



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 16, 2003
TO: Group Insurance Board
FROM: Arlene Larson, Manager, Self-Insured Health Plans
SUBJECT: Third Party Audit of Blue Cross & Blue Shield United of Wisconsin

The Department of Employee Trust Funds (DETF) retained Claim Technologies Incorporated (CTI) to conduct an audit of Blue Cross & Blue Shield United of Wisconsin's (BCBSUW) administration of the self-insured plans for the calendar years 2000 and 2001. CTI has completed its audit and is submitting the attached report. BCBSUW's response is attached.

The CTI report and BCBSUW letter is provided for the Board's information only. No action is required.

CTI has identified areas of opportunity for improvement in processes that could result in financial savings and/or improved customer service. BCBSUW responds that while overall they agree with CTI's findings, they question certain findings due to past practice and interpretation by the DETF. In areas where the contract needs to be strengthened or clarified to reflect these practices, staff will proceed in this direction. Staff will follow up with BCBSUW to assure that all identified issues are corrected. The major findings consist of:

1. CTI found overpaid duplicate claims worth \$2,402. They identified a risk to an additional \$141,863 for the plans. CTI recommends a focused audit of these claims and a causal analysis of why this is occurring. BCBSUW is currently enhancing its duplicate claim system logic and does not believe the causal analysis is warranted. However, BCBSUW will support DETF's requests. This is a relatively small amount for a \$120 million dollar program. **Staff will determine whether a focused audit and a causal analysis are cost effective, and will work with BCBSUW as needed to complete it.**
2. CTI believes that potential additional savings are available with an expanded Large Claims Case Management. BCBSUW correctly notes that in the past the Board has chosen not to contract for that service. They would be happy to discuss expanding the program. **Staff will review this issue with the Board during the Request For Proposal process in 2005.**
3. CTI found, during analysis of Coordination of Benefits with Medicare, 10 errors where BCBSUW did not investigate for other insurance on claims worth \$7,930, and 2 errors where BCBSUW incorrectly coordinated with a primary insurer worth \$5 in overpayment and \$714 in underpayment. BCBSUW has agreed to improve their annual verification process. **Staff will monitor their progress to resolution.**

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature

Date

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4. CTI discovered that miscellaneous human error resulted in overpayments of \$22,473. BCBSUW states that they have corrected these errors and shared the errors with the applicable examiner for educational purposes. They are also preparing further examiner training. **Staff will assure that recovery of claims paid in error is pursued and resolved to the best available outcome.**
5. CTI used the audit results to calculate BCBSUW's performance in accordance with the definitions found in the contract. They present those in their report. BCBSUW questions the results of CTI's calculation and lists circumstances that alter the result, and raise the level of compliance. BCBSUW states that they will work towards improvement on their service levels for the State. **Staff will analyze the formulas used by BCBSUW to self-report, to ascertain if BCBSUW should change the formula in future reporting.**
 - ◆ The performance measure on resolving all written inquiries within an average of 12 calendar days was misinterpreted by BCBSUW. On a going-forward basis the evaluation of the written inquiry performance measure will be followed appropriately. **Staff will work with BCBSUW on the reporting of this measure.**
 - ◆ BCBSUW self-reports the level of achievement for all performance guarantees, and in 2000 and 2001 they reported that they did not achieve all standards, and paid applicable penalties.
6. CTI recommends the creation of a Quality Team to oversee follow-up activities. **Staff will work with BCBSUW to create such a team and will update the Board periodically on their progress.**