



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

CORRESPONDENCE MEMORANDUM


DATE: June 2, 2014
TO: Audit Committee Members
FROM: Shayna Gobel, Manager, Self-Insured Health Plans
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
Division of Insurance Services
SUBJECT: Third Party Audit of WPS Health Insurance

This memo is for informational purposes only. No Board action is required.

The attached audit findings are presented to the ETF Board's Audit Committee for informational purposes only. The document was first presented to the Group Insurance Board at the May 21, 2014 meeting.

Staff will be at the Audit Committee meeting to answer any questions.

Attachment A: GIB memo dated May 12, 2014
Attachment B: CTI Executive Summary
Attachment C: WPS Response

Reviewed and approved by Lisa Ellinger, Administrator,
Division of Insurance Services
 Electronically Signed 6/11/14

Board	Mtg Date	Item #
AUD	6.26.14	4E



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CORRESPONDENCE MEMORANDUM

DATE: May 12, 2014
TO: Group Insurance Board
FROM: Shayna Gobel, Manager, Self-Insured Health Plans
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
SUBJECT: Third Party Audit of WPS Health Insurance

This memo is for informational purposes only. No Board action is required.

The Department of Employee Trust Funds (ETF) retained Claim Technologies Incorporated (CTI) to conduct the periodic audit of the Wisconsin Physicians Service Insurance Corporation's (WPS) administration of the self-insured plans for January 1, 2012 through July 31, 2013. A WPS system conversion prevented WPS from providing data for the last five months of 2013; the last five months of 2013 will be added to the next audit. CTI has completed its audit and the findings are summarized in the attached Executive Summary report (Attachment A). Additional detailed reports developed by CTI are available to the Group Insurance Board (Board) upon request.

The response from WPS regarding CTI's audit findings is also attached (Attachment B). WPS agrees with CTI's findings and will review the identified opportunities for improvement.

Overall, WPS is performing well and the audit did not reveal any areas of substantial concern. WPS is performing well above average on all six Key Performance Indicators, when compared to approximately 100 plans CTI has audited (see page 4 of the Executive Summary). CTI developed the Key Performance Indicators to measure and monitor claims payment accuracy and administrative process quality. WPS continues to improve and is in the highest quartile for performance in all areas measured for this period.

CTI identified areas for improvement regarding excluded services, multiple surgical reductions, eligibility and duplicate payments (see page 2 and Exhibit C of the Executive Summary). Potential savings for these items total approximately \$255,000 and represented less than 0.39% of the \$64 million in paid claims for the audit period.

Reviewed and approved by Lisa Ellinger, Administrator, Division of Insurance Services.

Electronically Signed:
05/12/2014

Board	Mtg Date	Item #
GIB	5.21.14	4D1

1. **Multiple Surgical Procedures without Reductions** – CTI identified \$143,099 in potential savings for multiple surgical reductions during the audited period. It is standard practice to pay a smaller percentage for subsequent procedures performed in the same surgical instance. For example, 100% payment for the first procedure performed and 50% for all subsequent procedures. **ETF staff will work with WPS to determine if any identified claim issues will require recovery and if procedural adjustments are required to prevent this issue from occurring in the future.**
2. **Eligibility** – CTI identified \$77,632 in potential savings related to eligibility issues and claims paid after termination during the audited period. **WPS agreed with this finding and will work with ETF staff to recover these potential savings.**
3. **Excluded Services** – CTI identified \$19,429 in potential savings for paid services provided outside of the program benefit during the audited period. These include claims for automated laboratory, experimental/investigational services, and dental periodontics. **ETF staff will work with WPS to determine if any identified claim issues will require recovery and determine if additional contract language is necessary to prevent this issue from occurring in the future.**
4. **Duplicate Payments** – CTI identified duplicate payments for 83 claimants worth \$10,419, compared to duplicate payments for 3 claimants worth \$5,074 identified during the prior audit. WPS agrees with CTI and will review the identified claims for process improvement opportunities. **ETF staff will work with WPS to determine which identified claim issues will require recovery.**

CTI identified additional findings for areas for improvement as described on page 3 of the Executive Summary regarding diabetic supplies.

5. **Diabetic Supplies** - CTI identified a potential savings of \$153,469 related to diabetic supplies. CTI found that diabetic supplies, when filled by a pharmacy, are paid for by ETFs Pharmacy Benefit Manager, Navitus Health Solutions. When filled by a durable medical equipment vendor, they are allowable under the health insurance program. This issue was also noted in the previous audit for 2010 and 2011, in which CTI noted the potential for duplicate payments and recommended that the coverage be allowed *only* under the Pharmacy Benefit Manager. ETF staff addressed this issue in the 2012 plan contract language as recommended by CTI, but it is unclear whether the potential risk for duplicated services still exists. **ETF staff will work with WPS and Navitus to determine if additional contract language is necessary.**

WPS Performance Guarantees

CTI used the field audit outcomes to calculate the performance of WPS in accordance with the performance guarantees found in the contract with ETF. The results are found on pages 5 and 6 of the Executive Summary.

The chart below shows historical performance for the *WPS Guarantee*. The *WPS Guarantee* sets WPS performance requirements for each plan year, which allows ETF to evaluate WPS claims processing performance. Audit results over the past eight have shown that WPS has remained generally consistent and has met performance standards. Overall performance results for this audit period remain consistently high.

Staff will review the contract language on performance guarantees to determine if changes should be made.

Performance Measure	WPS Guarantee	2006	2007	2008	2009	2010	2011	2012	2013 (Q1&2)
Financial Accuracy	99%	99.9%	98.8%	99.9%	98.6%	100%	99.8%	100%	99.86%
Payment Accuracy	97%	99.5%	96.7%	99.5%	96.3%	99.1%	99.1%	100%	98.16%
Processing Accuracy	97%	98.1%	94.8%	99.5%	95.8%	98.2%	98.2%	99.25%	97.56%
Turnaround Time	95% paid within 30 days of receipt	100%	100%	100%	100%	100%	100%	100%	100%

CTI's recommendations for change appear on page 7 of the Executive Summary and are detailed in the following exhibits:

- a. Exhibit A is detail behind two measures on performance benchmarking. This back-up information provides a graphic representation of how the audited plans rank against 100 other plans CTI audited.
- b. Exhibit B, the Prioritization of Process Improvement Opportunities, provides high level information about the categories where errors were found during the field audit. Note that the chart on page B-1 illustrates that two errors were found for the Standard/SMP Plans and only one error was found for the Medicare Plus Plan.
- c. Exhibit C is the Prioritized Table of Opportunities for Improvement, providing detail for the findings described briefly on page 2 of the Executive Summary.

Additional Findings

CTI noted potential issues found through the electronic screening results that require

further discussion. The electronic screening process scans all claims data based on algorithms developed to catch errors in claims processing, in contrast to the random sampling, which is a manual review of a limited number of claims. These findings are listed in Exhibit C of the Executive Summary. CTI found several potential cases of subrogation identified in the random sample audit that had insufficient documentation or were not pursued by WPS. WPS has agreed to review these cases with ETF to determine if procedural changes are necessary.

In addition, CTI identified \$680,909 in PPO Provider claims with no discount taken on 893 claimants. This refers to in-network claims for which no discount was applied. Staff will work with WPS to review these claims and gain a better understanding of the discounts afforded in the WPS PPO network.

There is also potential for inaccuracies through the electronic screening process. These inaccuracies can occur based on situations in which the claim processing program coding is not sufficient for determining payment or non-payment rationale for complex claims. WPS will provide ETF with a detailed analysis of these claims to determine if process changes are necessary.

Staff is working with WPS to create a timeline for addressing each of the issues identified in the audit, to ensure an attainable action plan is in place. In areas where the contract needs to be strengthened or clarified to reflect issues identified by the audit, staff will proceed in this direction.

Staff will be at the Board meeting to answer any questions.

Attachment A: CTI Executive Summary
Attachment B: WPS Response

COMPREHENSIVE CLAIMS ADMINISTRATION AUDIT

EXECUTIVE SUMMARY

**State of Wisconsin, Department of Employee Trust Funds
Standard and State Maintenance Medical Plans
Medicare Plus Plan**

**Administered by: Wisconsin Physician Service Insurance
Corporation**

Audit Period: January 1, 2012– July 31, 2013

Presented to:

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

April 25, 2014

Presented by:

Claim Technologies Incorporated

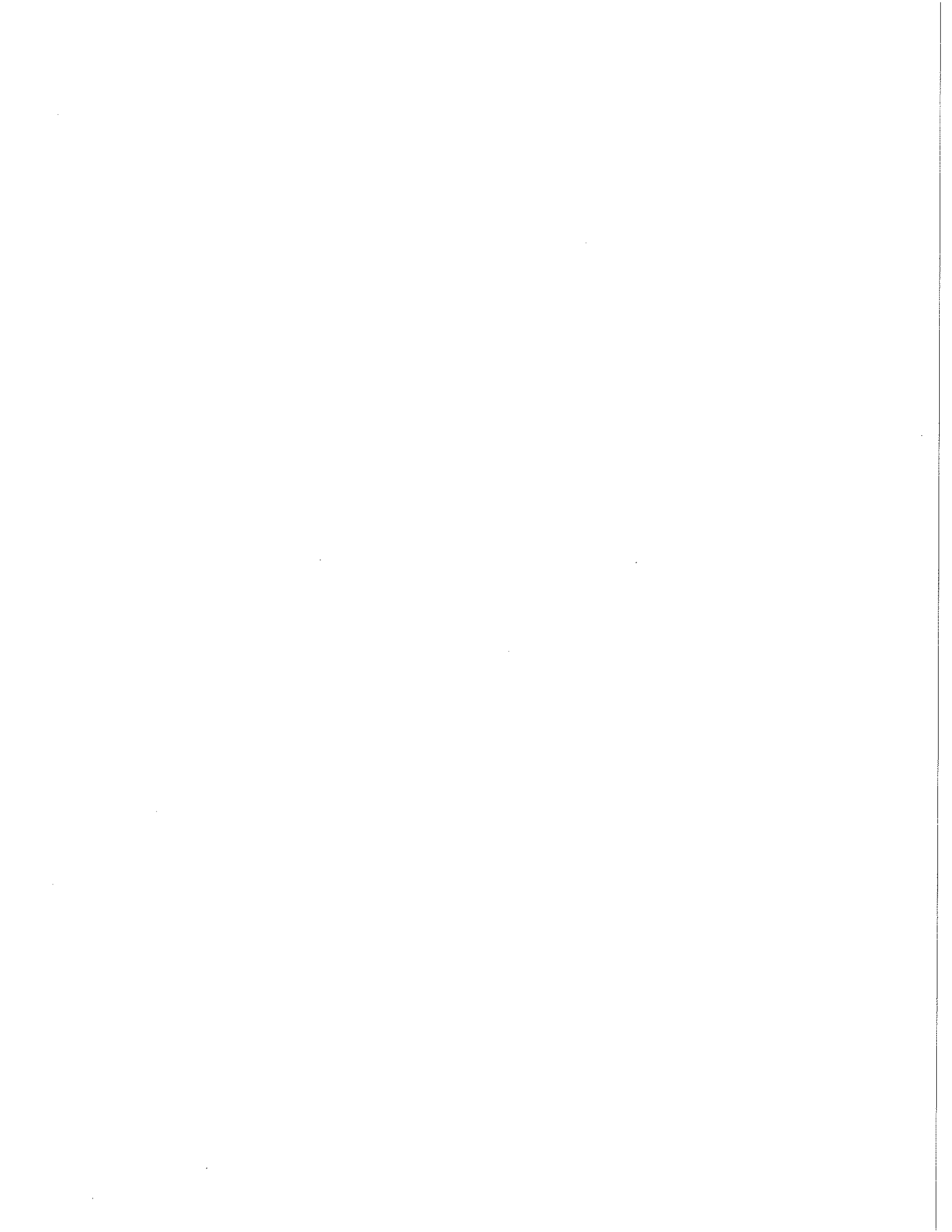
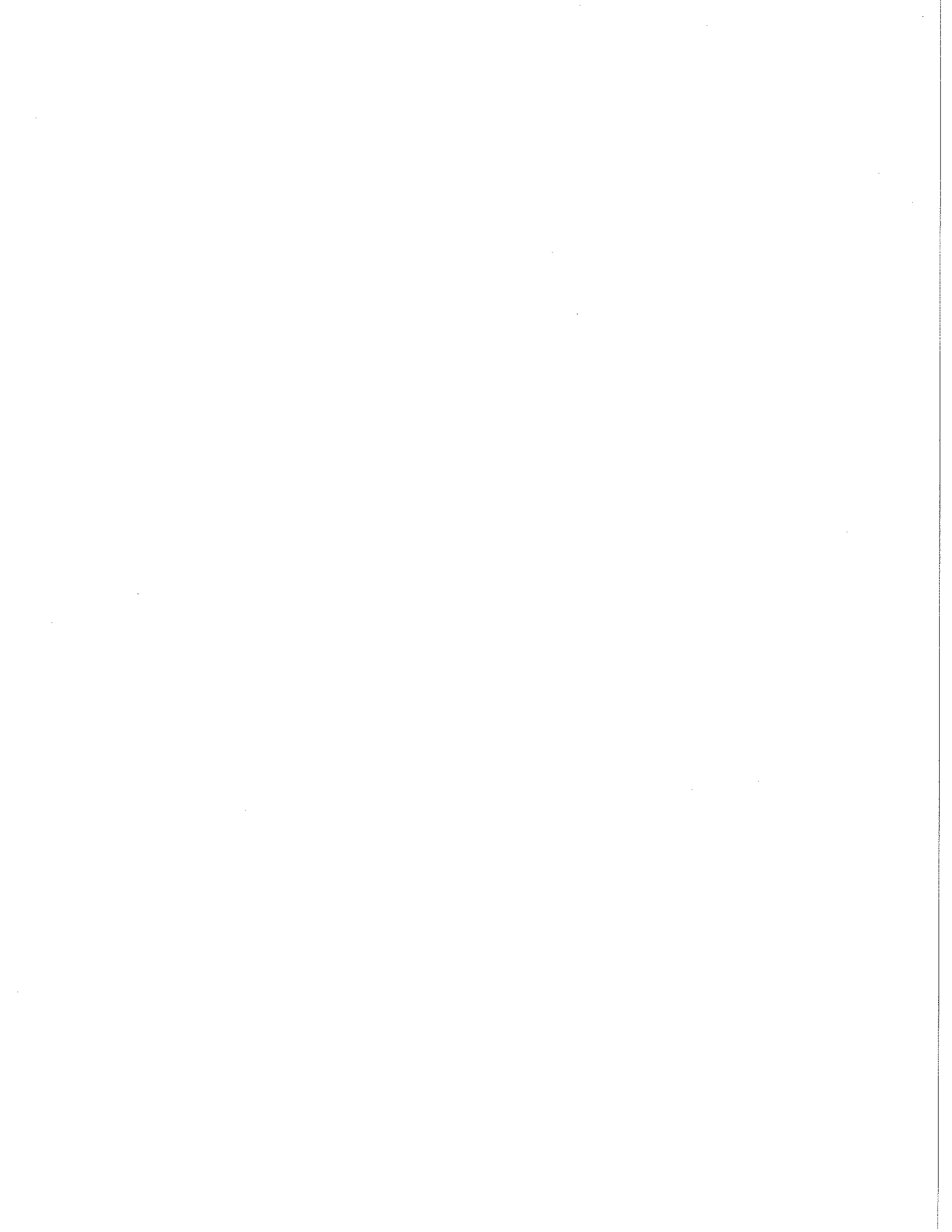


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Executive Summary of Comprehensive Audit Results

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 first quarter of 2014. 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, 2012 through July 31, 2013.

Using data provided by WPS, CTI analyzed \$26,940,905 in claims payments made by the Medicare Plus Plan and \$37,120,417 in claims payments made by the Standard and State Maintenance (SMP) Plans. Overall the results of the audits indicate that for the audit period WPS' claim administration was proficient in all categories measured. When compared to approximately 100 other plans audited by CTI over the past 16 months, The Medicare Plus and the SMP Plans performance was above average in all six Key Performance Indicators CTI has developed benchmarks to measure and monitor claims payment accuracy and administrative process quality. The seventh Key Performance Indicator used by CTI, claim turnaround time, is evaluated by looking at the distribution of turnaround times for claims in the audit sample; through this evaluation WPS claim turnaround time was optimal speed.

WPS exceeded all performance standards in place in its Administrative Agreement for the audited period. CTI's proprietary electronic screening system found that most provisions of the SMP and Medicare Plus Plans were administered in accordance with the plans contract terms. However, we identified some plan exclusions that may have been administered inconsistent with ETF's intent. Areas for improvement are identified on the following pages 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 Confidence Level 95% (+/- 3%)
Benefits include: <ul style="list-style-type: none"> • Focus In Known High Control Risk Categories: Exclusions/ Limitations/ Duplicate Payments • Identify Potential Overpayments For Recovery 	Sample designed to: <ul style="list-style-type: none"> • Benchmark Performance • Quantify Financial Impact • Prioritize Issues

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. For prioritization, refer to Exhibit C Prioritized Improvement/ Recovery Opportunities.

Categories	Potential Recovery/ Savings
Excluded Service: Automated Laboratory, Experimental/Investigational, Dental Periodontics	\$19,429
Other Categories: Multiple Surgical Reductions \$143,099, Timely Filing Limitation \$115	\$143,214
Eligibility - Claims Paid after Termination (When retroactive termination dates are received from ETF, WPS enters the termination date into their system and begins pursuing recovery of the claim dollars paid. This is the balance still being pursued for recovery.)	\$77,632
Duplicate Payments	\$10,419

ADDITIONAL FINDINGS

CTI utilized our ESAS® program and found WPS paid for diabetic supplies. There is no specific exclusion in the medical plan for these services, but the Plan does state these items are covered under the pharmacy plan. This plan language would indicate the medical plan should not cover diabetic supplies as this creates the potential for duplicate coverage and payment for the same items under both plans.

Categories	Potential Savings
Diabetic Supplies	\$153,469

PERFORMANCE BENCHMARKING OF WPS

CTI's protocol 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 all measures, WPS is performing proficiently when compared to approximately one hundred other plans most recently audited by CTI.

PERFORMANCE MEASURES	PERFORMANCE BY QUARTILES			
✓ = Medicare Plus Plan ● = Standard and SMP Plans	1 st (Lowest)	2 nd	3 rd	4 th (Highest)
Documentation Accuracy – Financial 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. Error made was for not determining medical necessity.				● ✓
Documentation Accuracy – Frequency 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. Error made was for not determining medical necessity.				● ✓
Financial Accuracy 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.				● ✓
Accurate Payment Frequency compares the number of bills paid correctly to the total number of bills paid for the Audit Sample.				● ✓
Adjudication Proficiency compares the number of correct adjudication decisions made to the total number of adjudication decisions required for the claims in the Audit Sample				● ✓
Accurate Processing Frequency 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 Audit results side by side with WPS' reported audit results for the time period. 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 exceeded all performance standards in place in its Administrative Agreement for the audit period.

WPS Performance Guarantees Year 2012

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2012	Performance Using CTI Formula 2012
Financial Accuracy	99%	99.9%	100%
Payment Accuracy	97%	99.2%	100%
Processing Accuracy	97%	99.0%	99.25%
Turnaround Time	95% paid within 30 days of receipt	99.8% of claims were paid within 30 days of receipt	6 calendar days

WPS Performance Guarantees Year 2013

January 1, 2013 – 7/31/2013 (Quarters 1 and 2)

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2013	Performance Using CTI Formula 2013
Financial Accuracy	99%	99.85%	99.86%
Payment Accuracy	97%	98.45%	98.16%
Processing Accuracy	97%	97.85%	97.56%
Turnaround Time	95% paid within 30 days of receipt	99.8% of claims were paid within 30 days of receipt	4 calendar days

Additional Area of Review

Pricing: CTI reviewed the pricing on all claims in the SMP and Standard plans Random Sample Audit. Pricing was verified on claims against the fee schedules loaded into the WPS system; provider contracts were not reviewed. The following items were observed during the review:

1. Fee schedules were updated accurately.
2. Multiple units were handled and priced correctly.
3. When the fee schedule allowance was greater than billed charge, billed charge was allowed.
4. The fee schedules were detailed and accurate. WPS performs random audits on fee schedule updates.

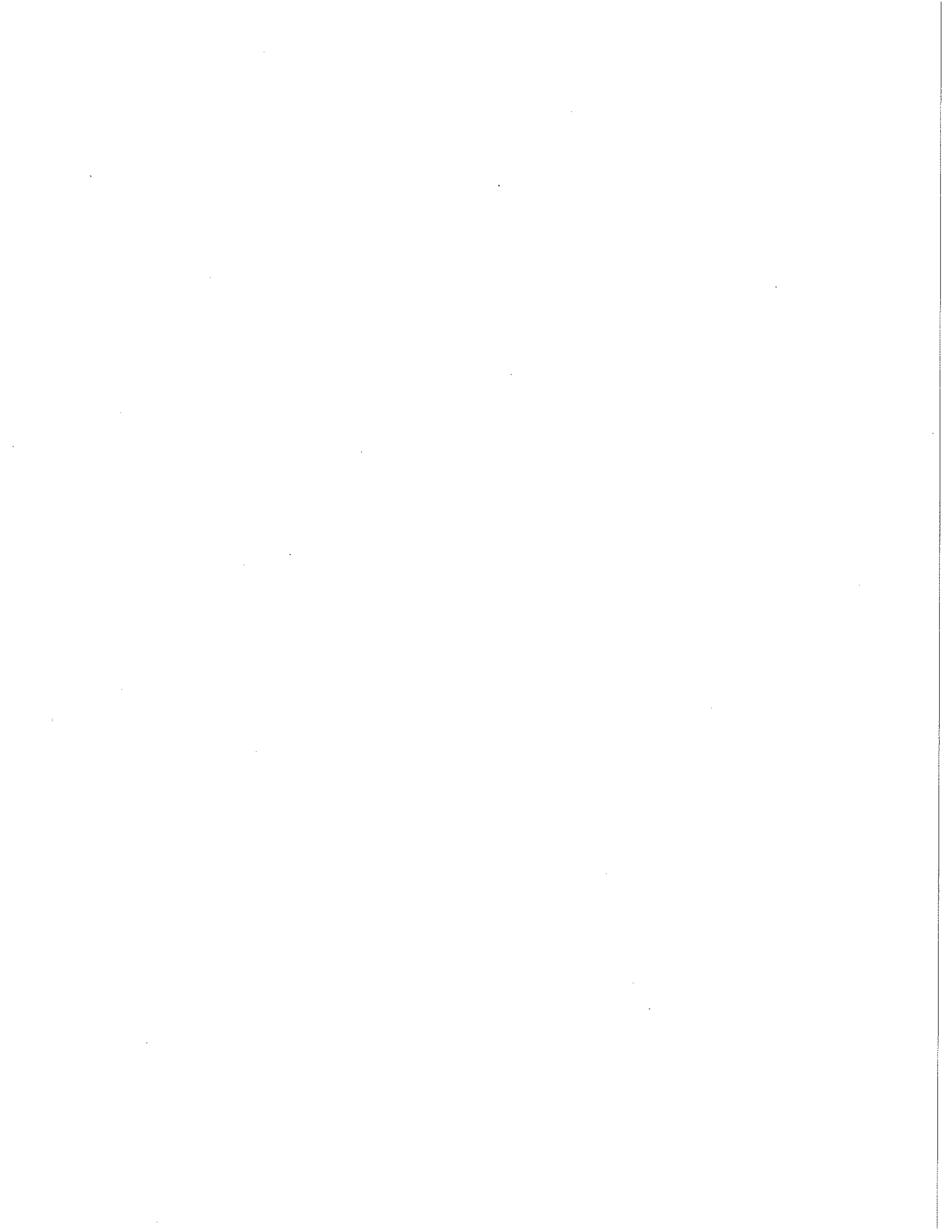
Comprehensive Claims Administration Audit Recommendations

We understand that ETF will review these recommendations to determine which should be the subject of immediate action. Where ETF determines that our assistance would be beneficial in implementing or performing any of the required tasks, we will be pleased to provide estimates of the cost of these services on an hourly or fixed-fee project basis. Included in our Comprehensive Audit specifications are 10 hours for post-audit follow-up activities on issues identified by the audit.

1. Have WPS prepare a report for ETF showing the cause and remedy to avoid future errors. Reference the charts in Exhibit B to determine the prioritization of errors by type and frequency as seen in the Random Sample Audit.
2. Working from the most material categories of issues identified by ESAS® , develop an action plan and timeline for WPS to allow for remedial action planning for prevention of future errors and recovery of agreed upon over-payments.
3. Update Plan language to clarify if diabetic supplies are covered or excluded under the medical portion of the Plan's benefits.
4. Monitor monthly subrogation activity reports to gain an understanding on when and why liens are being reduced on self-funded business.
5. Conduct sequential audits to systematically monitor WPS' performance to determine if improvements have been made.

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 choosing CTI.

CLAIM TECHNOLOGIES INCORPORATED
April 2014



Exhibits

- A. Performance Measurements and Benchmarking**
- B. Prioritization of Errors and Savings Opportunities**
- C. Prioritized Improvement/ Recovery Opportunities**

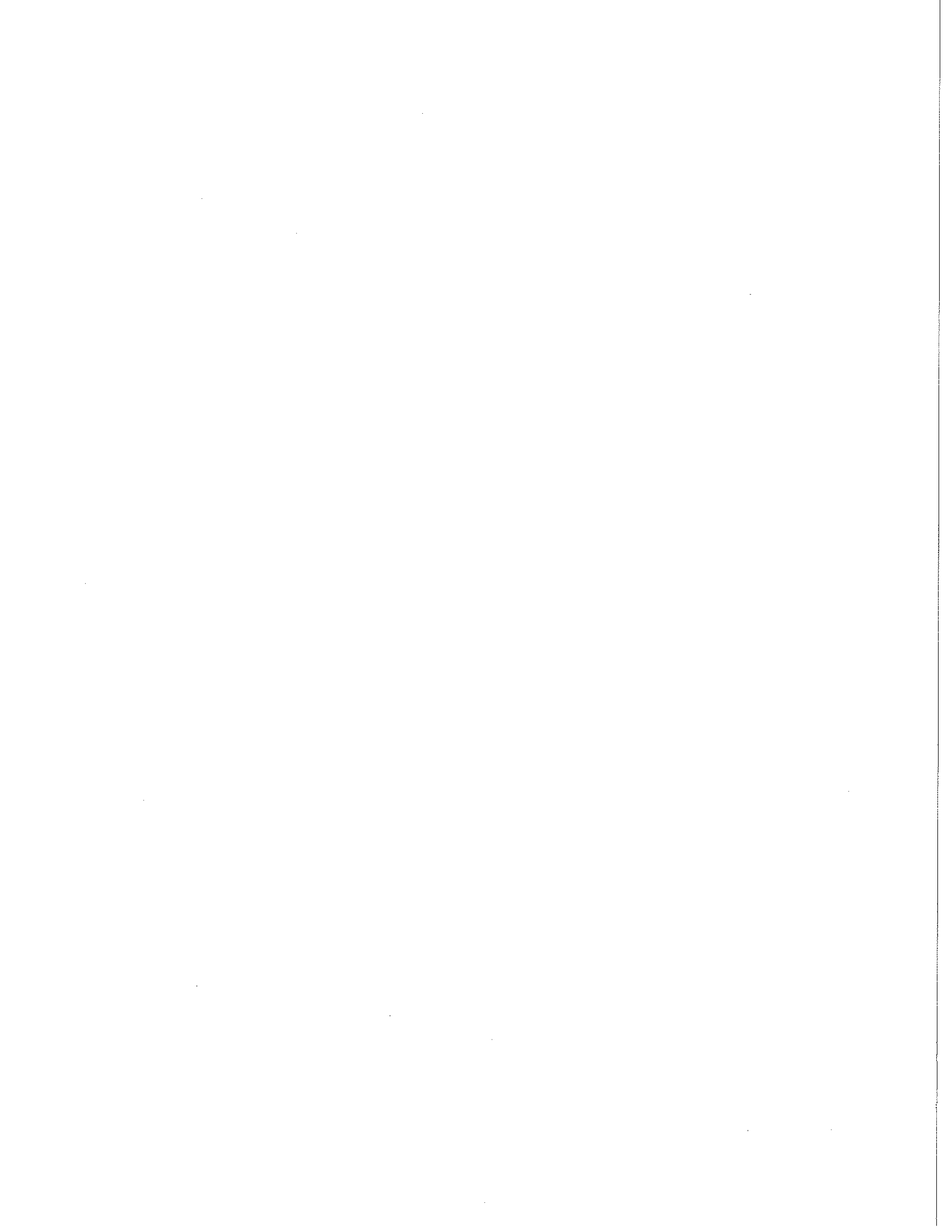


Exhibit A.

Performance Measurement and Benchmarking

Based on the 100 most recent claim administration audits CTI has performed, the following “Box and Whiskers Charts” show claim administration performance for each Key Performance Indicator as compared to that for other plans audited by CTI. Each chart contains the following information:

- Benchmark Performance
- Lowest Performance
- Performance levels in quartiles with the 4th Quartile representing the performance of the 25 plans with the best performance and the 1st Quartile representing the 25 plans with the lowest performance
- Performance relative to the Median level or the reported level at which 50 of the plans audited by CTI were reported to be better and 50 were reported to be worst

Chart 1. Standard and SMP and Medicare Plus Plans – Financial Accuracy - 2012

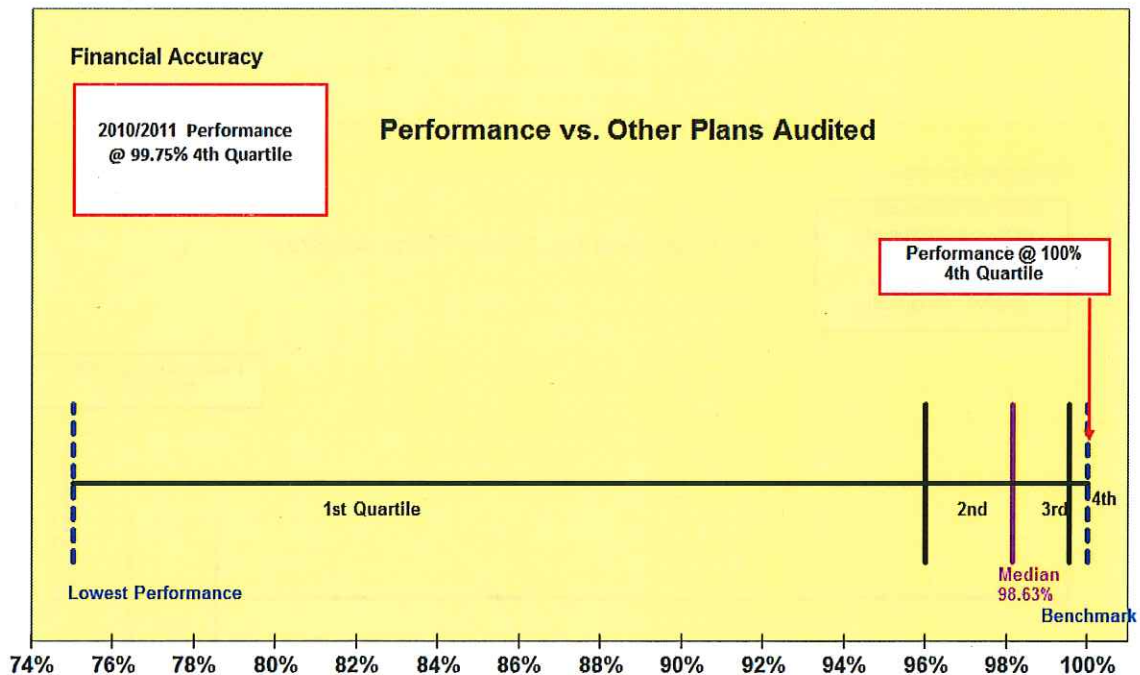


Chart 2. Standard and SMP and Medicare Plus Plans - 2012

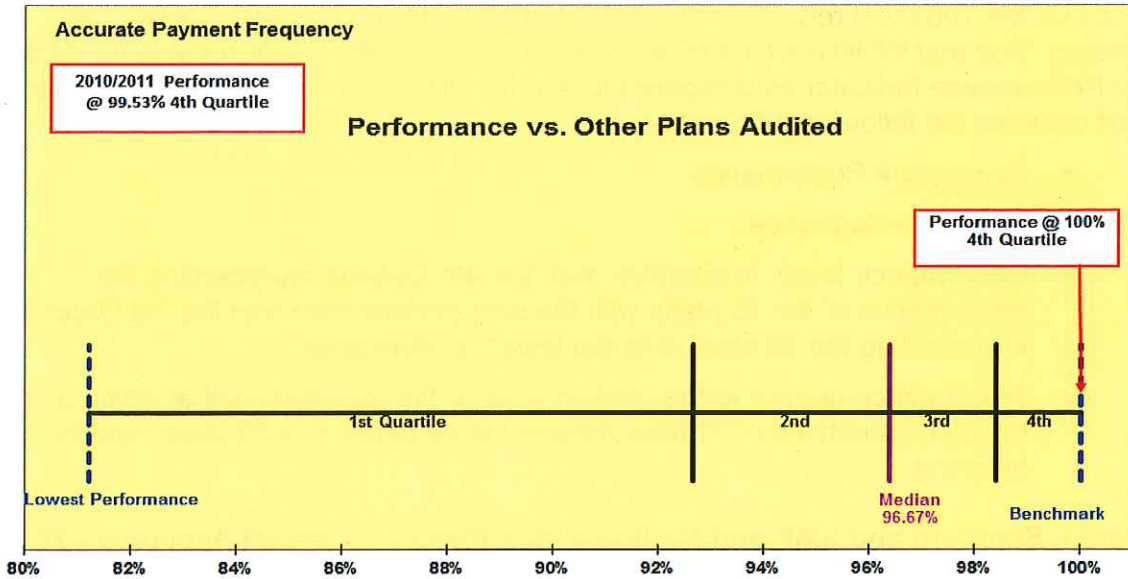


Chart 3. Standard and SMP and Medicare Plus Plans – Financial Accuracy - 2013

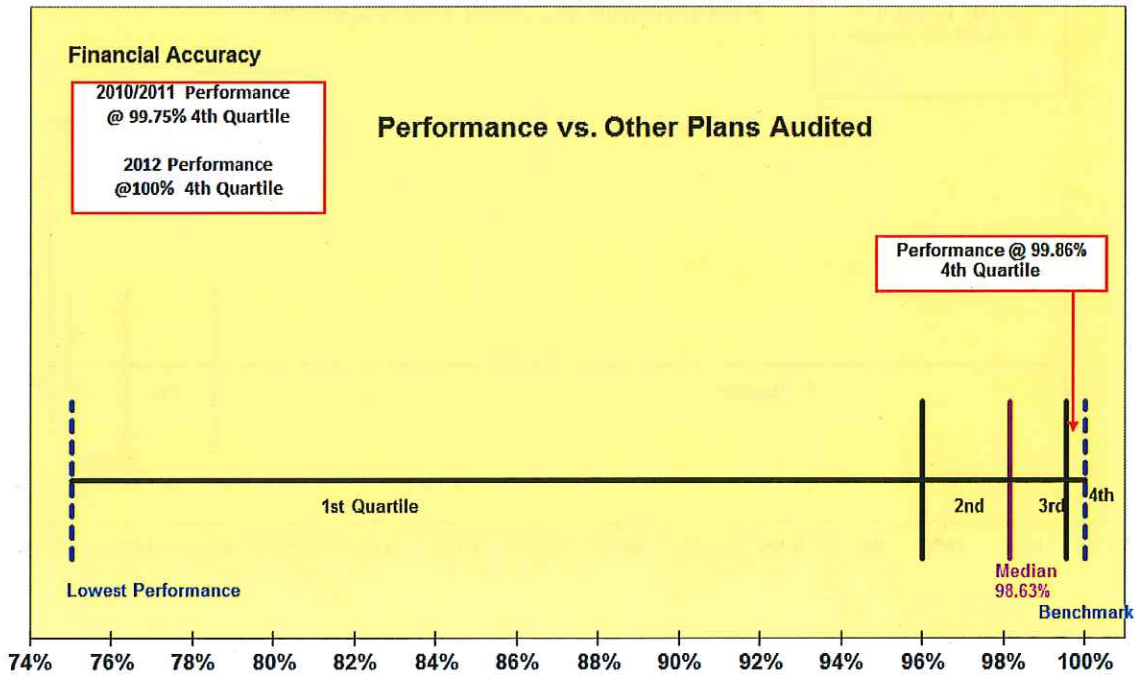


Chart 4. Standard and SMP and Medicare Plus Plans – Financial Accuracy - 2013

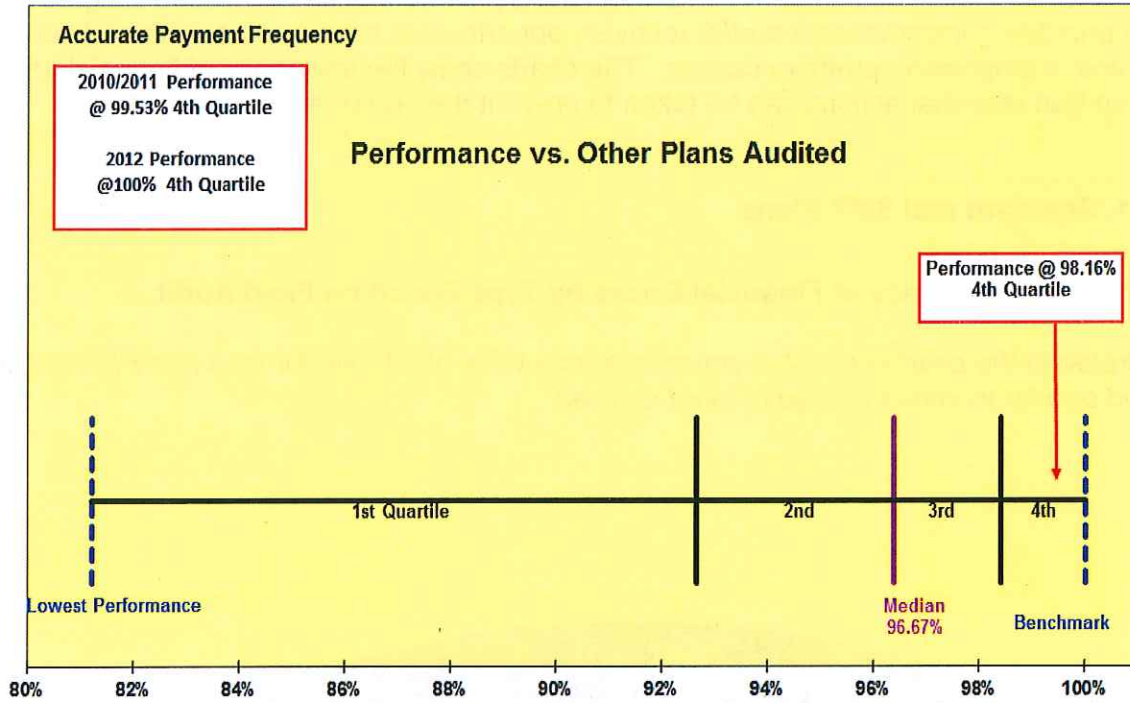


Exhibit B.

Prioritization of Process Improvement Opportunities

Derived from the Field Audit data, the following charts provide statistically based insights to assist in prioritizing improvement and/or recovery opportunities based on savings and service impact; and in pinpointing problem causes. The charts show the frequency of financial errors by type so that remedial actions can be taken to prevent their recurrence in the future.

Chart 1. Standard and SMP Plans

Frequency of Financial Errors by Type Based on Field Audit

As illustrated in the chart below, two payment errors were cited; one for incorrect PPO schedule used and one for incorrect charge amount entered.

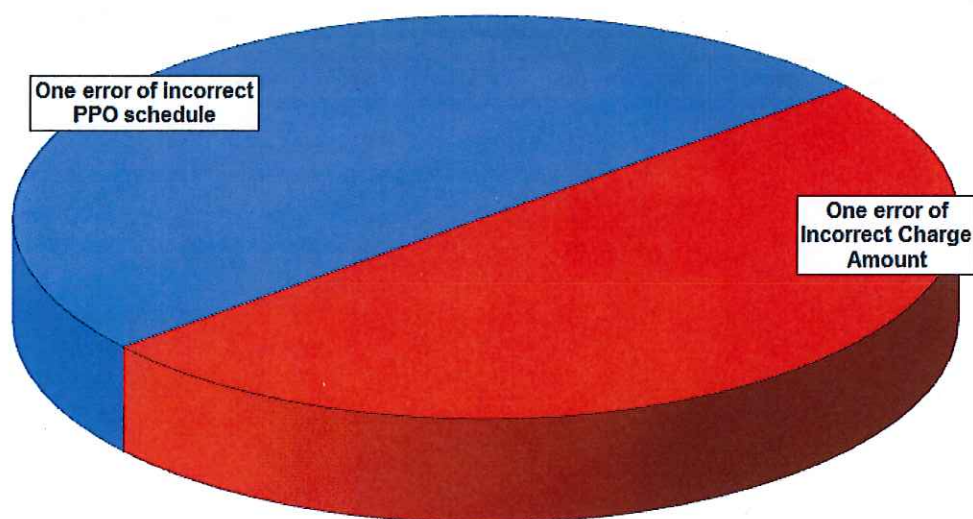


Chart 2. Medicare Plus Plan

Frequency of Financial Errors by Type Based on Field Audit

As illustrated in the chart below, one payment error was cited for incorrect coordination with other insurance (COB).



Exhibit C.

Opportunities for Improvement and Possible Recovery

Prioritization of Areas Needing Further Discussion Based Upon Electronic Screening Results:

1. Timely eligibility updates to avoid paying claims after term dates
2. PPO Provider with no discount taken
3. In-network claims paid above UCR set at the 80th percentile
4. Multiple Surgical Procedures without reductions
5. Diabetic Supplies (no recovery potential only Plan language revision suggested)
6. Dental Periodontics
7. Duplicate Payments



Wisconsin Physicians Service Insurance Corporation
1717 W. Broadway—P.O. Box 8190—Madison, WI 53708



THE EPIC LIFE INSURANCE COMPANY
A WPS Company

April 28, 2014

Ms. Shayna Gobel
Manager of Self-Insured Benefit Plans
State of Wisconsin Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

RE: The State of Wisconsin Department of Employee Trust Funds (ETF) health insurance audit engagement performed by Claims Technologies Incorporated (CTI) of the self-funded medical benefit plans administered by Wisconsin Physicians Service Insurance Corporation in the plan years of 2012 and 2013 (quarters 1 and 2).

Dear Ms. Gobel,

This letter represents Wisconsin Physicians Service Insurance Corporation (WPS) response to the Claim Technologies Incorporated (CTI) Executive Summary of Comprehensive Audit Results for the auditing period of January 1, 2012 through July 31, 2013. We appreciate the opportunity to engage in and respond to CTI's audit observations and results.

As reported by CTI in their executive audit summary document, WPS processed claim payments of approximately \$64,061,322 and WPS exceeded all contracted performance standards in place for ETF's Standard, SMP and Medicare Plus Plans for the plan years of 2012 and 2013 (quarters 1 and 2). More specifically, Financial Accuracy reported by CTI for 2012 is 100% and for 2013 99.86%, for the first two quarters.

AUDIT FINDINGS/OPPORTUNITIES FOR SAVINGS AND IMPROVEMENT

Duplicate Payments

WPS concurred with the reviewer on the duplicate processing error testing. We will also review potential duplicate claims identified in CTI's Electronic Screening report for potential recovery and process improvement opportunities.

Excluded Services – Automated Laboratory

We will review \$191 in Automated Laboratory services identified in CTI's Electronic Screening report for potential recovery and process improvement opportunities.

Excluded Services – Experimental/Investigational

We will review \$994 in potential Experimental/Investigational services identified in CTI's Electronic Screening report for potential recovery and process improvement opportunities.

ADDITIONAL FINDINGS

Diabetic Supplies

Under the Medicare Plus Plan there is no benefit limitation/exclusion for diabetic supplies, therefore WPS is obligated to pay benefits for diabetic supplies. If it is ETF's intent to exclude coverage under the Medicare Plus Plan for diabetic supplies, WPS can add an exclusion to the Medicare Plus Plan upon written request from ETF for the upcoming Plan year.

Dental Periodontics

CTI recommended an enhancement to the Medicare Plus Plan language to identify oral surgery procedures intended for coverage and those to be excluded. WPS can revise the Medicare Plus Plan language upon written request from ETF for the upcoming Plan year.

In summary, WPS is proud to serve the State of Wisconsin Department of Employee Trust Funds (ETF). The results of the CTI audit reflect our commitment to providing high quality service to the State. We would be pleased to meet with CTI and ETF with an agenda focusing on the observations and recommendations. Please feel free to contact me at (608)226-7853, if you have any questions.

Sincerely,



Dan Edge
Vice President, Customer Operations and Service Innovation