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**CORRESPONDENCE MEMORANDUM**

**DATE:** October 16, 2012  
**TO:** Group Insurance Board  
**FROM:** Lucien Adams  
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 calendar years 2010 and 2011. CTI has completed its audit and submits the attached Executive Summary as well as a response from WPS regarding CTI's audit findings. Additional detailed reports developed by CTI supporting their findings are available to the Board upon request.

Overall, WPS is performing well and the audit did not reveal any areas of substantial concern. In its broadest measure, WPS is performing in the top half of approximately 100 plans CTI has audited, on 9 of 12 measures, for both the Medicare and non-Medicare populations. This is similar to the 2008 and 2009 audits, where WPS met 9 of 12 measures but had one item, financial accuracy for the Medicare Plus Plan, fall in the lowest quartile at 91.39%. Financial accuracy improved significantly for the 2010 and 2011 audit period, at 98.75%, which placed WPS in the third quartile for performance. The three items falling below the top half pertained to documentation accuracy. WPS does not dispute these items; staff will continue to work with WPS to make improvements.

CTI identified opportunities for improvement in processes that could result in financial savings and/or improved customer service. Some detail provided in this memo was provided by CTI, either in back-up reports or through discussions with ETF staff. WPS 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, including areas identified by the audit that need to be strengthened or clarified.

Board	Mtg Date	Item #
GIB	11.13.12	3A

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

*Lisa Ellinger*  
Signature

10/26/12  
Date

CTI identified areas for improvement as described on page 2 and Exhibit C of the Executive Summary regarding excluded services, eligibility and duplicate payments. Potential savings for these items total less than \$45,000 and represented less than 0.05% of the \$91.5 million in paid claims for the two years audited.

- 1. Excluded Services** – CTI identified \$24,416 in potential savings for excluded services during the audited period. This is higher than the \$7,889 from the 2008 and 2009 audit periods. These include claims CTI considers experimental such as virtual colonoscopies. WPS disagrees with the CTI findings for some of these excluded services. **ETF will work with WPS to determine if any identified claim issues will require recovery.**
- 2. Eligibility** – CTI identified \$14,288 in potential savings related to eligibility and claims paid after termination during the audited period. This amount represents the balance still being pursued for recovery. **WPS agreed with this finding and will continue to work with ETF to recover these potential savings.**
- 3. Duplicate Payments** – CTI identified duplicate payments worth \$5,074 for three claimants, compared to 77 duplicate payments worth \$13,780 identified during the prior audit. WPS agrees with CTI and is working toward continuous improvement with feedback and training. **ETF will work with WPS to determine which identified claim issues will require recovery.**

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

- 4. Diabetic Supplies** - CTI found 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. **ETF staff addressed this issue in the 2012 plan documents to clarify the intent regarding these provisions and do not expect this to be an issue going forward.**

#### 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, using CTI's operational definitions compared to the results of WPS using their own operational definitions. The results on pages 5 and 6 of the Executive Summary show that in 2010 and 2011, CTI and WPS's findings end with a similar result. 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. The chart below shows historical performance for the WPS Guarantee. Overall performance results for the 2010 and 2011 period were the best reported since CTI begin auditing the plan. **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
Financial Accuaracy	99%	99.9%	98.8%	99.9%	98.6%	100.0%	99.8%
Payment Accuaracy	97%	99.5%	96.7%	99.5%	96.3%	99.1%	99.1%
Processing Accuaracy	97%	98.1%	94.8%	99.5%	95.8%	98.2%	98.2%
Turnaround Time	95% Paid within 30 days of receipt	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

CTI's recommendations for change appear on page 7 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 4 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 only one error was found for the Standard/SMP Plans and only three errors were 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.

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

Attachments: CTI Executive Summary  
 WPS Response

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**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, 2010– December 31, 2011**

**Presented to:**

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

**October 9, 2012**

**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 second quarter of 2012. 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, 2010 through December 31, 2011.

Using data provided by WPS, CTI analyzed \$32,845,967 in claims payments made by the Medicare Plus Plan and \$58,641,417 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 accuracy and proficiency was good on the Medicare Plus Plan and was proficient on the Standard and SMP Plans. When compared to approximately 100 other plans audited by CTI over the past 16 months, The Medicare Plus Plan performance was above average in four of the six Key Performance Indicators and the SMP Plans were above average in five of the six Key Performance Indicators for which 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. The field audit sample showed that for the Key Indicator of Accurate Processing Frequency, approximately 3% of the bills processed by WPS on the Medicare Plus 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. CTI's proprietary electronic screening system found that most provisions of the Standard and SMP Medicare Plus Plans were administered in accordance with plans' contract terms. However, we identified several 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 <b>Confidence Level 95% (+/- 3%)</b>
<b>Benefits include:</b> <ul style="list-style-type: none"> <li>• <b>Focus In Known High Control Risk Categories: Exclusions/ Limitations/ Duplicate Payments</b></li> <li>• <b>Identify Potential Overpayments For Recovery</b></li> </ul>	<b>Sample designed to:</b> <ul style="list-style-type: none"> <li>• <b>Benchmark Performance</b></li> <li>• <b>Quantify Financial Impact</b></li> <li>• <b>Prioritize Issues</b></li> </ul>

## 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
Excluded Service: Radial Keratotomy, Automated Laboratory ,Hearing Aid, Routine Vision Exam, Dental Endodontics, Dental Periodontics	\$24,416
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.)	\$14,288
Duplicate Payments	\$5,074

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## 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. ETF has indicated that wording was added to the 2012 plan documents to clarify the intent regarding these provisions.

Categories	Potential Savings
Diabetic Supplies	\$207,476

## 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 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 compared to approximately one hundred other plans most recently audited by CTI.

<i>PERFORMANCE MEASURES</i>	<i>PERFORMANCE BY QUARTILES</i>			
✓ = Medicare Plus Plan ● = Standard and SMP Plans	1 <sup>st</sup> (Lowest)	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup> (Highest)
	<b>Documentation Accuracy – Financial</b> 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.		✓	
<b>Documentation Accuracy – Frequency</b> 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.		● ✓		
<b>Financial Accuracy</b> 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.			✓	●
<b>Accurate Payment Frequency</b> compares the number of bills paid correctly to the total number of bills paid for the Audit Sample.				● ✓
<b>Adjudication Proficiency</b> compares the number of correct adjudication decisions made to the total number of adjudication decisions required for the claims in the Audit Sample			✓	●
<b>Accurate Processing Frequency</b> 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". WPS exceeded all performance standards in place in its Administrative Agreement for the audit period.

### WPS Performance Guarantees Year 2010

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2010	Performance Using CTI Formula 2010
Financial Accuracy	99%	99.8%	99.97%
Payment Accuracy	97%	98.5%	99.07%
Processing Accuracy	97%	98.2%	98.15%
Turnaround Time	95% paid within 30 days of receipt	99.6% of claims were paid within 30 days of receipt	5 calendar days

## WPS Performance Guarantees Year 2011

Performance Measure	WPS Guarantee	WPS Reported Performance Whole Group 2011	Performance Using CTI Formula 2011
Financial Accuracy	99%	99.8%	99.75%
Payment Accuracy	97%	98.2%	99.07%
Processing Accuracy	97%	98.6%	98.15%
Turnaround Time	95% paid within 30 days of receipt	99.8% of claims were paid within 30 days of receipt	6 calendar days

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### **Additional Area of Review**

**Pricing:** CTI reviewed the pricing on 115 out of 216 claims in the SMP and Standard plans random audit sample. Pricing was verified to be correct on all 115 claims based upon 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 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. 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**  
October 2012



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## **Exhibits**

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





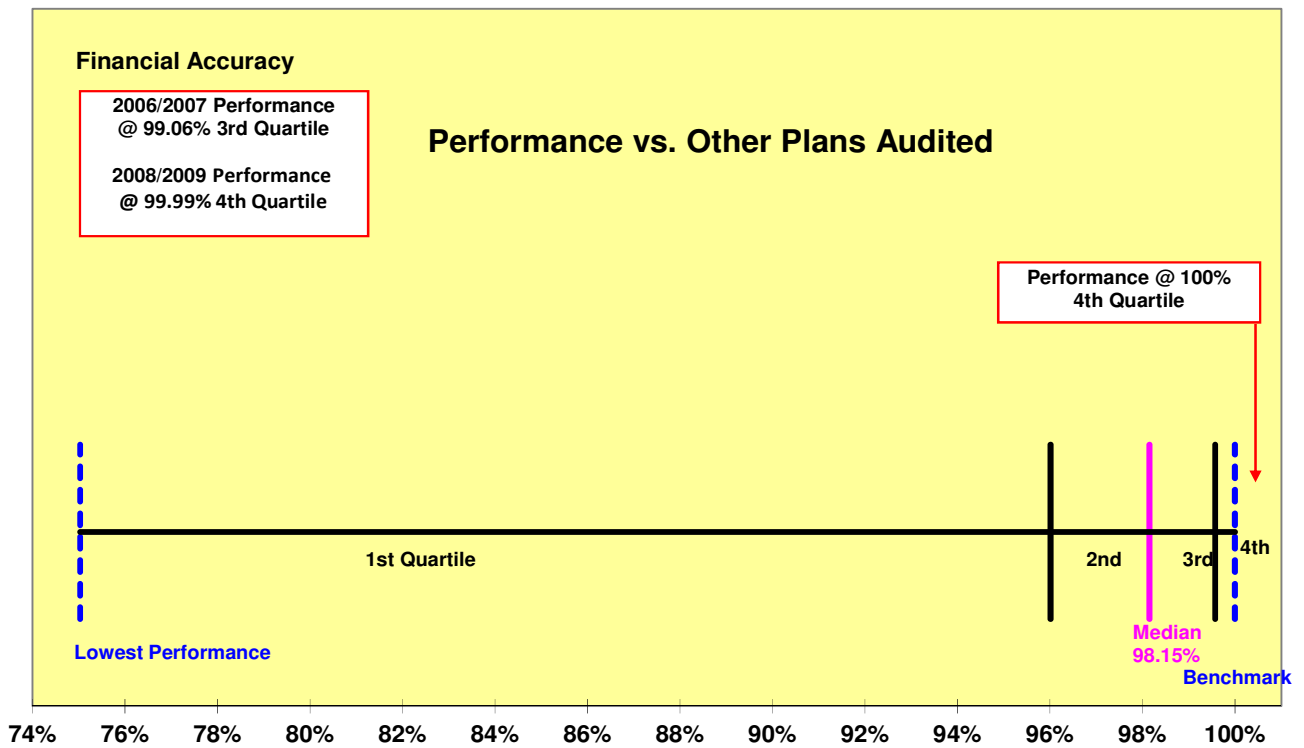
# Exhibit A.

## Performance Measurement and Benchmarking

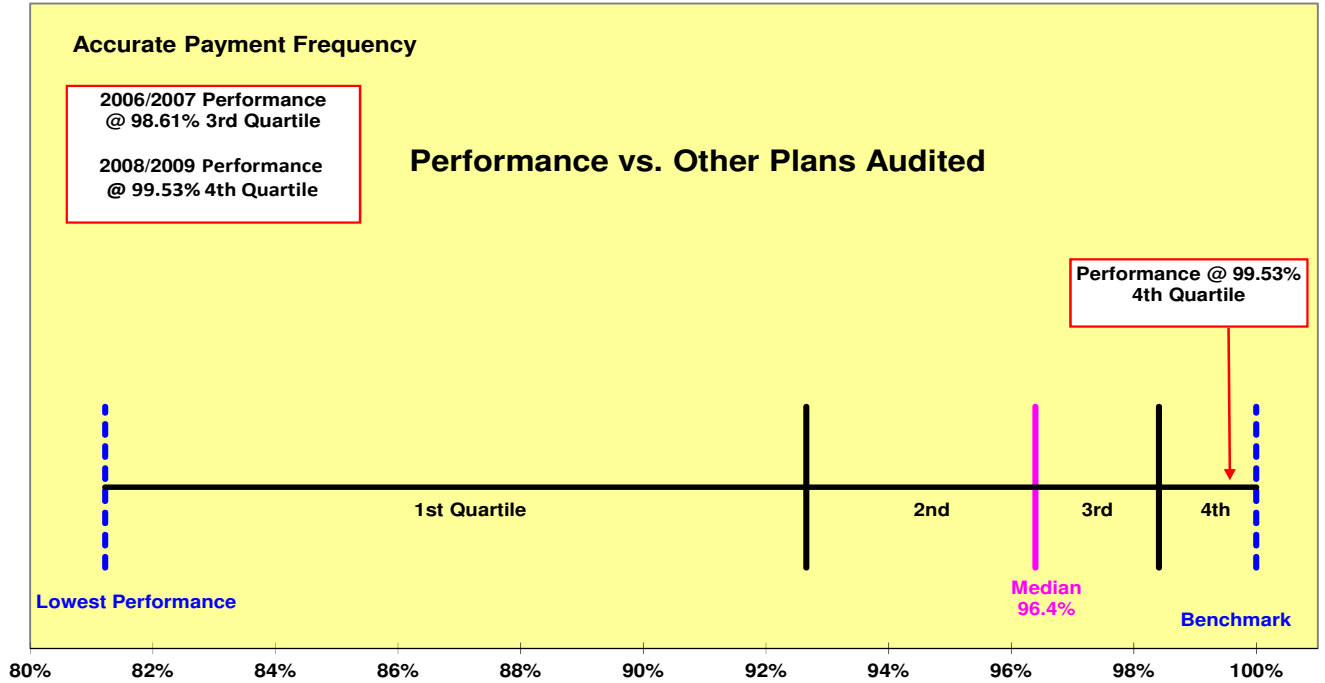
Based on the 100 most recent claim administration audits CTI has performed, the following “Box and Whiskers Charts” show claim administration performance for each Key Performance Indicator as compared to that for other plans audited by CTI. Each chart contains the following information:

- 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

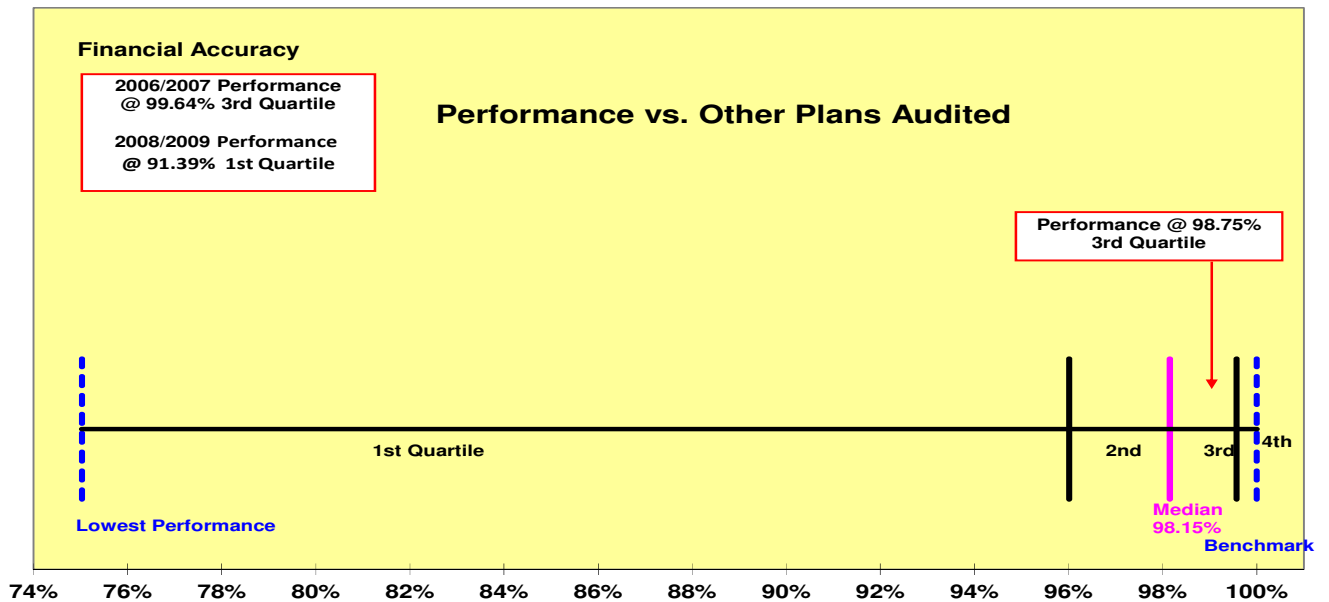
**Chart 1. Standard and SMP Plans – Financial Accuracy**



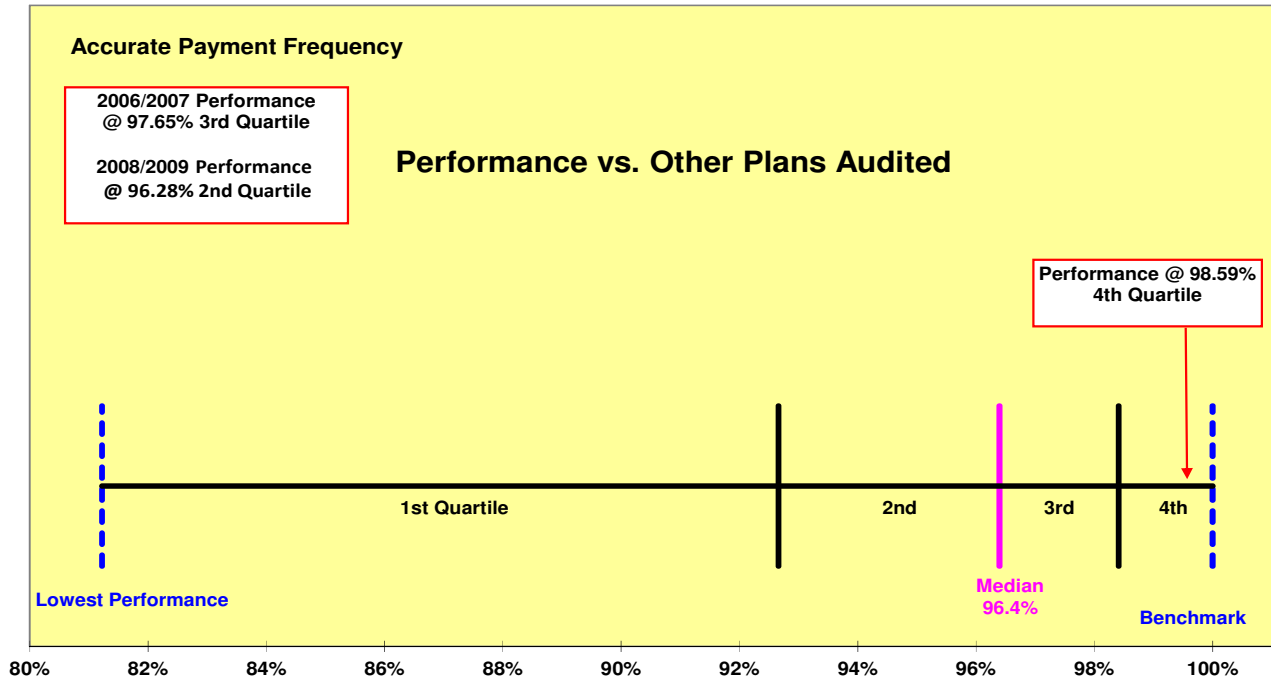
**Chart 2. Standard and SMP Plans – Accurate Payment Frequency**



**Chart 3. Medicare Plus Plan– Financial Accuracy**



## Chart 4. Medicare Plus Plan– Accurate Payment Frequency



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## Exhibit B.

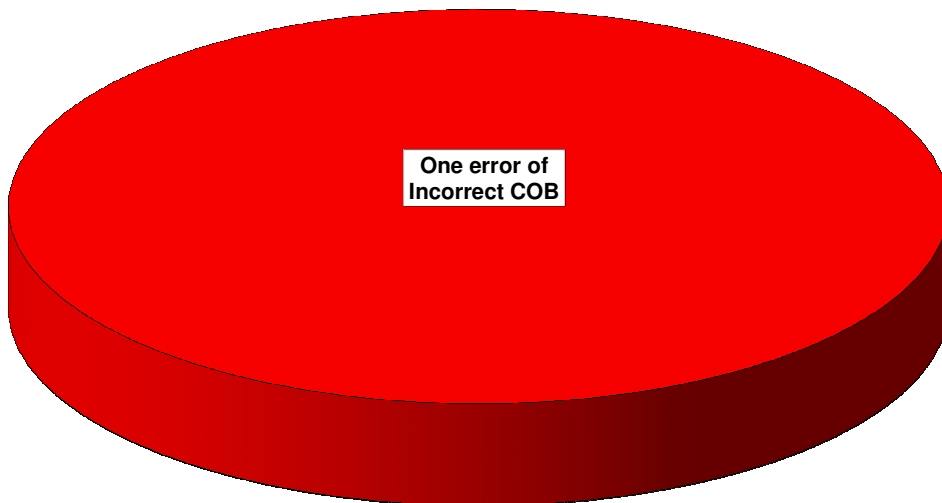
### Prioritization of Process Improvement Opportunities

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 graph below, one payment error was cited for incorrect coordination with other insurance (COB) so this was 100% of all financial error types, however the impact of weighting the audit results to the actual paid claims results in such a low percentage of error that CTI's audit system shows the calculation for Financial Accuracy by payment percentage as 100% during the two-year field audit period.*

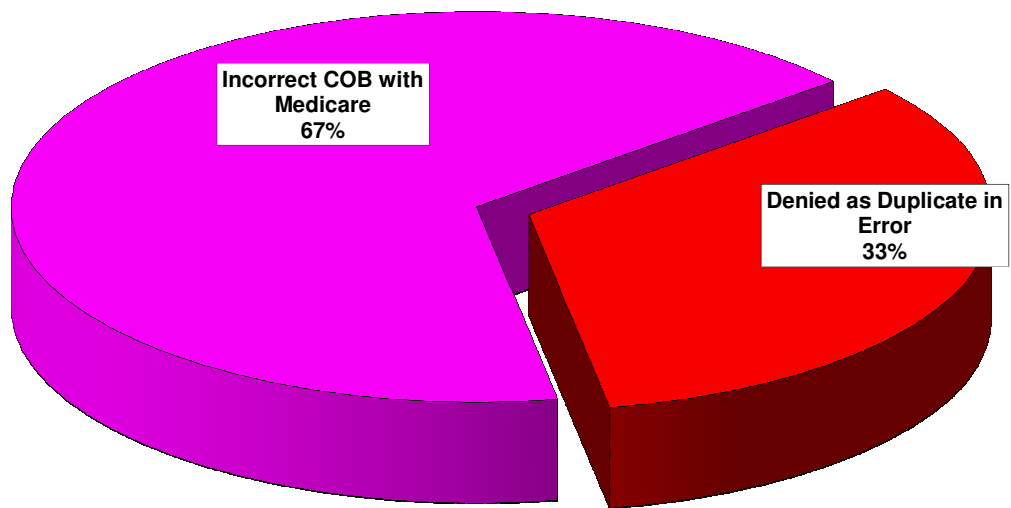


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## Chart 2. Medicare Plus Plan

### Frequency of Financial Errors by Type Based on Field Audit

As illustrated in the graph below, two payment errors were cited for incorrect coordination with Medicare and one error for an incorrect denial as duplicate. These three errors were 100% of all financial error types. CTI's audit system shows the calculation for Financial Accuracy by payment percentage as 98.73% during the two-year field audit period.



## Exhibit C.

Chart 1.

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	<b>Standard/SMP Eligibility:</b> Claim paid after termination	25 cases	\$14,288			Agree
2	<b>Standard/SMP Excluded:</b> Radial Keratotomy Automated Labs <b>Medicare Plus Excluded:</b> Dental Periodontics Hearing Aids/Supplies Dental Endodontics Vision Exam, Routine	1 case 1 case  1 case 1 case 1 case 1 case	\$1,782 \$56  \$5,000 \$4,875 \$1,313 \$161	1 case 8 cases  18 cases 7 cases 8 cases 1 case	\$2,426 \$435  \$16,568 \$3,386 \$6,037 \$148	Disagree Disagree  Disagree Agree Disagree Agree

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.	
3	<b>Standard/SMP Duplicate Payments</b>	1 case	\$3,600	2 cases	\$1,474	Agree
4	<b>Standard/SMP Timely Filing</b>	2 cases	\$365	2 cases	\$449	Agree
5	<b>Standard/SMP Coordination of Benefits:</b> Other Insurance Payment entered incorrectly	1 claim	\$44			Agree

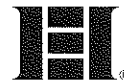
## Table of Prioritized Improvement/ Recovery Opportunities

Issue		Confirmed Overpayments/ (Underpayments)		Additional Potential Recovery Identified During Audit		WPS Response <span style="color: blue;">Agree</span> or <span style="color: red;">Disagree</span>
		Count	Amt.	Count	Max. Amt.	
6	<b>Medicare Plus Incorrect COB with Medicare</b>	2 claims	\$79			Agree
7	<b>Medicare Plus Denied Eligible Expense</b>	1 claim	(\$3.00)			Agree





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



THE EPIC LIFE INSURANCE COMPANY  
A WPS Company

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October 9, 2012

Mr. Lucien Adams  
Manager of 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 2010 and 2011 State of Wisconsin Department of Employee Trust Funds (ETF) health insurance audit performed by Claims Technologies Incorporated (CTI)

Dear Mr. Adams,

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, 2010 to December 31, 2011. We appreciate the opportunity to engage in and respond to CTI's audit observations, findings and statistics.

**AUDIT FINDINGS/OPPORTUNITIES FOR SAVINGS AND IMPROVEMENT**

**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. WPS performance in this area has shown improvement over the 2008-2009 audit results.

**Excluded Services – Radial Keratotomy, Automated Laboratory, Hearing Aid, Routine Vision Exam, Dental Endodontics, Dental Periodontics**

WPS disagrees with the CTI findings on Radial Keratotomy, Automated Laboratory, Dental Endodontics, and Dental Periodontics. Our responses to those specific questionnaires are included in the documentation from CTI. WPS believes that these services were covered in accordance with the intent of the plan, as well as within our own internally developed payment guidelines. We welcome additional conversation with ETF to ensure that benefits are consistently administered as intended. WPS concurred with the reviewer on the Hearing Aid and Routine Vision Exam processing errors.

**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.

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 few audit findings and audit recommendations. Please feel free to contact me at (608)226-7853, if you have any questions.

Sincerely,



Dan Edge  
Vice President, WPS Medical Affairs and Commercial Operations