

**EXECUTIVE SUMMARY OF**  
**CLAIMS ADMINISTRATION AUDIT FINDINGS**

**For the**

**State of Wisconsin, Department of Employee Trust Funds**

**Standard and SMP Plans**

**Medicare Plus \$1,000,000 Plan**

**Administered by:**

**Wisconsin Physician Service Insurance Corporation**

**Audit Period: 01/01/06 – 12/31/07**

Presented by:

**Claim Technologies Incorporated**

January 14, 2008

## SUMMARY OF CLAIMS ADMINISTRATION AUDIT FINDINGS

The State of Wisconsin Employee Trust Fund (ETF) engaged Claim Technologies Incorporated (CTI) to perform Comprehensive Audits of the claims administration of ETF's self-funded medical benefit plans administered by WPS Health Insurance (WPS). An independent claim administration audit firm, CTI performed the audits in the second quarter of 2008. The purpose of the audits was to assess the quality of claims administration being provided by WPS. The audits covered claims processed during the period of January 1, 2006 through December 31, 2007. Using data provided by WPS, CTI analyzed \$28,805,636 in claims payments made by the Medicare Plus \$1,000,000 plan and \$96,468,383 in claims payments made by the State Maintenance Plan (SMP) and Standard plans. Overall the results of the audits indicate that for the audit period WPS' claim administration accuracy and proficiency was good. Areas for improvement were identified and have been discussed with WPS and authorized representatives of the ETF.

### Audit Approach

The CTI Audit System is designed to measure and facilitate continuous quality improvement in the processes of claim administration. This Audit System views administrative processes through the lens of CTI's Electronic Screening and Analysis System (ESAS®) and statistically through a Statistical Sample Field Audit.

The following table shows the specific benefits of each of the two techniques used by CTI in its Audit System.

ESAS®	Field Audit
Electronic Screening and Analysis of 100% of Paid Claims Data	Stratified Sample of Paid Claims <b>Confidence Level 95% (+/- 3%)</b>
<b>Benefits include:</b> <ul style="list-style-type: none"> <li>• <b>Focus In Known High Control Risk Categories</b></li> <li>• <b>Identify Potential Overpayments For Recovery</b></li> </ul>	<b>Sample designed to:</b> <ul style="list-style-type: none"> <li>• <b>Benchmark Performance</b></li> <li>• <b>Quantify Financial Impact</b></li> <li>• <b>Prioritize Issues</b></li> </ul>

### AUDIT FINDINGS/OPPORTUNITIES FOR SAVINGS AND IMPROVEMENT

The areas demonstrated by ESAS® to have opportunity for improvement in WPS' claim administration processes that would represent financial savings or improved customer service for ETF are summarized as follows.

- **Claims Paid After Termination** – Eligibility information, including termination dates, are sent to WPS from ETF electronically. Eligibility changes, additions and terminations are sent daily and enrollment records are reconciled with ETF monthly.

Through ESAS® CTI identified seven cases of claims being paid after the employee's coverage termination date; ESAS® confirmed the amount to have been paid on these seven terminated employees was \$24,577. WPS responded to our questions regarding why these claims remained paid after the termination date saying that WPS does not attempt collection on claims paid after the termination date when the termination information from ETF is delayed. As a result of this audit WPS stated that it would proceed with attempts to recover these overpayments, and that it

would revise its policy regarding recovering overpayments caused by retroactive terminations made by the ETF.

- Miscellaneous Policy Provision Errors** – ESAS® determined that a variety of errors caused by incorrect application of the ETF Plans’ limitations and exclusions were occurring on an infrequent basis resulting in a combination of over- and under- payments. Payment errors were identified and confirmed in the amount of \$19,977 and an additional potential exposure of \$70,146 was identified by CTI’s ESAS® system. CTI recommends discussion with WPS and potentially further causal analysis by WPS into the errors to determine if opportunities exist for further reducing errors. Because of the wide variety of issues observed, ETF should confirm through follow-up audits that corrective measures by WPS have been successful.
- Duplicate Payments** – CTI was not able to fully use its ESAS® system to test WPS’ system capability for identifying and denying duplicate claim submissions. CTI’s efforts to use ESAS® to quantify the impact of payment of duplicate claims were thwarted due to lack of information in the claim data received from WPS such as CPT code modifiers. CTI would recommend a follow-up electronic screening audit using complete claim information to validate for ETF that WPS’ is performing well with respect to identifying and denying duplicate submissions.
- Potential Fraud and Abuse** – CTI determined through ESAS® that WPS does not have a protocol in place for identifying nerve conduction studies without an accompanying needle EMG and with no evidence of medical necessity. This is a new pattern of abuse by providers in billing for a study in isolation that is not conclusive without completing a companion procedure (per the American Association of Neuromuscular and Electrodiagnostic Medicine). Through testing, 2 potential overpayments totaling \$2,175 were identified for nerve conduction studies without an accompanying needle EMG and with no evidence of medical necessity; additionally \$58,878 was identified to have been paid on 63 other cases. As a result of this audit WPS has advised that it is in the process of establishing criteria for review of nerve conduction studies performed without an accompanying needle EMG and/ or with insufficient evidence of medical necessity.

### PERFORMANCE BENCHMARKING OF WPS

CTI’s protocols for conducting its Statistical Sample Field Audits enables it to compare claim administration process performance between administrators and plans to Benchmarks that it has created and maintains. The following table demonstrates that in five of the six measures used by CTI to facilitate meaningful comparison WPS’ accuracy in administering the Medicare Plus \$1,000,000 plan is good when compared to approximately one hundred other plans most recently audited by CTI. WPS’ performance was good in all six measures for the SMP and Standard plans.

PERFORMANCE MEASURES	PERFORMANCE BY QUARTILES			
	1 <sup>st</sup> (Lowest)	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup> (Highest)
✓ = <b>Medicare Plus \$1,000,000</b> ● = <b>Standard and SMP Plans</b>				
<b>Documentation Accuracy – Financial</b> compares the number of dollars processed with documentation adequate to substantiate payment or denial to the total number of dollars processed in the Audit Sample.		✓		●
<b>Documentation Accuracy – Frequency</b> compares the number of claims processed with documentation adequate to substantiate			✓	

payment or denial to the total number of claims processed in the Audit Sample.				●
<b>Financial Accuracy</b> compares the total correct claim payments that were made to the total dollars of correct claim payments that should have been made for the Audit Sample. The formula for this measure is: Total correct payments (claims paid in the sample minus overpayments plus underpayments) minus the absolute variance (overpayments plus underpayments), divided by total correct payments.			●	✓
<b>Accurate Payment Frequency</b> compares the number of bills paid correctly to the total number of bills paid for the Audit Sample.			● ✓	
<b>Adjudication Proficiency</b> compares the number of correct adjudication decisions made to the total number of adjudication decisions required for the claims in the Audit Sample			✓	●
<b>Accurate Processing Frequency</b> compares the number of bills processed without errors to the total number of bills processed in the Audit Sample.			✓	●

## WPS PERFORMANCE GUARANTEES

The ETF has performance standards in place in its Administrative Agreement with WPS. In the two tables below CTI shows its Statistical Sample Field Audits' results side by side with WPS' reported audit results for the same year. This is done to allow comparison of CTI's Statistical Sample Field Audit outcomes using its operational definitions against WPS' audit outcomes using its operational definitions. This comparison enables discussion about the differences in operational definitions and methodology for construction of audit samples. Differences in audit outcomes also will result from different audit techniques and standards for what constitutes an "error".

### WPS Performance Guarantees Year 2006

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2006	Performance Using CTI Formula 2006
Financial Accuracy	99%	99.3%	99.9%
Payment Accuracy	97%	97.2%	99.5%
Processing Accuracy	97%	97.2%	98.1%
Turnaround Time	95% paid within 30 days of receipt	99% of claims were paid within 30 days of receipt	5 days

## WPS Performance Guarantees Year 2007

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2007	Performance Using CTI Formula 2007
Financial Accuracy	99%	99.5%	98.8%
Payment Accuracy	97%	97.1%	96.7%
Processing Accuracy	97%	96.8%	94.8%
Turnaround Time	95% paid within 30 days of receipt	99% of claims were paid within 30 days of receipt	8 days

Additional areas of review performed during the audit are:

- **Telephone Inquiries:** WPS reported its abandoned call rate as .8% in 2006 and .675% in 2007, well within the expected time frame of 3%.
- **Written Inquires:** WPS reported its resolved inquiries rate as 2 business days in 2006 and as 3 business days in 2007, well within the expected time frame of 12 business days.
- **Enrollment File Updates:** WPS reported its rate of enrollment file updates as one business day for daily maintenance files and 2 business days for manual entry files in 2006 and 0 business days for daily maintenance files and one business day for manual entry files in 2007, within the expected time frame of one business day for daily maintenance files and 2 business days for manual entry files.
- **ID Card Issuance:** WPS reported its ID card issuance rate as 2 business days in 2006 and as 2 business days in 2007, well within the expected time frame of 5 business days.

### **RECOVERY AND IMPROVEMENT OPPORTUNITIES** **NEXT STEPS RECOMMENDATIONS**

In prioritized order, opportunities for improvement (as previously described in this report) should be analyzed and action plans agreed upon and implemented. To ensure that the ETF has input and control over the improvement actions taken CTI recommends two steps:

- the implementation of a Quality Team, and
- follow-up sequential comprehensive audits

Building on the database established for each plan in the 2006 and 2007 Audits, CTI proposes follow-up Comprehensive Audits for all ETF Plans covering the 12-month period from January 1, 2008 through December 31, 2008. The results would be used by ETF to monitor ongoing performance and to assess performance penalties for the year ending December 31, 2008.

We have considered it a privilege to have worked for and with ETF's staff in these important endeavors and would welcome any opportunity to assist you in achieving your future objectives. Thank you again for selecting CTI to assist you in these important endeavors.

Sincerely,

Patricia C. Gagne, FLMI  
Vice President

Kelly Barnett, HIA  
Account Executive