dental's external auditor did not note any deviations in the installation and maintenance of customer benefits, enrollment information, and healthcare provider agreements control, or in the claim adjudication and claim payment and customer funding controls.
- Delta Dental backs up all electronic data, systems, and documents on a nightly basis and secures them at an offsite location. It also has back-up servers in the event of a disaster. Finally, Delta Dental uses electronic imaging for record retention and has written policies and procedures governing the length of retention and access authorization.
- Delta Dental provided documentation of claim system controls that include secure log-on passwords, authorized check signatures, separation of duties and access, and limitations on system override authority.
- Delta Dental performs coordination of benefits (COB) using the industry's standard coordination of benefits processing policy as opposed to non-duplication. Delta Dental calculates COB savings as the difference between the invoiced amount and the final adjudicated claim amount. Delta Dental provided a report showing COB savings of \$317,928 during the audit period, up 57% from the previous year.
- Delta Dental stated that 72% of the State's claims auto-adjudicated during the audit period.
- Delta Dental performs its own overpayment recovery for all amounts. Delta Dental indicated it contracts with Recheck Inc. to assist with overpayment recovery. Recheck retains 30% of recoveries as its fee. Delta Dental indicated it tracks the reasons overpayments occur but said an overpayment recovery report is not available.
- Delta Dental tracks and records appeals in an online appeal and reconsideration database that is monitored daily to ensure timely processing. Delta Dental provided a report for the audit period that showed a total of 280 appeals and reconsiderations were received and reviewed and 64% resulted in claim adjustment/correction and reissuance of pre-determination due to receipt of additional information.

- Delta Dental reported \$124,537 in savings obtained during the audit period from the use of dental consultant review.
- Delta Dental indicated it did not have any breaches triggering notification requirements for the the State.

## **Operational Review Recommendations**

- Delta Dental reported it tracks the reasons for overpayments but that a report was unavailable. We recommend requesting reports of overpayments at least annually that provide detail on each overpayment, the cause, the amount recovered and any applicable fees to verify the State isn't paying fees to recover overpayments caused by deficiencies in Delta Dental's administration. Delta Dental confirmed they are unable to generate an overpayment report, but are working with IT to develop one to meet SEHP's needs. The anticipated completion date of the sample report is the end of the first quarter of 2021
- The appeals report Delta Dental provided showed approximately two-thirds of appeals and reconsiderations resulted in claim adjustments or corrections or reissuance of pre-determinations due to receipt of additional information. We recommend talking with Delta Dental to determine how it uses feedback and learnings from appeals into its provider strategy to encourage complete claim submissions. Complete information at the time of submission will save administrative costs associated with processing appeals, reconsiderations and claim adjustments.

The State, CTI and Delta Dental discussed the operational review recommendations post-audit. For research or request by the State, Delta Dental committed to discuss them internally to determine what can be provided to the State.

## **Plan Documentation Analysis Findings and Recommendations**

Our auditors did not identify any inconsistencies, ambiguities, or missing provisions in our Plan Document Analysis.

The documents state services not specifically provided in the Benefit Description of Dental Care Coverage are to be excluded. In our targeted sample audit, Delta Dental paid a claim for caries risk assessment/testing which isn't listed as a covered service. Delta Dental reported its policy is to default to Delta Dental Plans Association (DDPA) processing policies when the contract with the State is silent on a service or benefit. We recommend a discussion with Delta Dental to ensure this processing guideline meets the State's intent for the plan and that only services the State intends to provide are covered.

The State, CTI and Delta Dental discussed how to handle items not listed as covered services in plan documents. Delta Dental is submitting additional language to be included in the Plan Description outlining when services not identified are covered according to the Delta Dental Plan Association guidelines. Upon review and approval, the SEHP will make a final determination if the language is to be included in the dental program.

## **Data Analytics Findings**

CTI used electronic claim data provided by Delta Dental to identify improvement opportunities and potential recoveries. The informational categories we analyzed include:

- Network Provider Utilization and Discount Savings
- Sanctioned Provider Identification



### Network Provider Utilization and Discount Savings

CTI compared submitted charges to allowable charges for all claims paid for the plan during the audit period. The analysis relied on data provided by Delta Dental and we made no assumptions when necessary data fields were not provided. The following table shows the results of CTI’s analysis of the value of discounts given by network providers as a percentage of all claims processed during the audit period. Paid claims totals do not include claims paid for members 65 and older.

Total of All Claims			
Claim Type	Eligible Charge	Provider Discount	Paid
Ancillary	\$200	\$200 100.0%	\$0
Non-Facility	\$46,806,467	\$12,453,366 26.6%	\$21,867,622
Facility Inpatient	\$0	\$0 0.0%	\$0
Facility Outpatient	\$0	\$0 0.0%	\$0
<b>Total</b>	<b>\$46,806,667</b>	<b>\$12,453,566 26.6%</b>	<b>\$21,867,622</b>

The State’s members had network utilization with 97.8% of all allowed charges and 98.2% of all claims.

### Sanctioned Provider Identification

CTI screened 100% of non-facility provider claims from Delta Dental against the Office of Inspector General’s (OIG) List of Excluded Individuals/Entities (LEIE). No claims were paid to sanctioned providers during the audit period.

### Data Analytics Recommendations

The percentage of claims from out-of-network providers is low at 2.2%, so the State’s effort to encourage members to use network providers has been successful. We recommend the State ask Delta Dental to identify the out-of-network Kansas providers members use most frequently and explain what efforts are underway or have been attempted to encourage them join the Delta Dental network.

## CONCLUSION

We understand you will need to review these findings and recommendations to determine your priorities for action. Should the State desire additional assistance with this, our contract offers eight hours of post-audit time to help you create an implementation plan.

CTI also suggests that the State perform a follow-up audit to verify that Delta Dental continues to perform above benchmark, and no new processing issues occur.

We consider it a privilege to have worked for, and with, your staff and we welcome any opportunity to assist you in the future. Thank you again for choosing CTI.



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