



January 20, 2009

Ms. Arlene Larson
Manager, Self Insured Health Plans
State of Wisconsin Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

RE: Wisconsin Physicians Service Insurance Corporation 2006 and 2007 State of Wisconsin Department of Employee Trust Funds (ETF) health insurance audit performed by Claims Technologies Incorporated (CTI)

Dear Ms. Larson,

This letter represents Wisconsin Physicians Service Insurance Corporation (WPS) response to the Claims Technologies Incorporated (CTI) Executive Summary of Claims Administration Audit Finding for the auditing period of January 1, 2006 to December 31, 2007. We appreciate the opportunity to engage in and respond to CTI's audit observations, findings and statistics.

AUDIT FINDINGS/OPPORTUNITIES FOR SAVINGS AND IMPROVEMENT

- **Claims Paid After Termination** – WPS is in the process of attempting to recoup the \$24,577 paid on the seven terminated employees identified by CTI.

In addition, effective January 1, 2009 software enhancements were implemented to improve timely and successful recoupment of claim overpayments due to the retroactive termination of ETF employees. WPS will provide ETF with a monthly status report of retro termination refund requests beginning in February 2009.

WPS will discuss with ETF whether ETF wants WPS to pursue the member if the collection efforts with the provider are unsuccessful.

- **Miscellaneous Policy Provision Errors** – WPS has reviewed the variety of errors occurring on an infrequent basis with ETF and CTI and completed an analysis of each cited error. ETF and WPS mutually agreed upon the manner in which the claims were processed.

CTI: Potential overpayment of Automated Labs.

WPS concurred with the reviewer on the two tested cases totaling \$12.00 with CPT codes 82272 and 81000. Shortly after this finding was reported to WPS, we modified our benefit system to reject procedure codes 82272 and 81000 when billed with modifier 26.

We believe this action will address the finding noted by the reviewer in conjunction with the automated code editing system to verify appropriateness of provider coding on submitted claims.

WPS does not agree with the basis for 100 of the remaining 146 untested cases, as the lab codes identified by CTI are not defined as “automated” in the Current Procedural Terminology (CPT) manual by the American Medical Association. Nor do the Centers for Medicare & Medicaid Services (CMS) Resource-based Relative Value Scale (RBRVS) payment policies support paying them as an automated lab.

CTI: Potential overpayment for Experimental and Investigational Services.

CTI identified 12 cases of procedures paid with CPT codes that denote them as experimental/ investigational in nature that were not approved by preauthorization, medical review or case management.

As a result of the CTI finding, claims with the identified CPT codes will now be reviewed by our Medical Affairs department for a medical necessity determination for the Standard and SMP ETF plans.

CTI: WPS is covering massage therapy as there is no specific exclusion in the Plan.

WPS concurred with the reviewer that there is no specific exclusion for massage therapy in the ETF Standard and SMP Plans or Medicare Plus \$1,000,000 plans. Massage Therapy (CPT 97124) which is designed to restore muscle function, reduce edema, improve joint motion, or relieve muscle spasm, may be medically necessary as adjunctive treatment to another therapeutic procedure on the same day.

Upon review of the BCBS historical claims data provided by ETF, BCBS was also processing massage therapy as a payable benefit under all ETF plans. In addition, two other carriers, Aetna and United Health Care, have medical guidelines substantiating coverage for massage therapy when medically necessary and performed by a provider practicing within the scope of their license. Preferred providers who can perform these services within the scope of their license would be physical therapists and chiropractors. WPS also considers this code for payment based upon medical necessity when services are provided within the scope of the provider’s license.

If it is ETF’s intent to exclude massage therapy services, WPS can add an exclusion for massage therapy services to both plans and update the WPS benefit system to reject this service upon written request from ETF.

- **Duplicate Payments**

WPS concurred with the reviewer that CTI’s ESAS screening for duplicates produced false positives.

- **Potential Fraud and Abuse**

As a result of the CTI finding, WPS has updated the claim processing workflows effective August 4, 2008 to include sending nerve conduction studies billed without an associated needle electromyography (EMG) to our Medical Review department for the purpose of determining whether the services are medically necessary.

PERFORMANCE BENCHMARKING OF WPS

Overall, WPS is performing very well. CTI validated WPS' claim administration performance for ETF's combined plans to be in either the highest (best) performance quartile or above average performance, with one exception. Documentation Accuracy - Financial evaluates how well we investigate claims before payment. For the Medicare Plus \$1,000,000 plan in 2006, WPS fell below the median level of performance. However, WPS' performance in this category moved into the highest (best) performance quartile in 2007 at 100%.

WPS PERFORMANCE GUARANTEES

The variances reported in the CTI "WPS Performance Guarantee Year 2007" table using the CTI extrapolated formulas is due to the same finding (cited for audit numbers 2110, 2135, and 2145); namely, the processing of self-administered drugs which WPS is not in agreement with.

CTI's position is that WPS paid for non-covered services because the Outline of Coverage included in the Summary of Plan Descriptions for 2006 and 2007 implies that self-administered drugs are not covered. However, the Medicare Plus \$1,000,000 Master Plan Document does not support excluding self-administered drugs in an outpatient hospital setting. WPS's responsibility, as administrator, is to pay benefits as stipulated by the signed Master Plan Document.

In the absence of these 3 claims CTI's results for Payment Accuracy would be 98.1% and for Processing Accuracy would be 98.6%; both of which are above the performance guarantee standard of 97%. Due to the difference in audit methodology between CTI and WPS, specifically the claim frequency and dollars per stratum, WPS is unable to recalculate CTI's Financial Accuracy rate when removing the self-administered drug claims.

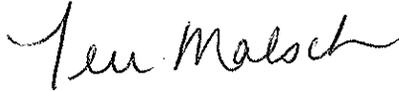
If it is ETF's intent to exclude self-administered drugs in an outpatient hospital setting, an exclusion can be added to the Master Plan Document and the WPS benefit system will be set to reject self-administered drugs in an outpatient hospital setting upon written request from ETF.

RECOVERY AND IMPROVEMENT OPPORTUNITIES NEXT STEPS RECOMMENDATIONS

In summary, WPS has performed well as documented in the CTI Executive Summary of Claims Administration Audit Findings. Additionally, WPS was given high marks by CTI for our thorough and responsive performance during the audit process.

WPS would be pleased to meet with CTI and ETF with an agenda focusing on these audit findings and process improvement ideas. WPS will follow up with ETF on any open items. Please feel free to contact me at (608)221-5086, if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Teri Malsch".

Teri Malsch
Vice President, Claims Operations