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Correspondence Memorandum

Date: March 2, 2018

To: Audit Committee Members

From: Yikchau Sze, Director
Office of Internal Audit

Subject: **Third Party Audit of WPS Health Insurance**

This report is for Audit Committee review and discussion. No action is required.

Wisconsin Physicians Service Insurance Corporation (WPS) administered the self-insured health plans for the State of Wisconsin employees, annuitants, and their eligible dependents. This administrative service performed by WPS was under an agreement between the State of Wisconsin, Department of Employee Trust Funds (ETF), the Group Insurance Board and WPS. The contract ended on December 31, 2017.

ETF retained Claim Technologies Incorporated (CTI) to conduct the audit of WPS's administration of the self-insured plans from January 1, 2016, to June 30, 2017. The attached audit result was presented to the Group Insurance Board at the February 21, 2018, meeting by ETF staff.

CTI audited approximately $57,594,000 in claims over the 18-month period and identified processing errors in areas of excluded services, timely filing restrictions, and duplicate payments, with potential savings of $57,665. CTI also reviewed WPS performance guarantees and raised concerns about WPS 2017 performance measures, as they are below the performance guarantee levels.

Eileen Mallow, Deputy Director of the Office of Strategic Health Policy, will be at the Audit Committee meeting to discuss actions that management has taken or will be taking on potential contract recovery.

Attachment A: GIB memo dated January 25, 2018 with attachments of CTI Executive Summary and WPS Response to CTI Audit

Reviewed and approved by Robert J. Conlin, Secretary

Electronically Signed 3/14/18

Board	Mtg Date	Item #
AUD	3.29.18	4

STATE OF WISCONSIN
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Correspondence Memorandum

Date: January 25, 2018

To: Group Insurance Board

From: Shayna Schomber, Supplemental Benefit Plans Manager
Office of Strategic Health Policy

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 health plans for January 1, 2016 through June 30, 2017. CTI completed its audit; the findings are summarized in the attached Executive Summary report (Attachment A). Additional detailed reports developed by CTI are available to the Board upon request.

The response from WPS regarding CTI's audit findings is also attached (Attachment B). WPS has reviewed the identified opportunities for improvement and is working with ETF and CTI to implement changes as recommended. CTI audited approximately $57,594,000 in claims over the 18-month period.

CTI developed Key Performance Indicators to measure and monitor claims payment accuracy and administrative process quality (see page 6 of Attachment A, the Executive Summary). WPS was a top performer in all areas of Medicare Plus administration; however, WPS's performance in the Standard and SMP plans has dropped and is an area of concern.

Areas of Opportunity
CTI identified areas for improvement using an electronic data screening approach, which targets claims in high risk categories. This screening identified processing errors in areas of excluded services, timely filing restrictions, and duplicate payments (see page 2 of Attachment A). A summary of the potential savings is outlined in the chart below:

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 2/7/18

Board	Mtg Date	Item #
GIB	2.21.18	4E

Category	Potential Savings	WPS Response
Excluded Services	**$25,442**	
TC/26 Modifiers	$9,816	Agree with 34 of 37 claims
Custodial care	$10,641	Disagree with 30 of 30 claims
Vision Refractions	$1,060	Agree with 44 of 52 claims
Orthotics & Orthopedics	$3,925	Agree with 6 of the 34 claims
Dental Implants	**$5,685**	Agree with 2 of 2 claims
Timely Filing	**$11,101**	Disagree with 10 of 10 claims
Duplicate Payments	**$15,437**	Agree with 25 of 37 claims

1. **Excluded Services –** CTI identified $25,442 in potential savings for paid services under all plans that were provided outside of the program benefit during the audited period. These include claims with technical modifiers, claims for custodial care, vision refractions, orthopedic shoes and orthotics. This is an improvement from the last audit, where CTI identified $106,509 in potential savings for excluded services. Note that vision refraction is the only category that continues to be an issue from the previous audit.

   Of the claims identified by CTI, 37 claims had a technical component (TC) modifier that was incorrectly processed. The total amount of the claims is $9,816; however, WPS disagrees with 3 of the claims because the claims were allowed by Medicare. A resolution was put in place in July 2016 to address the remaining 34 claims.

   CTI identified 30 claims for custodial care, for a total of $10,641. WPS disagreed with these claims because the claims were billed by the provider as home health claims.

   WPS agreed with 44 of the 52 claims identified for vision refractions, for a total of $1,060, and has since reprocessed these claims. ETF worked with WPS to resolve this issue in the last audit, and a system fix was implemented in August 2016; the incorrectly processed claims were incurred prior to that date. The remaining 8 claims were allowed by Medicare and thus also allowed by WPS.

   CTI identified orthotics and orthopedics claims totaling $3,925. WPS agreed with six of these claims and has reprocessed them. WPS noted that a fix was put in place in early January to curtail further processing errors. However, WPS disagrees with the remaining claims, stating that Medicare approved the claims, therefore they should be paid by WPS.

2. **Timely Filing Limitation –** CTI identified $11,101 in claims paid outside of the timely filing requirements for the Standard and SMP plans. There were no timely filing issues identified for the Medicare Plus plan, which is an improvement from the previous audit. WPS disagreed with this finding, and indicated that all claims were allowed based on provider agreements or were overturned as a result of a

grievance. CTI followed the 12 months timely filing rule, but WPS has some provider contracts that exceed that limit.

3. **Dental Implants –** CTI identified $5,685.00 in dental implant claims that were processed in error. One of the claims was processed incorrectly due to human error, and the other was a foreign claim. WPS and ETF are working to resolve the foreign claim, and the remaining claim has been reprocessed.

4. **Duplicate Payments –** CTI identified duplicate payments totaling $15,437 on the Medicare Plus plan. This is a significant increase from the previous audit, where CTI identified only $5,039 in duplicate payments.

   WPS identified an issue with claims duplication when both a paper claim and electronic claim were submitted for the same service. WPS responded that steps have been taken to strengthen their internal controls by implementing daily reports to identify duplicate claims, and updating the duplicate logic within their claims processing system.

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 Executive Summary describes the results on page 6 of Attachment A.

The chart below shows the performance guarantee measures as reported by WPS and as calculated by CTI. The WPS Guarantee sets WPS performance requirements for each plan year, which allows ETF to evaluate WPS claims processing performance. CTI identified that the difference in performance results stems from the use of different audit techniques and standards.

Performance Measure	WPS Guarantee	WPS Reported 2016	CTI Calculated 2016	WPS Reported 2017	CTI Calculated 2017
Financial Accuracy	**99%**	99%	97.54%	99.96%	87.56%
Payment Accuracy	**97%**	98%	98.15%	97.97%	95.37%
Processing Accuracy	**97%**	97%	98.15%	96.60%	95.37%
Turnaround Time	**95% paid within 30 days of receipt**	99%	99% paid within 5 days of receipt	99%	99% paid within 5 days of receipt

The 2017 performance measures are an area of concern as they are below the performance guarantee levels. CTI's calculated performance measures are

significantly lower than the results provided by WPS, especially in the category of Financial Accuracy. However, it is important to note that the claims audited for 2017 only include half of the plan year.

ETF worked with both WPS and CTI to determine why there is a large gap in performance measure results. WPS cited the following as justification for the disparity in calculated results:

1. Operational definitions for what constitutes an error;
2. Sample size used; and
3. Formula for calculating and reporting results

Although there is currently no contract language specific to audits with this level of detail, ETF is using this information to strengthen the audit language in contracts with other vendors. This information will also be used to reinforce future auditor procurement requirements and expectations.

Recommendations and Next Steps

ETF requested that CTI focus on areas for immediate or short-term recovery or resolution. CTI provided recommendations for change, with the understanding that WPS's active contract ended on 12/31/2017, and the claims-run out contract extension runs through 6/30/2018. These recommendations appear on page 8 of the Executive Summary (Attachment A) and are summarized in the following exhibits:

a. Exhibit B, the Process Improvement Opportunities provides high-level information about the categories in which errors were found during the field audit. Note that the charts on pages 11-13 represent the performance results of the WPS plans as compared to CTI's performance benchmarks.

b. Exhibit C is the Opportunity for Improvement & Possible Recovery, providing detail for the findings described briefly on page 2 of the Executive Summary.

ETF has ten additional hours available for CTI to conduct post-audit follow-up services on issues identified in the audit. ETF is working with CTI to determine the most effective use of the available time to address the issues outlined on pages 8 and 15 of Attachment A. ETF is also working with WPS to resolve the issues identified above that do not require additional support from CTI.

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

Attachment A: CTI Executive Summary
Attachment B: WPS Response to CTI Audit

Attachment

Comprehensive Claim Administration Audit

EXECUTIVE SUMMARY

State of Wisconsin, Department of Employee Trust Fund Medical Plans

Administered by Wisconsin Physicians Service Insurance Corporation

Audit Period: January 1, 2016 through June 30, 2017

Presented to

State of Wisconsin, Department of Employee Trust Fund

January 19, 2018

Presented by

CLAIM TECHNOLOGIES INCORPORATED

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SUMMARY OF CLAIMS ADMINISTRATION AUDIT FINDINGS

This Executive Summary presents the key findings and recommendations from Claim Technologies Incorporated's (CTI's) comprehensive audits of Wisconsin Physicians Service Insurance Corporation (WPS) claim administration of the State of Wisconsin, Department of Employee Trust Fund (ETF) self-funded plans. An independent claim administration audit firm, CTI performed the audits in the third quarter of 2017. The purpose of the audits was to assess the quality of claim administration provided by WPS during the period of January 1, 2016 through June 30, 2017.

Using data provided by WPS, CTI analyzed $36,315,155 in claims payments made by the Medicare Plus plan and $21,279,365 in claims payments made by the Standard and State Maintenance (SMP) plans. Overall the results of the audits indicate that for the audit period, the claim administration provided by WPS was proficient for the Medicare Plus plan and needed improvement on the Standard and SMP plans. When compared to approximately 100 other plans most recently audited by CTI, the Medicare Plus plan's performance was above average in all six Key Performance Indicators benchmarks that were developed to measure and monitor claims payment accuracy and administrative process quality. The Standard and SMP plans performance was above average in two of the six Key Performance Indicator benchmarks that were developed to measure and monitor claims payment accuracy and administrative process quality. An additional Key Performance Indicator, 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.

Using combined results for the Standard and SMP plans as well as the Medicare Plus plan, CTI's audit results show WPS did not meet the financial accuracy measurement in the administrative agreement for 2016 and did not meet the performance goals for any of the claim accuracy measurements for the first two quarters of 2017. CTI's proprietary electronic screening system found that most provisions of the Standard and SMP plans as well as the Medicare Plus plan were administered in accordance with contract terms. However, we identified some plan exclusions that may have been administered inconsistently 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

Our audit system is designed to measure and facilitate continuous quality improvement in claim administration processes. This system views administrative processes through the lens of our proprietary 100% Electronic Screening and Analysis with Targeted Samples (ESAS®) system and statistically through a stratified Random Sample Audit. The following table shows the specific benefits of each of these two techniques.

ESAS®	Random Sample Audit
Electronic Screening and Analysis of 100% of Paid Claims Data	**Stratified Sample of Paid Claims Confidence Level 95% (+/-3%)**
Benefits include: • Focus In known high control risk categories: Exclusions/Limitations/Duplicate Payments • Identify potential overpayments for recovery	**Sample designed to:** • 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 the claim administration processes used by WPS represent financial savings or improved customer service for ETF follow. For prioritization, refer to Exhibit C – Prioritized Improvement/Recovery Opportunities.

Categories	Potential Recovery/Savings
Excluded Service: TC/26 modifiers, Custodial Care, Vision Refraction, Orthotics, Orthopedic Shoes, Dental Implants	$9,816 Standard and SMP $21,311 Retiree
Timely Filing Limitation	$11,101 Standard and SMP
Duplicate Payments	$15,437 Retiree

DATA ANALYTICS

The data analytics conducted by CTI included:

- Network Provider Utilization and Discount Savings;
- Sanctioned Provider Review;
- Affordable Care Act Preventive Services Coverage Compliance;
- National Correct Claim Coding Initiative Editing Capability; and
- Global Surgery Fee Period Analysis.

Network Provider Utilization and Discount Savings

CTI compared submitted charges to allowable charges for all claims paid during the audit period for the Standard and State Maintenance (SMP) plans. The analysis relied on the data provided by the administrator and no assumptions were made when necessary data fields were not provided. The following table shows the results of CTI's analysis of the value of discounts given by network providers as a percentage of all claims processed during the audit period.

Total of All Claims				
Claim Type	**Eligible Charge**	**Provider Discount**		**Paid**
Ancillary	$920,027	$361,224	39.3%	$528,094
Non-Facility	$9,652,348	$3,517,467	36.4%	$5,478,796
Facility Inpatient	$4,706,181	$1,191,355	25.3%	$3,457,134
Facility Outpatient	$8,218,832	$2,518,599	30.6%	$5,352,487
Total	**$23,497,388**	**$7,588,645**	**32.3%**	**$14,816,511**

Utilization of network or secondary network providers by ETF members was very high at 97.1% of all allowed charges and 90.1% of all claims. The average discount off allowed charges from network and secondary network providers was at expected levels.

Affordable Care Act Preventive Services Coverage Compliance

CTI's preventive care services compliance analysis was used to confirm that the claim administrator was processing preventive services as required by the Patient Protection and Affordable Care Act (PPACA) and as regulated by the Department of Health and Human Services (HHS). The federal mandate under PPACA for all health plans (unless the plan is grandfathered as defined under PPACA) is that certain preventive services, if performed by a network provider, must be covered at 100% without copayment, coinsurance or deductible. The review analyzes in-network preventive care services to determine whether or not those services have been paid in compliance with the PPACA guidelines.

CTI's analysis found that for the Standard and State Maintenance (SMP) plans 83.62% of the procedure codes identified as preventive services were paid by WPS at 100% when provided in-network and for the Medicare Plus plan 83.60%. A detailed list of the other 16.38% and the 16.40% respectively are in the data analytics section of the ***Specific Findings Reports.***

Sanctioned Provider Review

100% of the claims from non-facility providers were screened against the OIG's LEIE. One claim was paid under the Standard and State Maintenance (SMP) plans as the provider was sanctioned in 2014. On the Medicare Plus plan, one claim was paid and showed on the screening as WPS built the provider file with the incorrect NPI number.

National Correct Coding Initiative Editing Capability

CTI analyzed WPS's claim system code editing capability to determine the degree to which it conformed to National Correct Coding Initiative (NCCI) guidelines used by the Centers for Medicare & Medicaid Services (CMS) for Medicare Part B and Medicaid claims. Although these edits are not mandatory for non-Medicare/Medicaid medical plans, it is important that ETF understand the benefit of these initiatives and their potential value when applied to medical benefit plans. CTI believes the two CMS initiatives that can offer the greatest return benefit to self-funded employee benefit plans are:

- Procedure to Procedure Edits, and
- Medically Unlikely Edits.

Our claim system code editing analysis identified medical services that were submitted to the plan and paid by WPS that would have been denied by Medicare and Medicaid using the NCCI guidelines. In order for Medicare or Medicaid to reconsider these charges, the provider would have been required to

resubmit with correct coding. Since WPS paid the billed charges, the payments represent a potential savings opportunity to ETF. Below are our findings by CMS initiative:

Standard and State Maintenance (SMP) plans Claim System Code Editing Capability Analysis by CMS NCCI Initiative		
	Procedure-to-Procedure Edits	**Medically Unlikely Edits**
Facility	$398	$4,721
Non-Facility	$4,026	$33,285
Ancillary	N/A	$1,513

Medicare Plus plan Claim System Code Editing Capability Analysis by CMS NCCI Initiative		
	Procedure-to-Procedure Edits	**Medically Unlikely Edits**
Facility	$34,973	$649
Non-Facility	$52,333	$46,411
Ancillary	N/A	$901

For each CMS NCCI initiative, a complete listing of edited medical services by procedure code is provided in the data analytics section of the ***Specific Findings Report.***

Global Surgery Fee Period Analysis

CTI applied the edits that would have been performed by Medicare and compared surgical procedure codes to evaluation and management (E/M) procedure codes used by physicians in the same practice to determine if the E/M procedures fell within the defined CMS global surgery fee periods.

Our claim system code editing analysis identified E/M procedure codes that were submitted to the plan and paid by WPS that would have been denied by Medicare using the defined CMS global surgery fee periods. Payment of E/M services post-surgery that should have been submitted as part of the physician's surgery charge is an example of unbundling – which is a provider billing practice that drives up a plan's cost. Since WPS paid allowed charges, the payments represent a potential savings opportunity to ETF.

Our findings follow for the Standard and State Maintenance (SMP) plans:

Surgeries with CMS Defined Global Fee Periods					E/M Services using Same Provider ID as Surgeon Within Prohibited Global Fee Period			
No E/M Surgery Procedures During Prohibited Periods		E/M Surgery Procedures During Prohibited Periods			E/M Procedure Codes with Modifier 25		E/M Procedure Codes without Modifier 25	
Count	Allowed Charge	Count	Percent E/M Surgeries During Prohibited Periods	Allowed Charge	Total Count; 0/10/90 days	Allowed Charge	Total Count; 0/10/90 days	Allowed Charge
856	$922,505	18	13%	$65,314	118	$15,380	7	$1,424

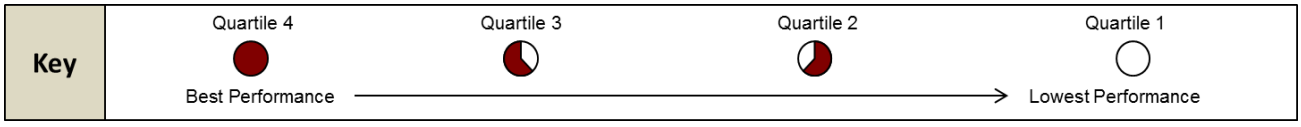
Our findings follow for the Medicare Plus plan:

Surgeries with CMS Defined Global Fee Periods					E/M Services using Same Provider ID as Surgeon Within Prohibited Global Fee Period			
No E/M Surgery Procedures During Prohibited Periods		E/M Surgery Procedures During Prohibited Periods			E/M Procedure Codes with Modifier 25		E/M Procedure Codes without Modifier 25	
Count	Allowed Charge	Count	Percent E/M Surgeries During Prohibited Periods	Allowed Charge	Total Count; 0/10/90 days	Allowed Charge	Total Count; 0/10/90 days	Allowed Charge
20,621	$1,224,941	3,343	14%	$169,591	2,730	$63,792	503	$13,409

PERFORMANCE BENCHMARKING

CTI's Random Sample Audit enables us to compare claim administration process performance between administrators and plans to benchmarks we have created and maintained. The following table demonstrates that in all measures, WPS performed proficiently when compared to approximately one hundred other plans most recently audited by CTI.

Key Performance Indicators	Administrative Performance			
	Medicare Plus Plan		Standard and SMP Plans	
Documentation Accuracy – Financial compares the number of dollars processed with documentation adequate to substantiate payment or denial of the total number of dollars processed in the audit sample.		100%		100%
Documentation Accuracy – Frequency compares the number of claims processed with the documentation adequate to substantiate payment or denial to the total number of claims processed in the audit sample.		100%		100%
Financial Accuracy Rate 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 the 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.		100%		91.15%
Accurate Payment Frequency compares the number of bills paid correctly to the total number of bills paid for the audit period.		100%		93.52%
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.		100%		99.17%
Accurate Processing Frequency compares the number of bills processed without errors to the total number of bills processed in the audit sample.		100%		93.52%



PERFORMANCE GUARANTEES

ETF has performance standards in place in its administrative agreement with WPS. In the two following tables, we show the Random Sample Audit results side by side with the audit results reported by WPS for the same time period. This is done to allow comparison of CTI's outcomes using its operational definitions against audit outcomes using the operational definitions of WPS. This comparison can be used to facilitate discussion regarding the differences in operational definitions and methodology for construction of audit samples. Differences in audit outcomes will also result from different audit techniques and standards for what constitutes an error. Based on CTI's audit results, WPS did not meet the Financial Accuracy measurement in the administrative agreement for 2016 and only met the Turnaround Time measurement for the first two quarters of 2017.

2016 Performance Guarantees

2016 Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group	Performance Using CTI Formula
Financial Accuracy	99%	99%	97.54%
Payment Accuracy	97%	98%	98.15%
Processing Accuracy	97%	97%	98.15%
Turnaround Time ***(Measured in Calendar Days)***	95% paid within 30 days of receipt	99% paid within 30 days of receipt	5

2017 1st and 2nd Quarters Performance Guarantees

2017 Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group	Performance Using CTI Formula
Financial Accuracy	99%	99.96%	87.56%
Payment Accuracy	97%	97.97%	95.37%
Processing Accuracy	97%	96.60%	95.37%
Turnaround Time ***(Measured in Calendar Days)***	95% paid within 30 days of receipt	99% paid within 30 days of receipt	5

COMPREHENSIVE CLAIM 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 would be happy 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. Since the reported audit results for Financial Accuracy differ greatly from the WPS self-reported accuracy results, CTI recommends having discussions with WPS to understand how self-reported results are calculated. The discussion should include the frequency and volume of claims audited as well as the statistical validity behind the results.
2. Meet with WPS to discuss the audit findings and focus specifically on the steps necessary to improve Financial Accuracy, Accurate Payment Frequency, and Accurate Processing Frequency for the Standard and SMP Plans. Ask WPS to review each of the financial errors identified by our random sample audit and determine if system changes should be made to reduce or eliminate errors of a similar nature in the future. The discussion should focus on the three issues that were identified most frequently:
    a. Correct calculation of the deductible;
    b. Correct administration of PPO discounts; and
    c. Correct allowance and payment of eligible services.
3. 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 preventing future errors and recovery of agreed upon over-payments.
4. ETF should complete its analysis of the results of the eligibility screening performed by CTI and use the results to ensure the administrator's process for retro-active terminations was comprehensive and included recovery efforts.
5. Update the ET-2112 out-of-pocket plan language to resolve the inconsistency identified in the ***Specific Findings Report***.
6. Review the additional observations found on pages 45 and 46 of the ***Specific Findings Report*** for the Standard and SMP Plans to identify processing and remediation opportunities for out-of-sample claim observations.
7. As part of the run-out claims handling, ETF should continue to receive/monitor overpayment recovery reports and subrogation activity reports to verify files are being actively pursued and appropriate credits are issued to the State.

Your administrator cooperated with this audit and made every effort to provide us with the data and documentation we requested.

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

EXHIBITS

A. Performance Measurements and Benchmarking

B. Process Improvement Opportunities

C. Opportunity for Improvement and Possible Recovery

EXHIBIT A – PERFORMANCE MEASUREMENT AND BENCHMARKING

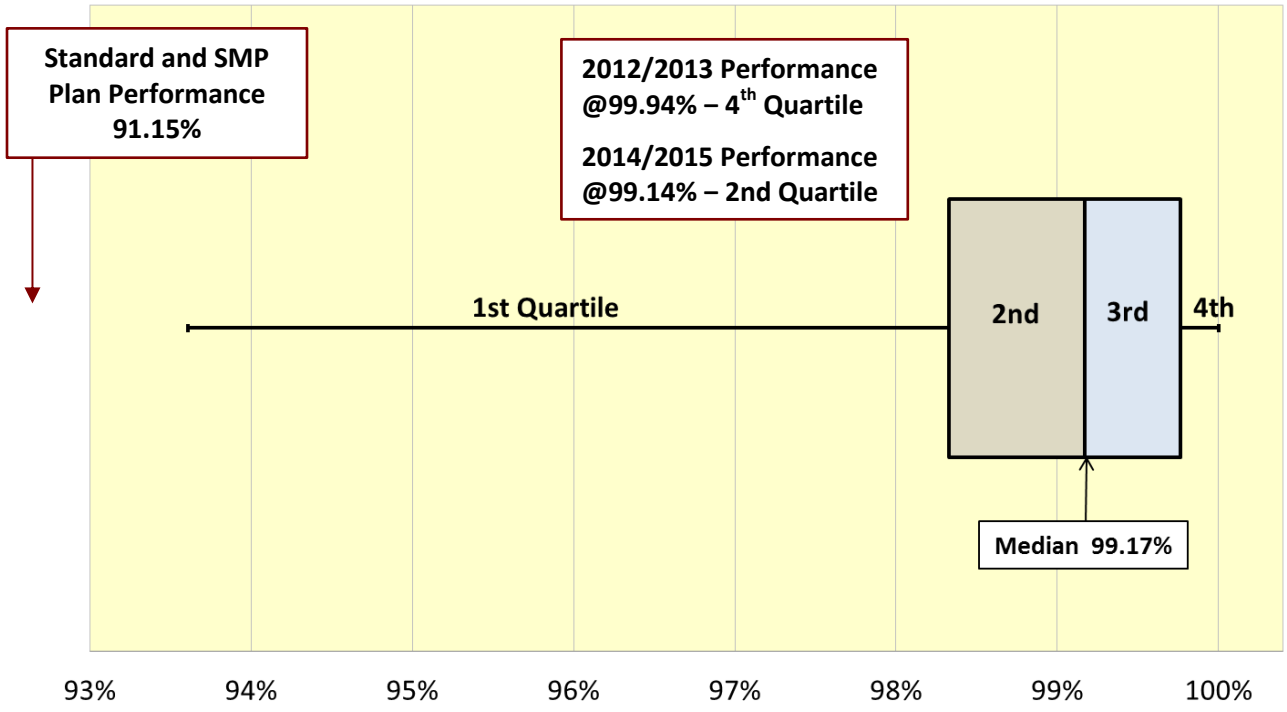
The following box and whisker charts are based on the 100 most recent claim administration audits performed by CTI. The charts are used to demonstrate the claim administration performance of WPS when compared to the other plans against each of our seven Key Performance Indicators.

Each chart contains the following information:

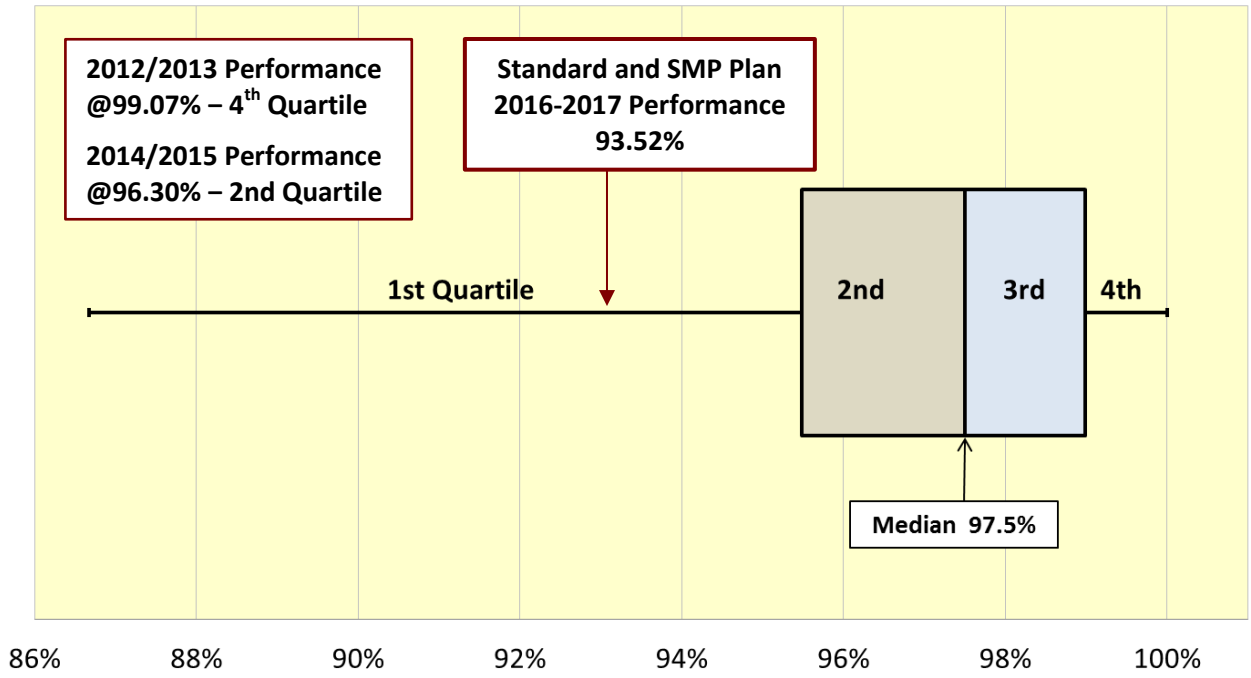
- Benchmark performance
- Lowest performance
- Performance levels by quartile – with the 4th quartile representing the highest 25 performing plans and the 1st quartile representing the lowest 25 plans
- Performance level relative to the Median – or the level at which 50 of the plans audited were higher and 50 were reported to be lower

Standard and SMP Plans

Financial Accuracy Rate – Performance vs. Other Plans Audited by Quartile

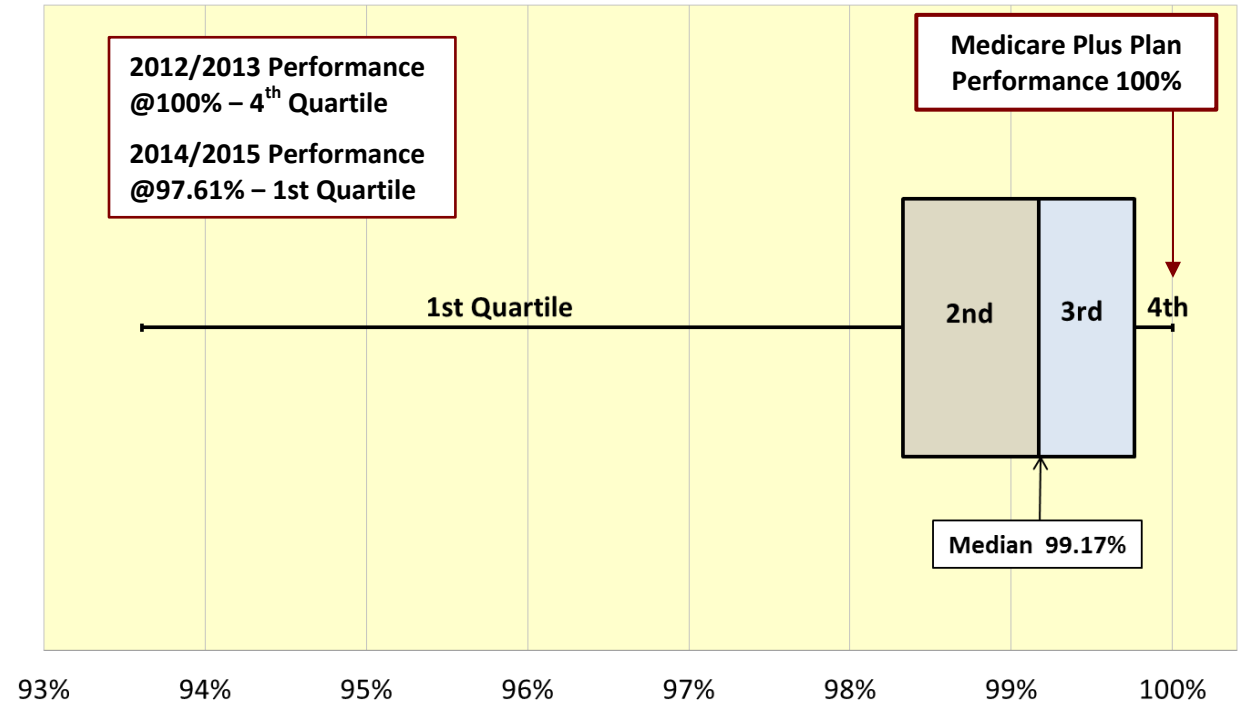


Accurate Payment Frequency – Performance vs. Other Plans Audited



Medicare Plus Plans

Financial Accuracy Rate – Performance vs. Other Plans Audited by Quartile



Accurate Payment Frequency – Performance vs. Other Plans Audited

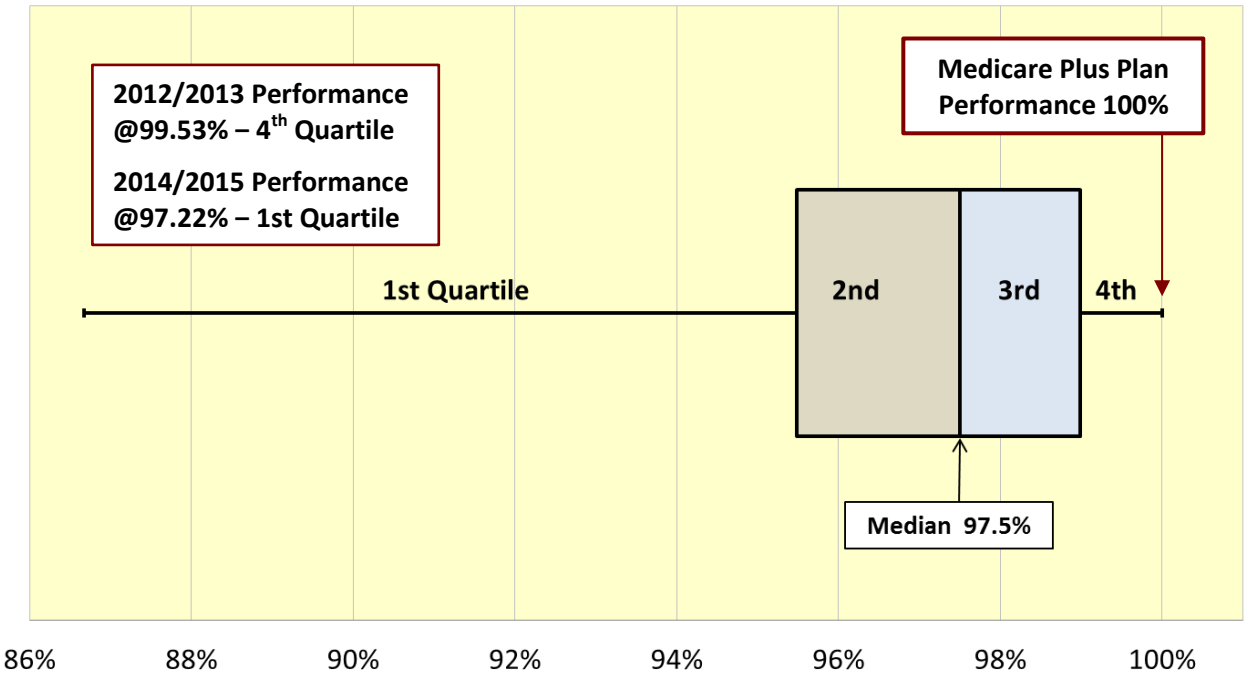


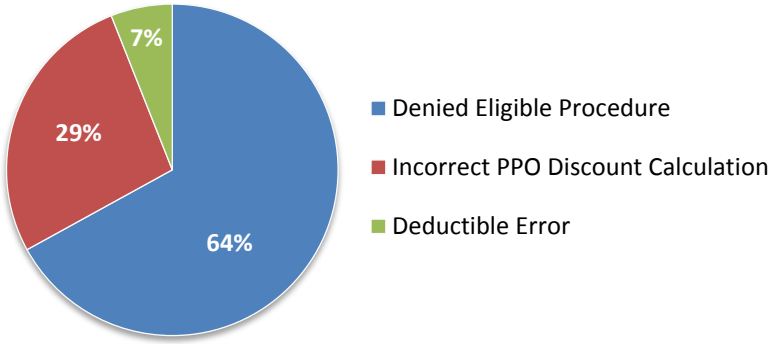
EXHIBIT B –PROCESS IMPROVEMENT OPPORTUNITIES

Derived from the Random Sample Audit data, the following charts provide statistically based insight 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.

Standard and SMP Plans

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

Frequency of Financial Errors by Type Based on Random Sample Audit



Medicare Plus Plan

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

Frequency of Financial Errors by Type Based on Random Sample Audit

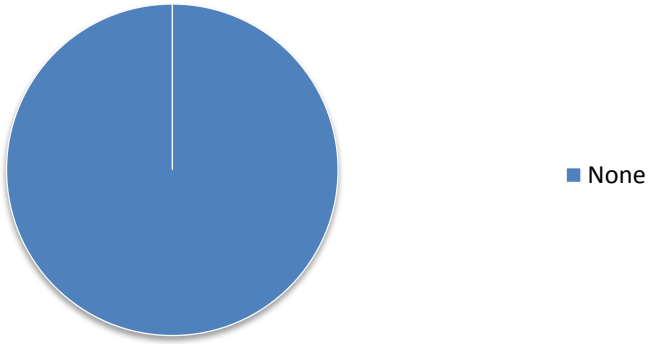


EXHIBIT C – OPPORTUNITY FOR IMPROVEMENT AND POSSIBLE RECOVERY

Prioritized areas needing further discussion based upon electronic screening results include:

1. Exclusions including Custodial care, TC/26 modifiers, Orthotics, Orthopedic shoes, and Vison refractions
2. Timely eligibility updates
3. Dental implants
4. Duplicate payments

CLAIM TECHNOLOGIES INCORPORATED

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WPS HEALTH INSURANCE

Wisconsin Physicians Service Insurance Corporation
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608-221-4711

February 2, 2018

Ms. Shayna Schomber
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 2016-2017.

Dear Ms. Schomber,

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, 2016 through June 30, 2017. We appreciate the opportunity to engage in and respond to CTI's audit observations and results.

Overall, the results of the random audit sample involving 432 claims indicates WPS was proficient on the Medicare Plus Plan (above average in all six Key Performance Indicator Benchmarks) and needs improvement on the Standard and SMP plans (above average in two of the six Key Performance Indicators) when compared to 100 other plans CTI recently audited. Please note, the audit period CTI reviewed consisted of 18 months of claims and eligibility data. It is unknown to WPS whether the same 18-month audit cycle and sample size was used when CTI compared WPS results against other plans.

With respect to the results from the random sampling audit on the Standard and SMP Plan, WPS was cited 15 payment errors of which we agree with 13 of the errors. Of the 13 errors, six were identified and these claims were reprocessed prior to the audit and the remaining claims have been reprocessed. Based on the audit results , there are three areas where improvements need to be made 1) Foreign Claims; 2) Authorization Matching and 3) Pricing. We are in the process of reviewing each of these processes and implementing changes and additional auditing.

With respect to the performance standards in place in the administrative agreement and the side by side comparison on page seven of the Executive Summary, we concur with CTI's comments that differences in audit outcomes will result from different audit techniques and different standards for what constitutes an error. WPS pulls a random sample using a stratified sampling methodology involving 11 strata to obtain a thorough representation of claims processed. Total claims audited each quarter on average equate to 250 claims or 1000 claims annually. The CTI stratified random sample of 432 claims spanning over 18 months. Comparisons between audit outcomes is difficult due to:

- Operational definitions for what constitutes an error;
- Sample size used;
- Formula for calculating and reporting results.

It is not that CTI's or WPS' auditing methodology is right or wrong, but that they are different and thus may not be comparable.

Responses to CTI's ESAS Potential Findings (Exhibit A); CTI Observations (Exhibit B) and CTI Random Samples (Exhibit C) are attached.

WPS is committed to providing a high level of service and is actively addressing all issues reviewed in this memo. We would be pleased to meet with CTI and ETF to discuss the observations and recommendations. Please feel free to contact me at 608-977-7107, if you have any questions.

Sincerely,

Brian Janssen

Brian Janssen
Vice President, Health Insurance Technology

Enclosure: Exhibit A, Exhibit B, and Exhibit C

CTI's proprietary screening software, ESAS, produced reports of claims that have a higher risk of payment error. Comments related to CTI's potential findings that are documented in the Executive Summary Report dated November 6, 2017. WPS responses are below.	
CATEGORIES	**WPS RESPONSE**
TC/26 Modifiers: 37 potential claims in the amount of $9,816.	WPS disagrees with 3 of the 37 claims. On these 3 claims, Medicare was primary and WPS allowed the Medicare co-insurance. An edit was put in place in July 2016 to deny these claims.
Custodial Care: 30 potential claims for one member in the amount of $10,641.	WPS disagrees with this finding. Services are identified using the Revenue/CPT codes. Home health care is a covered benefit under the plan. Services were performed by a state licensed facility (VA Hospital). VA Hospital are prohibited from billing Medicare for claims. Federal agencies cannot bill other federal agency so no Medicare Explanation of Benefits.
Vision Refractions: 52 potential claims in the amount of $1,060.	WPS agrees with 44 out of the 52 claims. Eight claims were allowed by Medicare and WPS allowed the patient liability. A fix was put in place in August of 2016 to address this.
Orthotics: 31 potential claims In the amount of $3646.	WPS partially agrees with this finding. 23 of the 31 claims identified were allowed by Medicare and were therefore allowed by WPS. Two of the 31 claims identified were for dates of service in 2015. Medical benefits under the 2015 certificate language, show that "custom made orthotics" were listed as a covered benefit. WPS agrees that the remaining 6 claims were processed in error. We are in the process of evaluating the setup.
Orthopedic Shoes: 3 potential claims in the amount of $279.	WPS disagrees with this finding. Two of the three claims identified were allowed by Medicare and were therefore allowed by WPS. The remaining claim was for orthopedic shoes that were billed as part of the members prosthesis.
Dental Implants: 2 potential claims in the amount of $5685.	WPS agrees that these claims processed in error. We are in the process of evaluating the setup.
Timely Filing: 10 potential claims in the amount of $11,101.	WPS disagrees with this finding. All ten claims were processed within the 2 year time frame listed under "General Conditions" of the ETF certificate.

CTI's proprietary screening software, ESAS, produced reports of claims that have a higher risk of payment error. Comments related to CTI's potential findings that are documented in the Executive Summary Report dated November 6, 2017. WPS responses are below.	
CATEGORIES	**WPS RESPONSE**
Duplicates: 154 potential claims in the amount of $40,449.46.	WPS partially agrees with this finding. WPS disagrees with 103 out of the 154 claims as these claims had different providers. WPS agrees that the remaining 51 claims are duplicates. WPS implemented a fix for duplicates which includes running daily reports to identify duplicates during our 10-day lag period.

Additional Finding and Observations. Comments related to CTI's Additional Observations that are documented in the Specific Finding Report dated October 14, 2017. WPS responses are below.	
OBSERVATION	**WPS RESPONSE**
1002	Claim should have processed with HSM Pricing rather than billed charges. Feedback was given.
1003	DOS 1/17/17 priced @ $97.75 instead of $87.00 in error by our 3rd Party Pricer Select Care. Feedback was sent to our vendor.
1046,1086,1089,1093,1097,1100,1109,1117 & 1134.	WPS received documentation to lower the Out- Of-Pocket (OOP) to $1,000 Individual/$2,000 Family under Plan ET-2112 on 4/7/16. Prior to that time WPS processed claims using an OOP maximum of $1,250 Individual/$2,500 Family. All claims affected were reprocessed.
1075	WPS agrees that these claim were priced incorrectly. Claims for 2016 should have allowed $138.00 and claims for 2017 should have allowed $137.78. Feedback was given.
1090	WPS agrees that claim 161244003700 was denied incorrectly for timely filing. We are in the process of reviewing our timely filing logic to read off of the discharge date rather than the admit date.
1116	WPS agrees the OOP for spouse Linda was overapplied by $23.55. Feedback was given to the individual.
1157	WPS agrees that procedure code 22551 should have applied multiple a multiple procedure reduction. Feedback was given to our 3rd party vendor.
1200	This provider is contracted at 70% of the billed charges. Reviews are completed on a quarterly basis to verify if reimbursements based on percentage of billed are aligned with our contracted discounts. If variances are identified, our contracting team addresses this with the provider.
1203	DOS 11/6/15 thru 4/14/16 were done In the office and priced thru our third party pricer. DOS 7/18/16-5/16/17 the services took place in the home and were priced thru diplomat. Our third party entity should be submitting the claims to WPS with the reduced rates, they have a system issue hat caused the claims to be submitted without the reduction. The issue was identified in August of 2017 and we are working with the vendor to refund the overpayments.
1204	This claim was priced by our 3rd party vendor, our contracts are reviewed annually where we evaluate the provider data and consider the data when renewing our contracts with the third-party vendors.
1208	WPS Disagrees with this finding: The 76 modifier is not allowed to be billed with 88305, based on standard coding the provider should be using the 59 modifier.
1211,1212 & 1213	The OOP was overapplied due to a timing issue with the file from Navitus when we were reprocessing claims to retroactively change the OOP.
1216	The Sample claim was manually denied with the incorrect denial message. Feedback was given to the individual to verify that they are choosing the correct denial reason when selecting from the drop down.

Comments related to CTI's Active Error Detail Report that are documented in the Specific Findings Report dated October 14, 2017. WPS responses are below.

AUDIT	OBSERVATION	WPS RESPONSE
Deductible Error	1214 - 170472536700	WPS disagrees with this citing; Preventive benefits are based on the diagnosis codes billed by the provider, neither O09511 or Z3A10 are considered preventive. $54.20
Denied Eligible Expense	1002 - 162521070500	Claim should have processed with HSM pricing rather than billed charges.
Denied Eligible Expense	1003 - 170750773700	3rd Party Pricing Error - DOS 1/27/17 denied as Out of Network by our third party pricer in error.
Denied Eligible Expense	1091 - 170751790800	Claim denied incorrectly for Medical Records on 4/3/17. Claim was reprocessed and paid on 7/5/17.
Denied Eligible Expense	1105 - 170822188400	Claim denied as experimental in error; services were approved by Medical Affairs.
Denied Eligible Expense	1113 - 160082657400	Claim denied R24 in error - Not within preferred provider fee schedule in error.
Denied Eligible Expense	1143 - 160701765700	Claim denied as experimental in error on 3/24/16; services were approved by Medical Affairs. Claim was reprocessed and paid on 4/4/16.
Denied Eligible Expense	1179 - 163481542900	Claim denied incorrectly for Medical Records on 1/23/17. Claim was reprocessed and paid on 3/27/17.
Denied Eligible Expense	1205 - 170202194000	Claim denied incorrectly for No Referral on 2/10/17, Provider was part of Mayo Clinic Radiation Oncology. Claim was reprocessed and paid on 2/16/17.
Denied Eligible Expense	1206 - 170241392800	Claim denied incorrectly for No Referral on 2/10/17, Provider was part of Mayo Clinic Radiation Oncology. Claim was reprocessed and paid on 2/16/17.
Denied Eligible Expense	1207 - 170963442700	WPS disagrees with the citing; WPS follows standard coding practices, DX Code Z3400 may only be used as the primary diagnosis, the provider resubmitted the claim with correct coding and it was allowed on 7/19/17. $4,740.30
PPO Discount Calculation Error	1004 - 163063351000	Claim was priced incorrectly - Claim included pricing from Cofinity but was allowed at billed charges in error.
PPO Discount Calculation Error	1005 - 163643487200	Claim was priced incorrectly - Claim included pricing from Cofinity but was allowed at billed charges in error.
PPO Discount Calculation Error	1009 - 170662338300	Claim was priced incorrectly - Claim included pricing from Cofinity but was allowed at billed charges in error.
PPO Discount Calculation Error	1204 - 170232170500	Claim processed under the wrong provider on 2/14/17, claim was reprocessed under the correct provider on 3/8/17.