

STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM


DATE: October 19, 2010
TO: Group Insurance Board
FROM: Arlene Larson
Manager, Self-Insured Health Plans
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 Department of Employee Trust Funds (ETF) retained Claim Technologies Incorporated (CTI) to conduct an audit of the WPS Health Insurance (WPS) administration of the self-insured plans for the calendar years 2008 and 2009. CTI has completed its audit and is submitting the attached Executive Summary report. The response from WPS is also attached. Additional detailed reports developed by CTI are available to the Board upon request.

Overall, WPS is performing reasonably well and the audit did not reveal any areas of substantial concern. In its broadest measure, WPS is performing in the top half of the approximately 100 plans CTI has audited (see page 3 of the Executive Summary) on 9 of 12 measures, for both the Medicare and non-Medicare populations. This is somewhat lower when compared to the previous audit of 2006 and 2007 where they met 11 of 12 measures. However, WPS disputes the finding in the lowest of the measures, (financial accuracy for the Medicare Plus \$1,000,000 plan). Staff will work closely with both parties to determine whether WPS' explanation of these findings is sufficient.

CTI has identified other areas of opportunity for improvement in processes that could result in financial savings and/or improved customer service. Some specific detail provided in this memo was provided by CTI either in back-up reports or through discussions with ETF staff. WPS responded that it agrees with CTI's findings and is or has taken steps to address the issue. Staff will follow-up with WPS to assure that all identified issues are addressed. In areas where the contract needs to be strengthened or clarified to reflect issues identified by the audit, staff will proceed in this direction. The findings consist of:

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

Signature
Date 10/25/10

Board	Mtg Date	Item #
GIB	11.9.10	3A

1. CTI found areas for improvement as described on page 2 and Exhibit C of the Executive Summary regarding:
 - a. Routine exam claims that were paid in the Medicare Plus \$1,000,000 plan. In 2008, Medicare covered a limited routine exam during the initial 6 months after an individual was enrolled in Part B coverage. CTI found that WPS paid routine claims after the 6-month window had expired. This involved 502 claimants worth \$59,557 of claims. As a result of this finding, WPS is reviewing workflows in order to implement process improvement; however, they state that under the federal Patient Protection and Affordable Care Act (PPACA), Medicare will be responsible to pay the full cost of these wellness visits and that will remove any liability to the plan. **Staff agrees with CTI that this is an error. Staff will work with WPS to pursue recovery of claims or repayment by WPS for identified members.**
 - b. Experimental/Investigational services for 19 Medicare and non-Medicare claimants with \$7,889 worth of claims that may have been paid in error. These include claims CTI considers experimental such as virtual colonoscopies. WPS states it has enhanced workflow documentation to address the identified claim types as they may be payable based upon medical policy. **ETF staff will work with WPS to determine if any identified claim issues will require recovery.**
 - c. Coordination of benefits for one member of the Standard Plan/SMP where 22 claims were processed inappropriately. This is a case where the spouse of an employee works at a medical facility that provides self-insured health care to its members. The insurer's explanation of benefits that describe how claims are paid is unusual, and it was not clear what the primary plan paid. WPS interpreted these claims to have had \$0 paid, and thus our plan paid the claims in error. WPS is auditing all claims for this member and will work to recover claims paid in error, in addition to implementing a special workflow for this case. **Staff feels that this issue is resolved adequately.**
 - d. Duplicate payments were found for 77 claimants worth \$13,780. WPS agrees with CTI and is working toward continuous improvement with feedback and training. **ETF staff will work with WPS to determine which identified claim issues will require recovery.**
2. CTI found, on page 2 of the Executive Summary, three areas where they feel the contract should be clarified to either cover or exclude services for diabetic supplies, impotency and genetic testing and/or counseling, based upon comparison to other plans they have audited. **ETF staff will work with WPS and CTI to determine what if any contract language should be clarified in the 2012 contract on these issues.**

- a. Diabetic supplies, when filled by a pharmacy, are paid for by Navitus Health Solutions. When filled by a durable medical equipment vendor, they are allowable under the health insurance program. CTI has found that this creates a potential for duplicate payments and recommends that the coverage be allowed only under the Pharmacy Benefit Manager.
 - b. Impotency treatment is not specifically excluded under this program; therefore, WPS administers its subject to determinations of medical necessity. The audit identified 130 claimants who had \$16,811 paid for the diagnosis and treatment of impotency. CTI has found that most health plans do cover these services when there is a medical condition, and it is preferential to specifically address this in the contract to avoid potentials for payment for convenience items and services.
 - c. Genetic testing and/or counseling, is also not specifically excluded. CTI found that \$1,747 had been paid on these services. They have found the potential for abuse where these services can be performed when not necessary, requested due to family history.
3. CTI used the field audit outcomes to calculate the performance of WPS in accordance with the performance guarantees found in the contract, using CTI's operational definitions compared to the results of WPS using their own operational definitions. The results on pages 4 and 5 of the Executive Summary show that in 2008, CTI and WPS' findings end with a similar result; however, due to the errors found in 2009 in CTI's sample, there are notable differences in outcomes. WPS responds that there are many ways to calculate performance guarantees and they have been consistently applying the method presented upon the inception of this contract. WPS further states that due to sample differences, outcomes vary. WPS is willing to discuss changes in the operational definitions with ETF and CTI. **Staff will review the contract language on performance guarantees to determine if changes should be made.**
 4. CTI's recommendations for change appear on page 6 of the Executive Summary. Following that, CTI attached three exhibits to support information in the summary.
 - a. Exhibit A is detail behind two measures from page 3 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. While the amount identified at risk which is very small at \$100 for the Standard/SMP plan and \$834 for the Medicare Plus \$1,000,000 plan, when the finding is extrapolated against the potential of all claims paid during the two-year period, it could be substantial. Note that the chart on page B-1 illustrates that the

only errors found for the Standard/SMP Plans during the field audit fell into the PPO Discount Calculation Error category.

- c. Exhibit C is the Prioritized Table of Opportunities for Improvement, providing detail for the findings described briefly on the top of page 2 of the Executive Summary.

If you have any questions, I will be available at the meeting, or you may contact me at 608-264-6624.

Attachments: CTI Executive Summary
WPS Response

COMPREHENSIVE CLAIMS ADMINISTRATION AUDIT

EXECUTIVE SUMMARY

**State of Wisconsin, Department of Employee Trust Funds
Standard and State Maintenance Medical Plans
Medicare Plus \$1,000,000 Plan**

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

Audit Period: January 1, 2008– December 31, 2009

Presented to:

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

October 22, 2010

Private and Confidential

**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 2010. 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, 2008 through December 31, 2009. Using data provided by WPS, CTI analyzed \$32,995,277 in claims payments made by the Medicare Plus \$1,000,000 Plan and \$67,431,109 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 accuracy and proficiency was in deficient on the Medicare Plus \$1,000,00 Plan and was good on the Standard and SMP Plans. The field audit sample showed that for the Key Indicator of Accurate Processing Frequency, approximately 4% of the bills processed by WPS on the Medical Plus \$1,000,000 Plan have some type of error and 1% percent of the bills processed by WPS on the Standard and SMP Plans have some type of error. 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• 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 more detail refer to Exhibit C Prioritized Improvement/ Recovery Opportunities.

Categories	Potential Recovery/ Savings
Limited: Routine Exam	\$59,557
Excluded Service: Experimental	\$7,889
Coordination of Benefits Active	\$22,577
Duplicate Payments	\$13,780

ADDITIONAL FINDINGS

CTI utilized our ESAS® program and found WPS paid for certain services as there is no specific exclusion in the Plan for these services. In the case of diabetic supplies the Plan does state these items are covered under the pharmacy plan thus CTI believes the medical plan should not cover them as this creates duplicate coverage and payment for the same items under both plans. In the case of impotency the Plan does state that penile implants are covered, but does not state whether any other type of impotency testing or treatment is either covered or not covered. In the case of genetic testing and/or counseling the Plan does not state whether any services are either covered or not covered. ETF should decide if it is intending to cover these procedures and clarify the Plan's intent in future plan documents regarding these provisions in order to provide clarity of these benefits for the insured members and to ensure WPS is administrating the benefits accordingly.

Categories	Potential Savings
Diabetic Supplies	\$212,522
Impotency	\$16,811
Genetic Testing and/or Counseling	\$1,747

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 two 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 four of the six measures for the SMP and Standard plans.

PERFORMANCE MEASURES	PERFORMANCE BY QUARTILES			
✓ = Medicare Plus \$1,000,000 ● = 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.		●	
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.			●	✓
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 Audits' 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" as evident in the both comparisons, but more so in the 2009 comparison as the majority of the field audit errors were in 2009.

WPS Performance Guarantees Year 2008

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2008	Performance Using CTI Formula 2008
Financial Accuracy	99%	99.7%	99.93%
Payment Accuracy	97%	98.7%	99.53%
Processing Accuracy	97%	98.7%	99.53%
Turnaround Time	95% paid within 30 days of receipt	97.5% of claims were paid within 30 days of receipt	8 calendar days

WPS Performance Guarantees Year 2009

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2009	Performance Using CTI Formula 2009
Financial Accuracy	99%	99%	98.62%
Payment Accuracy	97%	97%	96.28%
Processing Accuracy	97%	98%	95.83%
Turnaround Time	95% paid within 30 days of receipt	99% of claims were paid within 30 days of receipt	8 calendar days

Additional Area of Review

- **Subrogation:** WPS provided reports showing net subrogation recoveries for all plans combined of \$229,818 (0.229% of claim dollars paid during the audit period.) The recovery rate is low when compared to companies who pursue subrogation recovery exclusively. These companies post recovery of .5% to .75% of paid claims.

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 Field 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. ETF should discuss with WPS the reason for the low subrogation recovery rate.
4. Conduct sequential audits to systematically monitor WPS' performance to determine if improvements have been made.
5. Review the Performance Guarantee provisions in the Administration Agreement to ensure that clear and measurable operational definitions are included according to ETF guidelines and calculations of the measurements.

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
October 2010

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 Plans

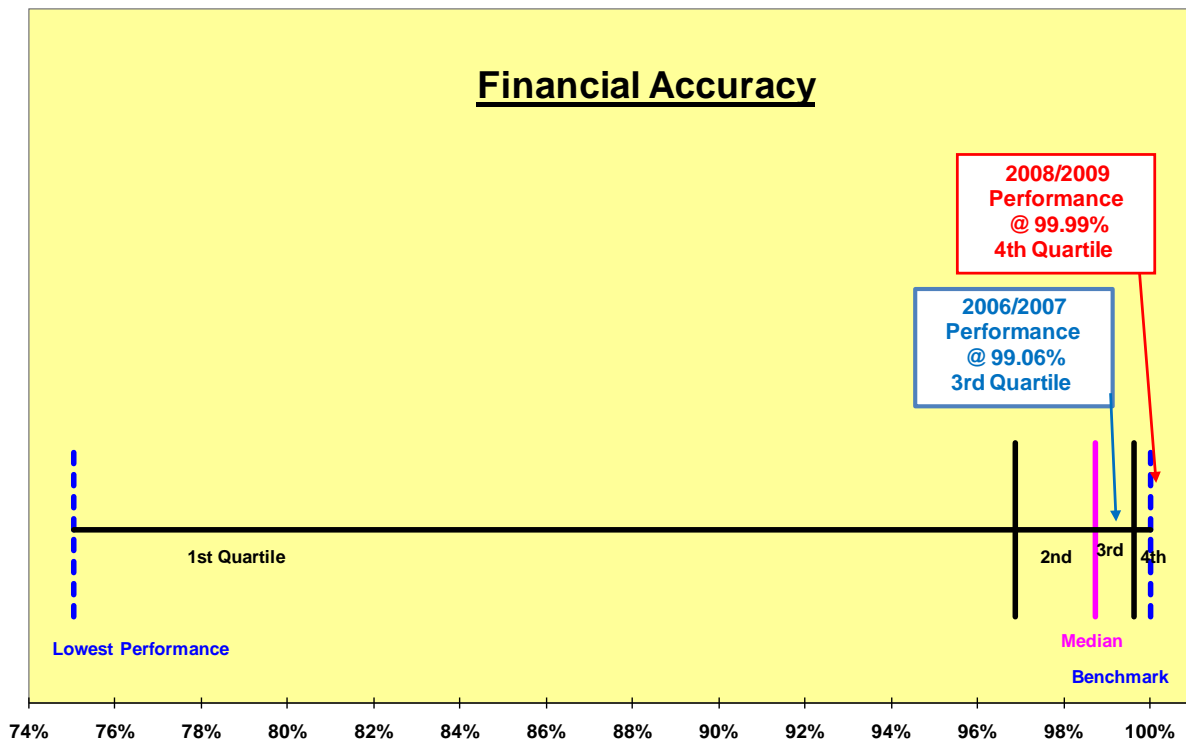


Chart 2. Standard and SMP Plans

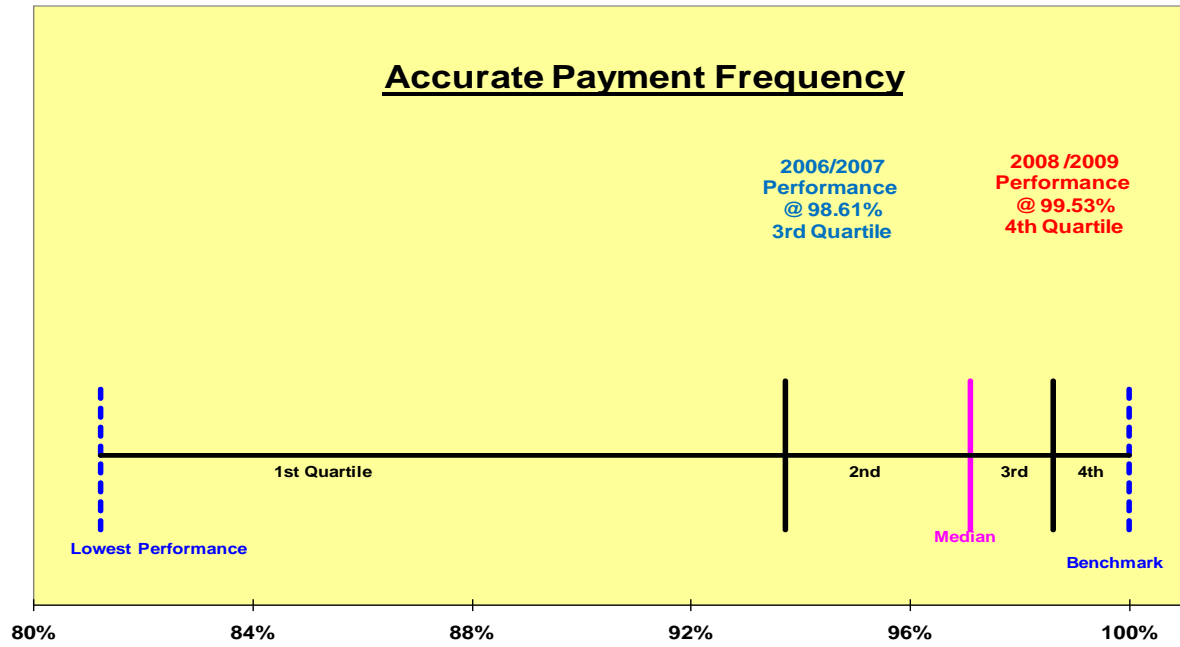


Chart 3. Medicare Plus \$1,000,000

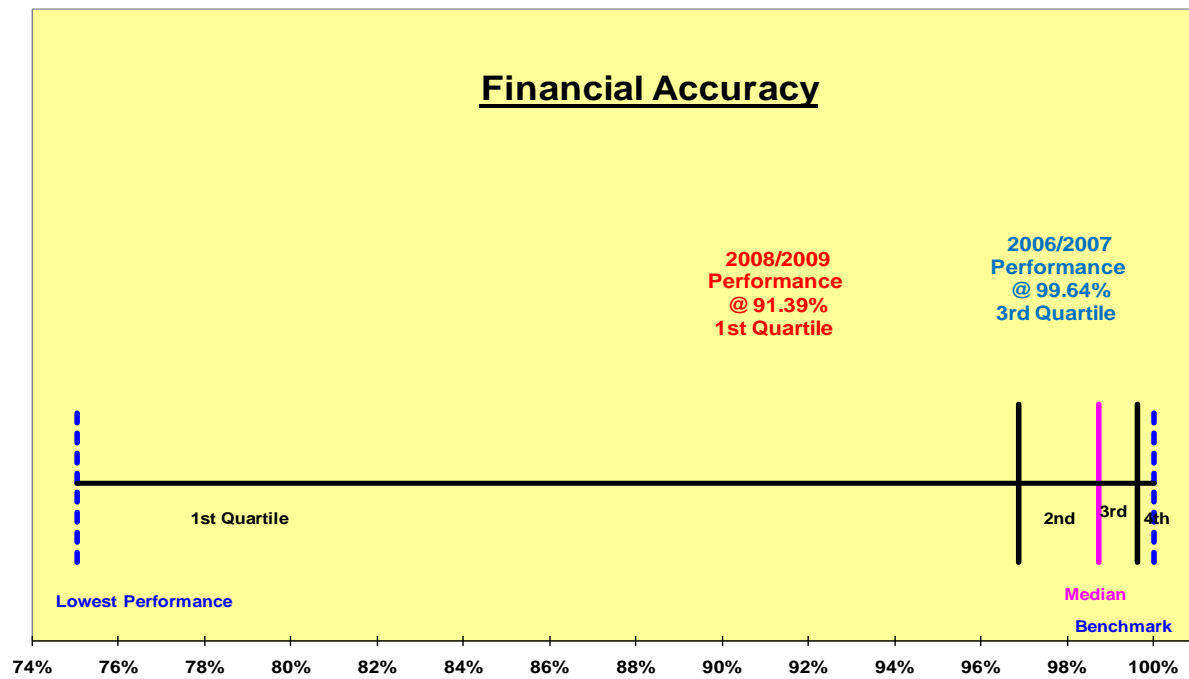


Chart 4. Medicare Plus \$1,000,000

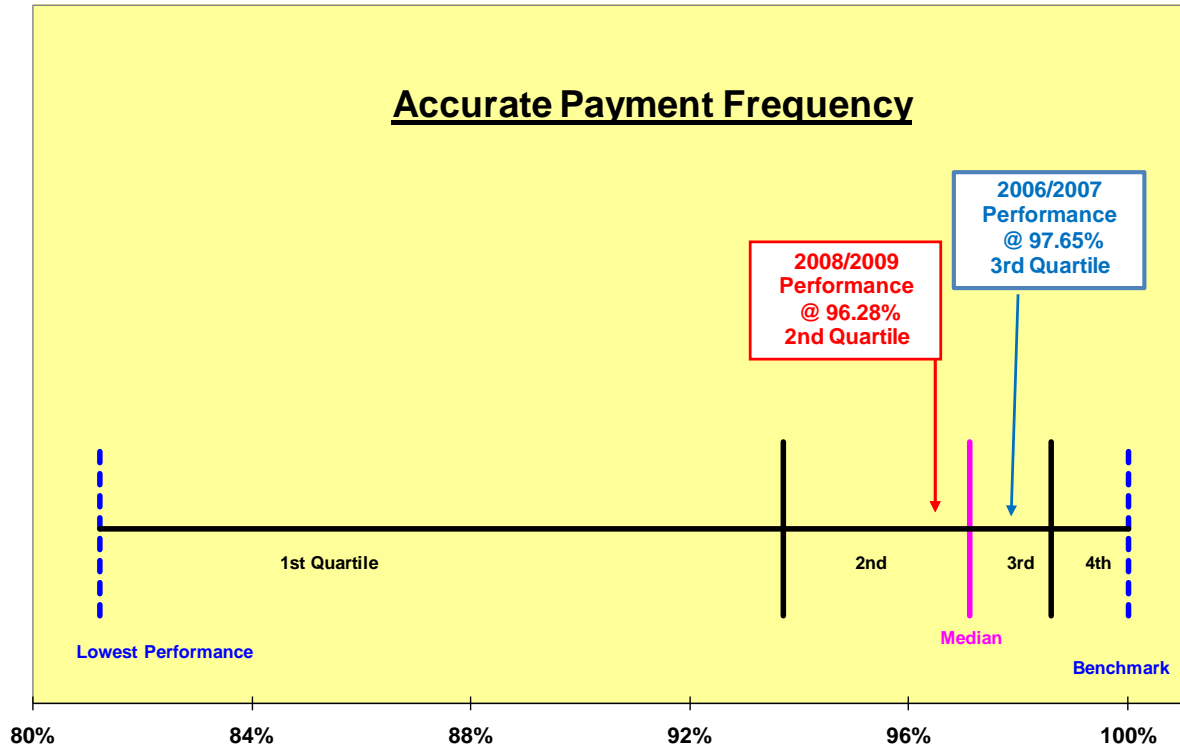


Exhibit B.

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

Financial Accuracy of 99.99%, when imputed to the universe of claims paid during the two-year field audit period, indicates WPS made errors totaling approximately \$6,743 during the audit period.

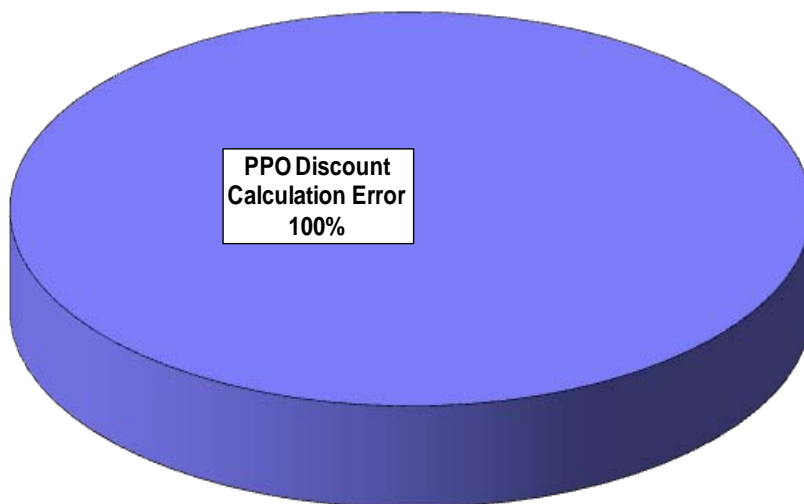


Chart 2. Medicare Plus \$1,000,000 Plan

Frequency of Financial Errors by Type Based on Field Audit

Financial Accuracy of 91.39%, when imputed to the universe of claims paid during the two-year field audit period, indicates WPS made errors totaling approximately \$2,840,893 during the audit period.

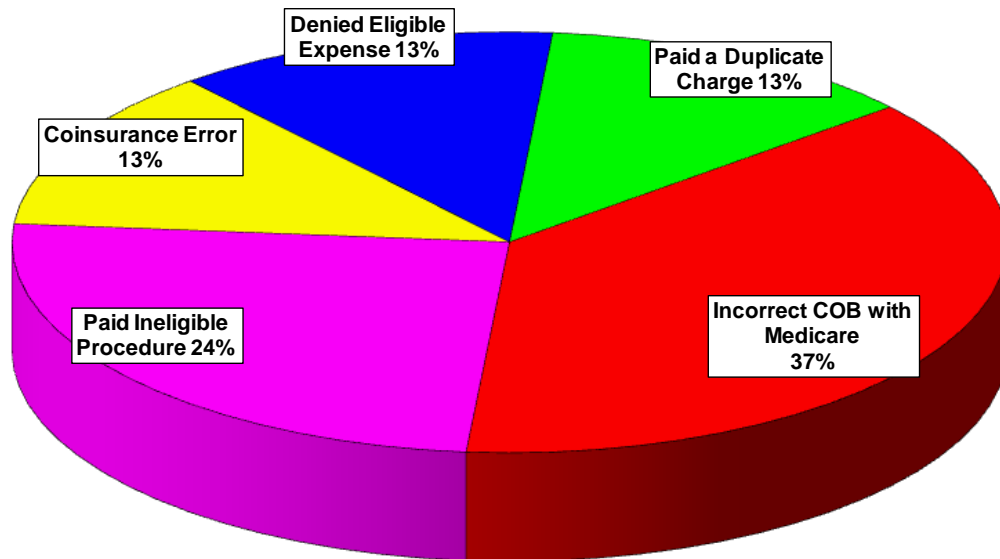


Exhibit C.

Chart 1. Standard and SMP Plans

Table of Prioritized Improvement/ Recovery Opportunities

Issue		Confirmed Overpayments/ (Underpayments)		Additional Potential Recovery Identified During Audit		WPS Response Agree or Disagree
		Count	Amt.	Count	Max. Amt.	
1	Coordination of Benefits: Paid primary in error	1 case	\$22,577			Agree with ESAS®
2	Duplicate Payments	32 cases	\$9,254			Agree with ESAS®
3	Eligibility: Claim paid after termination	1 case	\$8,720			Agree with ESAS®

Table of Prioritized Improvement/ Recovery Opportunities

Issue		Confirmed Overpayments/ (Underpayments)		Additional Potential Recovery Identified During Audit		WPS Response Agree or Disagree
		Count	Amt.	Count	Max. Amt.	
4	Excluded: Experimental/ Investigational	7 cases	\$2,154			Agree with ESAS®
5	PPO Discount Error	1 claim	\$100			Agree with error

Chart 2. Medicare Plus \$1,000,000

Table of Prioritized Improvement/ Recovery Opportunities

Issue		Confirmed Overpayments/ (Underpayments)		Additional Potential Recovery Identified During Audit		WPS Response Agree or Disagree
		Count	Amt.	Count	Max. Amt.	
1	Excluded: Experimental/ Investigational	12 cases	\$5,735			Agree with ESAS®
2	Excluded: Eye Refection Lens Surgery	1 claim	\$450			Disagree with error
3	Limited: Routine Exam	1 case 1 claim	\$263 \$315	501	\$59,294	Agree with ESAS® Agree with error
4	Duplicate Payments	45 cases 1 claim	\$4,526 \$73.25			Agree with ESAS® Agree with error

Table of Prioritized Improvement/ Recovery Opportunities

Issue	Confirmed Overpayments/ (Underpayments)		Additional Potential Recovery Identified During Audit		WPS Response (Agree) or (Disagree)
	Count	Amt.	Count	Max. Amt.	
2. Denied Eligible Expense : ESRD Service	1 claim	(\$31.65)			Agree with error
3. Coinsurance Error	1 claim	\$16.77			Agree with error
4. Incorrect COB with Medicare	3 claims	(\$23.11) \$18.04 \$37.41			Agree with errors



October 18, 2010

Ms. Arlene Larson
Manager, Self Insured Health Plans
State of Wisconsin Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

RE: Wisconsin Physicians Service Insurance Corporation 2008 and 2009 State of Wisconsin Department of Employee Trust Funds (ETF) health insurance audit performed by Claims Technologies Incorporated (CTI)

Dear Ms. Larson,

This letter represents Wisconsin Physicians Service Insurance Corporation (WPS) response to the Claim Technologies Incorporated (CTI) Executive Summary of Claims Administration Audit Finding for the auditing period of January 1, 2008 to December 31, 2009. We appreciate the opportunity to engage in and respond to CTI's audit observations, findings and statistics.

AUDIT FINDINGS/OPPORTUNITIES FOR SAVINGS AND IMPROVEMENT

Routine Exam

Since this finding has been brought to our attention in the CTI ESAS audit results, WPS is actively reviewing current workflows for process improvement opportunities prospects related to ETF's routine benefit processing for the 2010 plan year. Furthermore, due to the implementation of health care reform section 4104(b)(4) of the PPACA effective January 1, 2011, Medicare is required to pay 100% for the 1st annual wellness visit and specific preventive services. As a result, Medicare Plus \$1,000,000 Health Plan will no longer be liable for these services.

Experimental

Under all of the ETF Health Plans, an experimental service is considered a covered benefit if approved by Medicare (having met Medicare's determination) or meets WPS Medical Guidelines or is approved by ETF. While the total dollars identified by CTI for experimental services are low, WPS has enhanced their documented processing workflows for review of potential experimental services.

Coordination of Benefits- Active

The coordination of benefit process involves evaluating the primary carrier's payment, and calculating what WPS owes as a secondary payor. This finding is related to one member who is the spouse of a ETF employee. The spouse works for the provider who billed the services. Due to the working relationship this spouse has with the provider of service, the primary carriers explanation of benefits (EOB) did not display any payment amounts given the provider of the services is considered 'domestic'. In other words, the primary carrier for this spouse is not able to adequately display the 'paid dollars' on their explanation of benefits (EOB). Going forward WPS will follow a special handling workflow to ensure proper coordination of benefits with the primary carrier. The misinterpretation of the primary carrier's payment was due to the fact that paid amount displayed \$00.00 inaccurately on their explanation of benefits (EOB). WPS understands this type of domestic claim payment method is rare and challenging for any carrier to communicate payment without causing a chargeback to their group. Fortunately, WPS has significant experience with this type of domestic provider group and is able to accurately display the 'virtual' payment in the paid field on our EOB, thus eliminating the potential for misinterpretation for other coordinating carriers.

Duplicate Payments

WPS concurred with the reviewer on the duplicate processing errors. There are many factors that need to be reviewed to determine whether a claim is a duplicate of another adjudicated claim. Therefore, we are always providing feedback and refresher training to our claim staff to continuously improve their skills on identifying potential duplicate claim submissions.

ADDITIONAL FINDINGS

Diabetic Supplies

Under the Medicare Plus \$1,000,000 Health 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 \$1,000,000 Health Plan for diabetic supplies, WPS can add an exclusion to the Medicare Plus \$1,000,000 upon written request from ETF for the upcoming Plan year.

Impotency

Under the ETF Health Plans there is no benefit limitation/exclusion for impotency, therefore WPS is obligated to pay benefits for impotency. If it is ETF's intent to exclude coverage under the ETF Health Plans for the diagnosis and treatment of impotency, WPS can add an exclusion to the ETF Health Plans upon written request from ETF for the upcoming Plan year.

PERFORMANCE BENCHMARKING OF WPS

Medicare Plus \$1,000,000 2008/2009 Financial Accuracy

It is of WPS's opinion, the methodology CTI uses to calculate the financial accuracy performance goal of 99% would make it highly unattainable for any administrator of the ETF Plans to achieve. To demonstrate, the largest number of claims in the audit universe falls into the first stratum (458,771 claims out of a total audit universe of 583,437 or approximately 79%). Using a comparable facsimile of CTI's construction and weighting methodology (we came within .0015% of CTI's financial measurement), a maximum error of \$55.00 would produce a result of only 98.93% financial accuracy. Consequently one incorrectly paid claim in CTI's first strata of \$55.00 would still make it impossible to achieve the 99% Financial Accuracy standard. To illustrate further, CTI reported WPS incurred 1 payment error in the first stratif of \$315.00, 4 payment errors totaling \$139.71 in the second stratify and 3 payment errors totaling \$510.52 which resulted in a 91.39% financial accuracy measurement for the combined Medicare Plus \$1,000,000 Plan years of 2008/2009. In the absence of this 1 claim in the first strata, CTI's results for Financial Accuracy would be 98.99%. The processing error was related to routine exam limit within six months of the Medicare effective date. By projecting the \$315.00 payment error across the 458,771 claims in the first strata this would extrapolate to approximately \$2,035,392. However, CTI's ESAS testing identified the same benefit error with only a potential amount of risk of \$59,537.

We believe the field audit financial accuracy performance bench marker result for the 2008/2009 Medicare Plus \$1,000,000 is considerably understated.

ADDITIONAL AREAS OF REVIEW

SUBROGATION

CTI reported WPS' post recovery rate is low compared to companies who pursue subrogation recovery exclusively; while WPS argues we are just as competitive. CTI stated these companies post payment recovery is .5% to .75% of paid claims. As demonstrated in the table below, WPS is well on our way to exceeding the .5% with a .58% post payment recovery of ETF's paid claims.

Plan Years	Closed Case Potential Interest	Closed Case Recovered Dollars	% of Closed Case Recovered Dollars	Open Case Potential Interest	Open Case Recovered Dollars	Open Case Potential Recovery Dollars	ETF Paid Claim Dollars
2006-2007	\$226,528	\$139,738	62%	\$692,699	\$248,677	\$166,942	\$125,274,019
2008-2009	\$351,349	\$214,214	61%	\$914,500	\$15,602	\$533,098	\$100,426,386
Grand Totals	\$577,877	\$353,953	61%	\$1,607,199	\$264,279	\$964,319.89	\$225,700,405

Plan Years	60% Combined Case Recovered/ Potential Recovery Dollars	ETF Paid Claim Dollars	% Post Recovery of ETF Paid Claims
2006-2007	\$555,357	\$125,274,019	0.44%
2008-2009	\$762,914	\$100,426,386	0.76%
Grand Totals	\$1,318,451	\$225,700,405	0.58%

Moreover, ETF's member demographics significantly influence the opportunity for subrogation recovery. Approximately 66% of ETF's members are retirees participating in the Medicare Plus \$1,000,000 Health Plan. For these members, who have fewer accidents, but higher based medical costs, the nexus of proving the relatedness of the claims to potential tortfeasor, thus giving rise to subrogation liability, can be challenging.

Other factors, such as Wisconsin case law/prevailing legal principles in Wisconsin require that, in order for an insurer with a subrogation interest to recover, the plaintiff (member) must first be "Made Whole". Wisconsin law also factors in the Plaintiff's contributory negligence in any recovery which has the effect of reducing Plaintiff's recovery by the percent of his or her negligence. The subrogated insurer, who "steps into the shoes" of the Plaintiffs, has an identical reduction of its interest for contributory negligence.

WPS has clearly established, based upon our historical 60% post recovery rate of closed subrogation files, that we remain competitive with companies who pursue subrogation recovery exclusively. Further, WPS has a relationship established with these members and are a single source of information about their health care claims. WPS feels members know and trust WPS with their personal health information. The more entities with access to the member's health care information increases the risk, either through error or breach, of a member's personal health information being discovered, disseminated and misused.

In summary, WPS has performed well as documented in the CTI Executive Summary of Claims Administration Audit Findings. Additionally, WPS was given high marks by CTI for our thorough and responsive performance during the audit process.

WPS values our relationship with State of Wisconsin Department of Employee Trust Funds (ETF), our goal is to continue to provide the very best service possible. We would be pleased to meet with CTI and ETF with an agenda focusing on these audit findings and process improvement ideas. WPS will follow up with ETF on any open items. Please feel free to contact me at (608)223-5988, if you have any questions.

Sincerely,



Sharon Whitwam
Vice President, WPS Commercial Operations