Claim Administration Audit

SPECIFIC FINDINGS REPORT

Kansas State Employee Health Plan Medical Plan
Administered by Blue Cross Blue Shield of Kansas

Audit Period: January 1, 2018 through December 31, 2018

Presented to

Kansas State Employee Health Plan

February 28, 2020

Presented by

CLAIM TECHNOLOGIES INCORPORATED

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INTRODUCTION

This report contains findings and recommendations from CTI's audit of Blue Cross Blue Shield of Kansas's (BCBSKS) claim administration of the Kansas State Employee Health Plan (the State).

CTI conducted the audit according to current, accepted standards and procedures for claim audits in the health insurance industry. We base our audit findings on the data and information provided by the State and BCBSKS. Their validity is reliant upon the accuracy and completeness of that information. 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.

We planned and performed the audit to obtain a reasonable assurance that claims were adjudicated according to the terms of the contract between BCBSKS 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 BCBSKS used to pay the State's claims during the audit period.

OBJECTIVES AND SCOPE

The audit objectives of BCBSKS's claims administration were to determine whether:

- BCBSKS followed the terms of the services agreement;
- BCBSKS 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 plans at the time a service paid by BCBSKS was incurred; and
- Any claim administration or eligibility maintenance systems or processes need improvement.

CTI audited BCBSKS's claim administration of the State medical plan for the period of January 1, 2018 through December 31, 2018. The population of claims and amount paid during that period were:

Total Paid Amount	$270,072,177
Total Number of Claims Paid/Denied/Adjusted	910,271

The audit included the following components:

- Random Sample Audit of 180 claims
- 100% Electronic Screening with 50 Targeted Sample Analysis (ESAS®)
- Plan Documentation Analysis
- Operational Review
- Data Analytics

AUDIT FINDINGS AND RECOMMENDATIONS

Random Sample Findings

CTI validated claim processing accuracy based on a sample of 180 medical claims paid or denied by BCBSKS 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 100 medical claim audits.

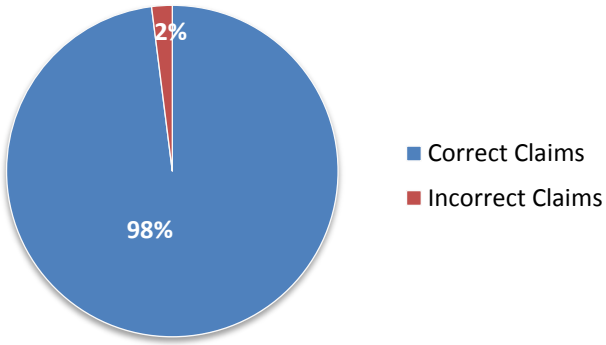
The following table illustrates the performance of BCBSKS was above the median in CTI's benchmarked performance indicators for accurate payment, accurate processing, and financial accuracy.

Key Performance Indicators	Administrator's Performance by Quartile				
	Quartile 1	Quartile 2	MEDIAN	Quartile 3	Quartile 4
	Lowest →				*Highest*
Financial Accuracy: Compares total dollars associated with correct claim payments to total dollars of correct claim payments that should have been made.			**98.77%**	**99.40%**	
Accurate Payment: Compares number of correctly paid claims to total number of claims paid.			**96.67%**	**97.78%**	
Accurate Processing: Compares number of claims processed without any type of error (financial or non-financial) to total number of claims processed.			**96.17%**		**97.78%**

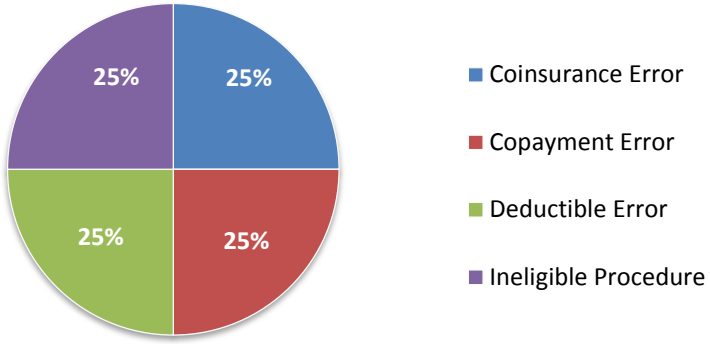
Prioritization of Process Improvement Opportunities

The following charts can help to prioritize improvement and/or recovery opportunities based on savings and service impact and also to pinpoint problem causes.

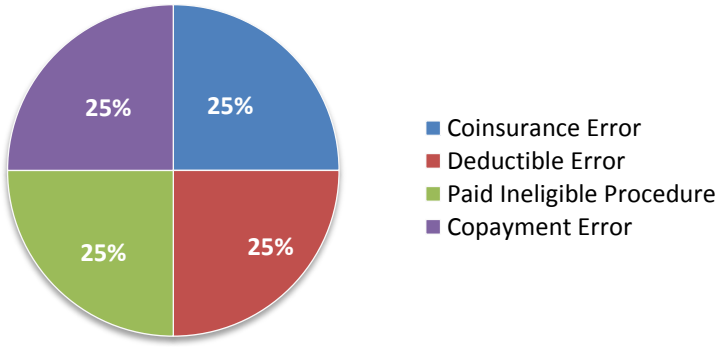
Overall Accurate Processing



Financial Accuracy and Accurate Payment by Error Type



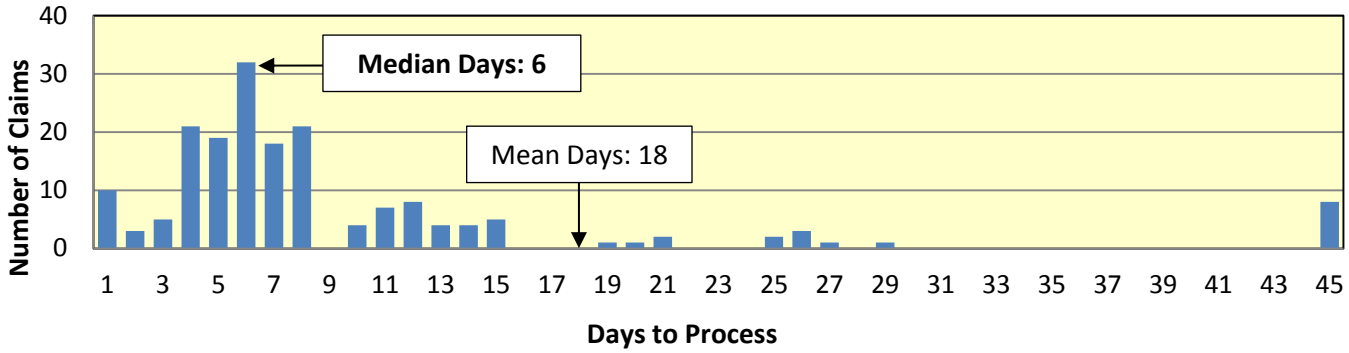
Policy Provision Errors by Type



Claim Turnaround Time

A final measure of claim administration performance is claim turnaround time. Through the audit sample, BCBSKS demonstrated its median turnaround time on a complete claim submission was 6 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 Recommendations

CTI and the State met with BCBSKS to discuss the audit findings and to focus specifically on steps necessary to improve Financial Accuracy, Accurate Payment Frequency, and Accurate Processing Frequency. We reviewed each of the financial errors identified in our random sample audit. Where appropriate, BCBSKS conducted impact analyses and reported its findings to the State.

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 and opportunities for system and process improvement. We screened 100% of claims paid or denied during the audit period, and our Technical Lead Auditor selected a targeted sample of 50 electronically screened claims to validate findings and test BCBSKS's claim administration systems.

The following table shows the medical 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/Savings
Excluded Services	**$573,348**
• Inappropriate Use of 26 and TC modifiers	$2,640
• Genetic Counseling and/or Testing	$412,871
• Impotency	$157,837
Plan Limitations – Chiropractic (30 Visits Per Year)	**$21,318**
Employee Eligibility Screening – Claims Paid	**$811,242.97**

100% Electronic Screening with Targeted Samples Recommendations

The State and CTI met with BCBSKS about conducting a focused analysis of the errors identified through ESAS to verify they were administered according to plan documentation and determine if overpayment recovery and/or system improvements are needed to reduce or eliminate similar situations going forward. For the issues identified, CTI provided claims detail to BCBSKS. BCBSKS analyzed the claim detail and provided the State with responses to each item and identified any needed follow-up.

The State asked BCBSKS to review the results of the eligibility screening to validate data provided for this analysis was complete and didn't generate false positives. BCBSKS completed its analysis, if claims were paid for ineligible claimants, BCBSKS will perform causal analysis and identify any needed workflow and/or system improvements to prevent payment to ineligible claimants.

Operational Review Findings

BCBSKS completed our Operational Review Questionnaire that 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 include:

- BCBSKS provided copies of Certificates of Liability Insurance showing limits as follows:
  - Fidelity/Crime: $ 500,000

- Professional Liability/E & O: 2 different policies with $ 5,000,000 limits
- Liability: 2 different policies with $ 5,000,000 limits
- Cyber Liability $20,000,000/$ 1,000,000

- BCBSKS and the State had a performance agreement in place during the audit period with specific guarantees for the following categories:
  - Account Management
  - Customer Service
  - Data Management
  - Service Performance Standards
  - Claim Performance Measures

  To determine the claim performance measures, BCBSKS audited a sample of 80 claims.
- BCBSKS reported that it consistently achieved or exceeded all performance guarantees for each quarter of 2018.
- BCBSKS indicated that 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 its own description of its system, which the service auditor validates. CTI has a copy of the 2018 audit report and we can confirm that BCBSKS'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.
- BCBSKS handles its own reconciliation and refunds. It returns stale checks to the Kansas State Treasurer as unclaimed property after the dormancy period has been met.
- BCBSKS has the following large dollar review thresholds:
  - Inpatient Institutional: $150,000
  - Outpatient Institutional: $100,000
  - Professional: $ 50,000
  - Member: $ 5,000

  All aspects of claims are reviewed including appropriateness, cost sharing, eligibility, other party liability, and other needed reviews. Claim processors receiving a large dollar claim receive a message directing them to refer the claim for special quality review.
- BCBSKS provided documentation of claim system security controls that included role-based permissions defined and maintained by its IT security administrators.
- BCBSKS honors assignment of benefits for payment of non-network providers and it does not negotiate discounts on out-of-network claims and applies the appropriate cost-share.
- BCBSKS shared its group reporting that showed aggregated network savings of $417,011,452 and per employee per month network savings of $996.
- BCBSKS indicated that it does not receive rebates for processing specialty drugs under medical coverage.
- BCBSKS indicated that the State determines all eligibility and provides daily electronic updates.

- BCBSKS has an in-house COB Claims and Inquiry unit that handles COB and Workers' Comp investigations and claims. After initial application, other coverage is investigated every 18 months. BCBSKS follows the NAIC's model COB regulation. BCBSKS does not report COB savings on a group-specific basis.
- BCBSKS pursues overpayments of $25.00 or more and can recover those overpayments via auto-recoupment for network providers.
- For overpayments it cannot recover internally, BCBSKS contracts with Iqor. Iqor retains 25% of recovered amounts. In 2018, there were 1,646 overpayments on the State's business that totaled $603,336.75. As of December 31, 2018, 121 remained outstanding in the amount of $106,843.43.
- BCBSKS initiates a Workers' Compensation investigation on potential claims of $1,000 unless the claim information clearly indicates a work-related condition. In that case, there is not a minimum threshold to pursue recovery.
- BCBSKS's has an appeals database, OTIS that staff and supervisors use to monitor timelines and status. In 2018 the State's members submitted 202 appeals, 195 of which were resolved during the calendar year. The remaining seven were resolved in January of 2019. Of the 202 appeals, 141 were upheld, 50 were overturned, and 11 were partially overturned.
- The State and BCBSKS's Business Associate Agreement specifies that the State determines whether Privacy and Security incidents rise to the level of a breach. BCBSKS reported seven incidents to the State during the audit period.

Operational Review Recommendations

The State, BCBSKS, and CTI discussed the following recommendations:

- The State receives regular reporting from BCBSKS to ensure all performance guarantees are met and no monies are owed to the State.
- BCBSKS reported it doesn't report COB savings on a group-specific basis. We encourage the State to investigate if ad hoc reports can be generated periodically to identify savings the plan reaps due to employees' other insurance coverage and potential liability should those coverages end.
- BCBSKS should regularly review outstanding overpayment reports and discuss with the State the root causes of overpayments to determine if system or process improvements would reduce the volume and cost of recovering overpayments.
- The State should conitnue to monitor appeals activity to identify current and emerging trends, potential process improvements, and member communication opportunities.

Plan Documentation Analysis Findings and Recommendations

Our Plan Documentation Analysis indicated the State plan document is silent on the topic of marriage counseling. The State may want to consider updating the benefit information for this service to reflect if it's a covered or non-covered benefit.

Data Analytics Findings

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

- Network Provider Utilization and Discount Savings;
- Sanctioned Provider Identification;
- Patient Protection and Affordable Care Act (PPACA) Preventive Services Payment Compliance;
- National Correct Coding Initiative (NCCI) Editing Compliance; and
- Global Surgery Prohibited Fee Period Analysis.

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 BCBSKS 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.

Total of All Claims				
Claim Type	**Eligible Charge**	**Provider Discount**		**Paid**
Ancillary	$21,197,477	$10,806,811	51.0%	$8,399,148
Non-Facility	$187,261,170	$80,146,901	42.8%	$70,843,907
Facility Inpatient	$177,413,905	$100,080,503	56.4%	$70,031,798
Facility Outpatient	$292,760,433	$177,370,069	60.6%	$88,926,924
Total	**$678,632,986**	**$368,404,284**	**54.3%**	**$238,201,776**

The State members had high network utilization with 99.1% of all allowed charges and 99.3% of all claims. The average discount off allowed charges from network and secondary network providers was at expected levels.

Sanctioned Provider Identification

CTI screened 100% of non-facility provider claims from BCBSKS 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.

PPACA Preventive Services Coverage Compliance

CTI's analysis found that 94.11% of the procedure codes identified as preventive services were paid by BCBSKS at 100% when provided in-network. CTI provided a detailed list of the other 5.89% to BCBSKS which it reviewed shared its findings with the State**.**

NCCI Editing Capability

CTI analyzed BCBSKS's claim system code editing capability to determine the degree to which it conformed to the Centers for Medicare & Medicaid Services' (CMS) NCCI guidelines used for Medicare Part B and Medicaid claims.

While not mandatory for non-Medicare/Medicaid plans, it is important to understand the benefit and potential value of these initiatives. The two CMS initiatives offering the greatest return to self-funded benefit plans are Procedure to Procedure Edits and Medically Unlikely Edits.

BCBSKS uses a self-developed claim processing system called Adjudication and Claims Entry System (ACES). First implemented in 1985, ACES has been enhanced and upgraded over the years to meet BCBSKS's specific business needs. BCBSKS also uses ClaimsXten to detect unbundling of services. Due to member

contracts, medical policies, and provider policies BCBSKS has not adopted all of CMS's NCCI edits and Global Fee Period guidelines.

Our claim system code editing analysis identified claims for services submitted to the State and paid by BCBSKS that Medicare and Medicaid would have denied. Since BCBSKS paid the billed charges, the payments represent a potential savings opportunity to the State.

Claim System Code Editing Capability Analysis by CMS NCCI Initiative		
	Procedure-to-Procedure Edits	**Medically Unlikely Edits**
Facility	$1,531,899	$3,177,499
Non-Facility	$1,541,879	$1,021,984
Ancillary	N/A	$5,621
TOTALS	$3,073,778	$4,205,104

Global Surgery Prohibited Fee Period Analysis

CTI's claim system code editing analysis identified evaluation and management (E/M) procedure codes that were submitted and paid by BCBSKS that Medicare would have been denied using the defined CMS global surgery fees. Payment of post-surgery E/M services that should have been submitted as part of the physician's surgery charge is an example of unbundling, a provider billing practice that drives up cost. Since BCBSKS paid allowed charges, those payments represent a potential savings opportunity to the State.

E/M Services Using Same Provider ID as Surgeon Within Prohibited Global Fee Period			
CMS Would Deny Without Documentation *E/M Procedure Codes with Modifier 24, 25 or 57*		**CMS Would Deny** *E/M Procedure Codes without Modifier 24, 25 or 57*	
Total Count (0/10/90 days)	**Allowed Charge**	**Total Count** (0/10/90 days)	**Allowed Charge**
9,928	$830,971	1,061	$132,832

Data Analytics Recommendation

- The State, CTI, and BCBSKS discussed the Data Analytics findings and the potential for additional plan cost savings. CTI found $7,411,714 in claims that would have been denied by CMS. BCBSKS reported that it is unable to adopt all of CMS's NCCI edits and global fee period edits due to member contracts, medical policies, and provider policies.

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 BCBSKS has made the recommended improvements, that performance results against benchmarks are improving, and that no new processing issues have arisen.

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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