



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 20, 2014
TO: Group Insurance Board
FROM: Shayna Gobel, Manager, Self-Insured Health Plans
Mary Statz, Director, Health Benefits and Insurance Plans Bureau
SUBJECT: Audit of Wisconsin Physicians Service (WPS) Insurance Update

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

Background


At the May 21, 2014 Group Insurance Board (Board) meeting, the Department of Employee Trust Funds (ETF) advised the Board that Claim Technologies Incorporated (CTI) completed an audit of WPS administration of the self-insured plans for the period January 1, 2012 through July 31, 2013. The memo detailing the results of the audit is attached (Attachment A). The Board requested that ETF follow up with WPS regarding the recommended contractual and procedural changes and provide an update on the steps taken to reduce claim and processing errors.

Following the completion of CTI's audit, WPS conducted an internal audit on the areas identified for improvement that were discussed at the May Board meeting. WPS has been responsive and cooperative in reviewing the CTI audit findings. Claims issues have been adequately addressed by WPS. Staff has no further concerns with the audit results.

Discussion

As outlined in the May Board memo (Attachment A), the estimated savings identified by CTI are an extrapolation of data based on a review of sample claims. WPS completed a complete claims audit in the areas identified by CTI as needing improvement. The results from WPS' internal audit were divided into retiree and active populations. The results are listed in Attachment B for active samples and Attachment C for retiree samples. The following section details the categories and findings listed in the attachments.

- Multiple Surgical Procedures without Reductions**
WPS identified that all claims for multiple surgical procedures were processed

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Division of Insurance Services

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correctly. Some codes are exempt from this type of reduction. For example, ultrasounds, anesthesia, bilateral procedures, and assistant surgeon and surgery centers are not subject to multiple surgical reductions based on the provider agreements, coding exclusions, or the contract between WPS and ETF.

2. Eligibility

CTI originally estimated potential savings of \$77,632 related to eligibility and claims paid after termination during the audited period. None of the claims identified were paid after the member's policy terminated because the members did not actually terminate coverage. Rather, the members had moved within ETF (change of agency/employer) or changed methods of payment (sick leave, annuity deduction, direct pay), which resulted in a new eligibility record beginning the same day as the termination.

3. Excluded Services

CTI originally estimated potential savings of \$19,429 in three areas: automated laboratory, experimental/investigational and dental periodontics. \$18,244 of the total related to claim errors specific to periodontics services. WPS reviewed these claim categories as well as any other claims under the excluded services category.

WPS identified the following errors for excluded services for **the active population**:

- a. \$94.05 from one claim error for automated labs
- b. \$63.00 from one claim error for hearing aids and supplies

WPS identified no claim errors for dental periodontics services. These claims were identified by CTI as errors because they were dental or oral surgery claims that were interpreted by WPS to be covered under the medical benefit. The majority of these claims were interpreted as medically necessary bone graft procedures that are payable under the Standard Plan contract.

Claims identified by CTI as errors included services for experimental or investigational services, biofeedback, massage therapy, and eye surgery that were deemed medically necessary by WPS medical affairs staff. Remaining claims for hearing aids identified by CTI as errors were paid correctly, based on the contract. Claims for cognitive therapy services were determined medically necessary for the treatment of autism spectrum disorder and are mandatory benefits under state law.

WPS identified the following errors for excluded services for the **retiree population**:

- a. \$217.00 from three claim errors for automated labs
- b. \$861.23 from four claim errors for experimental/investigational services
- c. \$9,683.67 from six claim errors for hearing aid services

- d. \$301.15 from one claim error for impotency services
- e. \$430.04 from four claim errors for vision exams

Some claims returned as errors based on CTI's audit algorithm were approved by Medicare or included modifiers that allow the claim to be paid, and were paid correctly by WPS. All claims for cognitive therapy, skin pigmentation, weight loss and eye surgery were approved by Medicare and were correctly paid by WPS, even though they were identified by CTI as being an excluded service. This seems reasonable based on the contract language in effect during the audit period. The Medicare Plus plan was modernized effective 2013, so these issues should be minimized in future audits.

The claim errors identified by WPS total \$11,650.14 for any excluded services for the active and retiree populations. Of this, \$7,982.95 has already been recovered and refunds have been requested on the remaining outstanding claim errors.

4. Duplicate Payments

Active Population

WPS identified \$1,094.23 from three claims that were true duplicates of the \$9,136.92 from 36 estimated errors identified by CTI.

Retiree Population

WPS identified \$1,992.26 from eight claims that were true duplicates of the \$28,539.76 from 132 estimated errors identified by CTI.

For both populations, the duplicates identified by CTI consisted of claims for services that were rendered in the same day by different providers, services done on different parts of the body, or had modifiers that allow the claim to be paid. For example, a member who saw two specialists in the same day and was billed for two office visits -- these are both legitimate, payable claims (not duplicates). WPS has requested refunds on the 11 duplicate claims for a total of \$3,086.49.

5. Diabetic Supplies

CTI originally identified a potential savings of \$153,469 related to diabetic supplies. ETF staff will be comparing the claims for diabetic supplies with claims submitted to Navitus to determine whether or not there is duplication of services between the pharmacy and the physician.

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



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CORRESPONDENCE MEMORANDUM

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

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

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

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

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

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

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

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

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

WPS Performance Guarantees

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

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

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

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

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

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

Additional Findings

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

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

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

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

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

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

Attachment A: CTI Executive Summary
Attachment B: WPS Response

Attachment B

WPS Audit Review of Active Employee Claims

CTI Area of Improvement	CTI Estimated Errors - Claim Count	CTI Potential Amount at Risk	Actual Processing Errors – Claim Count	Total Paid Dollars At Risk Dollars	Refunds Received	Refunds Expected, Not Yet Received
Duplicates	36	\$9,136.92	3	\$1,094.23	\$0.00	\$1,094.23
Automatic Labs	3	\$127.82	1	\$94.05	\$0.00	\$94.05
Hearing Aid and Supplies	6	\$762.80	1	\$63.00	\$0.00	\$63.00
Experimental Investigational	2	\$46.17	0	\$0.00	\$0.00	\$0.00
Biofeedback	4	\$424.84	0	\$0.00	\$0.00	\$0.00
Cognitive Therapy	189	\$175,583.94	0	\$0.00	\$0.00	\$0.00
Massage Therapy	4	\$327.36	0	\$0.00	\$0.00	\$0.00
Eye Surgery	6	\$13,326.36	0	\$0.00	\$0.00	\$0.00
Multiple Surgical Procedures	171	\$433,257.30	0	\$0.00	\$0.00	\$0.00

Attachment C

WPS Audit Review of Retiree Claims

CTI Area of Improvement	CTI Estimated Errors Claim Count	CTI Potential Amount at Risk	Actual Processing Errors Claim Count	Total Paid Dollars at Risk Dollars	Refunds Received	Refunds Expected, Not Yet Received
Duplicates	132	\$28,539.76	8	\$1,992.26	\$0.00	\$1,992.26
Automatic Labs	9	\$279.89	3	\$217.00	\$217.00	\$0.00
Hearing Aid and Supplies	8	\$9,720.64	6	\$9,683.67	\$7,765.95	\$1,917.72
Vision Exams	11	\$696.64	4	\$430.04	\$0.00	\$430.04
Impotency	129	\$7,603.09	1	\$301.15	\$0.00	\$301.15
Experimental/Investigational	6	\$947.57	4	\$861.23	\$0.00	\$861.23
Cognitive Therapy	52	\$2,485.35	0	\$0.00	\$0.00	\$0.00
Weight Loss Surgery	29	\$678.86	0	\$0.00	\$0.00	\$0.00