



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: November 1, 2004
TO: Group Insurance Board
FROM: Arlene Larson, Manager, Self-Insured Health Plans
SUBJECT: Third Party Audit of Blue Cross & Blue Shield of Wisconsin

The Department of Employee Trust Funds (ETF) retained Claim Technologies Incorporated (CTI) to conduct an audit of Blue Cross & Blue Shield of Wisconsin's (BCBSWI) administration of the self-insured plans for the calendar years 2002 and 2003. CTI has completed its audit and is submitting the attached reports, an Executive Summary and the Analysis of the Audit. BCBSWI's response is also attached.

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

Overall, BCBSWI is performing acceptably, better than average in the majority of measures, but less in others. In its broadest measure, BCBSWI is performing in the top half of the approximately 100 plans CTI has audited (see page 3 of the Executive Summary) on 12 of 16 measures, for the Medicare and non-Medicare populations. BCBSWI improved their performance in four of the measures since the last audit. However, in two of the measures, (documentation accuracy-frequency and financial precision for the Standard Plans), BCBSWI's relative performance is lower than in the last audit.

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 in general they agree with CTI's findings, they question certain findings due to past practice and interpretation by the ETF. Staff will follow up with BCBSWI to assure that all identified issues are corrected. In areas where the contract needs to be strengthened or clarified to reflect these practices, staff will proceed in this direction. The major findings consist of:

- 1. CTI found areas of concern and errors in the review of claims that could potentially be another plan's liability due to worker's compensation and subrogation. Staff questions if certain amounts at risk may be overstated due to the projecting of anticipated errors on the overall claim population based upon extrapolation of the findings.
- CTI stated that through the electronic screening of all claims that there was a potential amount at risk of \$548,062 on 48 cases involving possible worker's compensation or subrogation for over \$5,000 per case. Meridian, the subsidiary of BCBSWI, which reviews worker's compensation and subrogation charges, has reviewed all 48 cases noted by CTI as potential worker's compensation. Of these 40, 25 had been previously

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

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reviewed and were not work related, 9 had a primary diagnosis that was not work related, 8 had been previously sent out by Meridian and were included in the formal audit with no errors cited, 2 are being pursued actively by Meridian, and Meridian is awaiting response on the last 4. **Staff will continue to discuss the results with BCBSWI to determine if changes should be made to the program administered by Meridian. The RFP is requesting additional information about worker's compensation and subrogation reviews to enable us to better evaluate the vendors on this criteria.**

- CTI's review identified that Meridian had mistakenly raised the threshold for investigation of these claims from \$200 to \$500. BCBSWI has directed Meridian to retroactively reinstate the threshold at \$200 per the contract, and investigate any that met the criteria above \$200 and below \$500. Results will be provided as soon as they are available. **Staff will determine whether or not this resulted in any claims paid that are now not recoverable, and will hold BCBSWI responsible for these amounts.**
 - Meridian's procedures are set to identify cases based upon the primary diagnosis, and only one review per person, even if a different injury occurs. Also, Meridian works with the employee, and if there is a case of divorce where the spouse is the injured party and the employee is unaware of his or her residence, Meridian has limited criteria for pursuit of information. CTI recommends that review is done based upon primary and secondary diagnosis, multiple reviews for different diagnosis, and that pursuit of information, in cases of divorce, is more vigorous. **Staff feels that possible savings must be reviewed in context with the cost of additional pursuit. Staff will analyze these cases with BCBSWI to determine if such pursuit is cost effective to proceed with pursuit. If so, staff will then work with BCBSWI to determine if these changes can be made systematically, and the RFP will explore these capabilities with vendors.**
2. Similar to the last audit, CTI found, during analysis of Coordination of Benefits (COB) with Medicare, 2 errors where BCBSWI did not investigate for other insurance on two Medicare spouse's claims for an underpayment of \$117, and 15 errors as BCBSWI didn't investigate for COB on non-Medicare spouses or dependents with an amount at risk of \$22,800. CTI recommends that BCBSWI do a causal analysis to determine why errors are made. BCBSWI has agreed with the findings of the errors as with the last audit, and took steps early in 2004 to enhance the annual verification of spousal coverage. The results of these adjustments will not been seen until the next audit. In addition, for all COB claims issues found in the audit, BCBSWI placed phone calls and in addition, sent out 400 letters to determine if COB applied. Member responses up to the current date have shown no other coverage was involved. **Staff will continue to monitor resolution with BCBSWI in accordance with the contract.**
 3. CTI discovered that miscellaneous human error resulted in the sum of under and overpayments of \$1,807. BCBSWI states that they have corrected these errors and shared the errors with the applicable examiner for educational purposes. **Staff will assure that recovery of claims paid in error is pursued and resolved.**
 4. CTI found that BCBSWI did not investigate full time student or handicapped dependent eligibility when the applicable form was not completed for 36 individuals for a potential at risk claim amount of \$541,200. CTI recommends that BCBSWI implement procedures to verify that forms are complete, and if not, contact the ETF for further information for their review. BCBSWI agrees. **Staff will work with BCBSWI to establish this procedure.**

5. CTI used the audit results to calculate BCBSWI's performance in accordance with the performance guarantee definitions found in the contract. Their results presented in their report differ from those reported by BCBSWI. BCBSWI states that following the audit performed last year, they implemented procedures that will improve performance scores in future audits, but due the timing, are not reflected here. They will continue to work towards improvement on their service levels for the State. They further state that the findings of may be distorted due to weighted average computations. **Staff will analyze the formulas used by BCBSWI to self-report, to ascertain if BCBSWI should change the formula in future reporting.**
 - ◆ BCBSWI self-reports the level of achievement for all performance guarantees, and in 2002 and 2003 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 BCBSWI to follow up on audit issues and will update the Board as needed on the progress.**