LACERA

April 14, 2021

TO: Each Trustee,
Insurance, Benefits, and Legislative Committee (IBLC)

SUBJECT: IBLC Meeting on April 15, 2021 – Agenda Item IV.C.

You will find the following Green Folder Item pertaining to the above meeting which has been made available on Nasdaq BoardVantage:

Item: IV.C. - Medical and Dental Claims Audit Findings (Presentation)

Los Angeles County Employee Retirement Association

Group Medical and Dental Benefits - Audit Results

Audit Period: July 1, 2019 through June 30, 2020

April 15, 2021/ Amber M. Turner, MBA, PMP

Segal

Table of Contents

Cigna Dental Audit - Overview

- Cigna provided data files for all dental claims processed and paid during the 12-month audit period of July 1, 2019 through June 30, 2020, representing $28,715,444.23 in benefit payments. The objective of the review was to ensure claims were paid in accordance with LACERA's plan provisions, including the following components:
  - An Adjudication Procedures Review to assess day-to-day processing guidelines and claim control measures; and,
  - A random, stratified sample of 225 claims, which represented total of $99,744.62 (0.35% of total payments), were sampled providing statistical validity in processing accuracy levels with comparison to performance guarantees and industry standards.
- The auditors completed an electronic form for each sampled claim; this worksheet served as the primary documentation on which the report is based upon. Due to the confidentiality of names, diagnosis, etc., claims addressed within this report are referred to as "Worksheets". These worksheets (1–225) are further distinguished with an alphabetic character (A-J) that identifies the respective payment tier in the statistical analysis. The auditors reviewed each claim from receipt to release for check disbursement in order to identify any variances in procedures and benefit determination. Given the current pandemic, Segal conducted the audit remotely through virtual system access.

Cigna Dental Audit - Results

The sample of 225 random, statistical claims did not identify any claim adjudication errors.

Performance Measurements			
Category	**Statistical Achievement**	**Performance Guarantee**	**Industry Standards**
Financial Accuracy (dollar value)	**100.00%**	99.00%	99.00%
Overall Processing Accuracy (free from error)	**100.00%**	95.00%	95.00%
Payment Accuracy (free from financial error)	**100.00%**	N/A	97.00%
Procedural Accuracy (free from processing error)	**100.00%**	97.00%	95.00%
Time-to-Process (within 10 business days)*	**95.45%***	93.00%	95.00%

*The electronic calculation, based on 14 calendar days, supports achievement in time-to-process goals.

- N/A= Not Applicable

Cigna Dental Audit – Key Observations

- **The sample of 225 statistical claims did not identify any claims adjudication errors, as stated on the previous chart Cigna met/exceeded all performance guarantees.**
- Due to the pandemic, Cigna allowed an additional $8.00 to be billed under code D1999 for personal protective equipment (PPE) during the time period of June 15, 2020 through August 1, 2020.
  - *Cigna noted that they previously communicated this update to LACERA.*
- Claims submitted during the pandemic and the California stay-at-home order were not investigated for possible fraud. Cigna noted that fraud measures are in place for all of their providers and will provide this additional information in their formal response.
  - *Cigna noted that Cigna's Special Investigation Unit (SIU) is responsible for investigating suspect claim activity. Suspect claims can be identified using "Red Flags", which are anomalies in either paper or electronic transactions whose unusual pattern or characteristics trigger additional review or investigation. Claim information may contain red flags that raise suspicion about the integrity of the information. The SIU uses red flags to educate claim processors and underwriting personnel to identify potential fraud.*
- Cigna noted that due to the pandemic, a month of premiums were refunded back to LACERA.
  - *Cigna noted that they previously communicated this update to LACERA.*

Anthem Medical Audit - Overview

- Anthem provided an electronic data file of all medical claims processed and paid during the 12-month audit period of July 1, 2019 through June 30, 2020. A total of 255 claims, which represented $3,731,858.14 (2.98% of total payments) in benefit payments, were reviewed .

  The objective of the review was to ensure claims that were paid in accordance with LACERA's plan provisions. Segal's audit included the following in-house and remote review components:

  - An Adjudication Procedures Review to assess day-to-day processing guidelines and claim control measures;
  - A random, stratified sample of 220 claims to measure validity in the financial dollar value and incidence (number) accuracy of all benefit payments processed during the audit period; and,
  - A 35 target claim selection identified through an electronic analyses of all claims designed to explore potential duplicate payments and/or sample various benefit applications (i.e. deductibles, cost-shares, limitations, and exclusions).

- The auditors completed a form for each sampled claim serving as the primary documentation on which the report is based. To maintain patient confidentiality, claims addressed within this report are referred to as "Worksheets". These worksheets (1–220) are further distinguished with an alphabet character (A-K) that identifies the respective payment tier in the statistical analysis. The auditors reviewed each claim from receipt to release for check disbursement to identify any variances in procedures and benefit determination.

- Worksheets T1–T35, include a "T" to distinguish the "target" sampling of claims identified through electronic analyses. These claims were reviewed for the attribute selected for validation (i.e., copayment application, duplicate payment, benefit provision, etc.). Due to the focused review and selection of these claims, they are excluded from the overall calculation of processing performance.

Anthem Medical Audit – Results

➢ **From the random, stratified claim sample of 220 claims, a total of 23 errors were identified (3 in-sample, and 20 out-of-sample (OOS)):**

- **In-sample findings (utilized to calculate Statistical Achievement)=**
  - One (1) in-sample overpayment for $26.27
  - Two (2) in-sample underpayments for -$2.19
- **OOS findings =**
  - Ten (10) OOS underpayments for -$1,091.76
  - One (1) OOS overpayment for $37,210.88
  - Nine (9) OOS procedural errors.

Only the in-sample errors are factored in the accuracy calculations of the Performance Measurement categories.
As seen in the chart below, Anthem met/exceeded the performance guarantee standards of the Financial, Procedural, and Time-to-process categories. Time-to-process for 30 days is slightly below the industry standard, but it may be explained by multiple processing events.

Category	Statistical Achievement	Performance Guarantee	Industry Standards
Financial Accuracy (dollar value)	99.89%	99.00%	99.00%
Payment Accuracy (free from financial error)	97.89%	N/A	97.00%
Procedural Accuracy (free from processing error)	100.00%	97.00%	95.00%
Overall Processing Accuracy (free from error)	97.89%	N/A	95.00%
Time-to-Process* (within 14 calendar days)	99.29%	90.00%	95.00%
(within 30 calendar days)	99.90%	N/A	100.00%

* Time-to-process achievement has been calculated on 100% of the claims population for the audit period and does not take adjustments into account.
N/A= Not Applicable

➢ **The target sample of 35 claims identified a total of 21 errors and 2 plan intent items:**

16 in-sample overpayments totaling $13,079.34, three (3) out-of-sample overpayments for $4,783.00, two (2) out-of-sample underpayments for -$15.93 and 2 plan intent items.

Anthem Medical Audit – Key Findings

- Anthem applied their allowed amount instead of Medicare's allowed amount to two Medicare coordination of benefit (COB) claims. (Total: $270.01)
  - *Anthem agreed to these findings and account management will share details with LACERA when they become available.*

- Anthem over applied the deductible and out-of-pocket (OOP) for 21 claims. (Total: -$1,107.69)
  - *Anthem agreed to the underpayments and noted that the over application is due to pharmacy benefit integration. Anthem has since implemented a new process to correct claims that are over the OOP due to pharmacy integration.*
  - *Anthem noted the claims identified within this audit are in the process of being resolved.*

- Anthem paid a member's benefit over the $1,000,000 lifetime maximum. (Total: $37,184.61)
  - *Anthem agreed to this finding and noted that the overpayment is due to pharmacy benefit integration.*
  - *Anthem is generating an impact report to determine if other members were paid over the lifetime maximum benefit and will share with LACERA when the information becomes available.*

- Hearing aids were paid over the maximum $300.00 amount allowed on 6 claims. (Total: $13,290.00)
  - *Anthem agreed to these findings and noted that coaching was provided to the team on the handling of hearing aid claims.*
  - *Anthem declined to provide impact reports on these items as they were manually adjudicated and considered human error.*
  - **Although these claims were manually adjudicated, Segal recommends that LACERA request an impact report from Anthem due to the repetitive nature of this error.**

Anthem Medical Audit – Additional Errors and Plan Intent Findings

- Acupuncture paid over the $30.00 per visit limit on five (5) claims. (Total: $3,324.00)
  - *Anthem agreed to these findings and noted that coaching was provided to the team on the handling of acupuncture claims.*
  - *Anthem declined to provide impact reports for these items as they were manually adjudicated and considered human error.*
  - **Although these claims were manually adjudicated, Segal recommends that LACERA request an impact report from Anthem due to the repetitive nature of this error.**
- Two (2) claims for outpatient surgery did obtain precertification. (Plan Intent)
  - *Anthem disagreed with these findings and noted that only certain procedures performed in an ambulatory surgery center require precertification.*
  - The Summary Plan Document (SPD) notes that precertification is required for "surgeries, wherever performed", or a non-certification deductible applies.
  - **Segal recommends that LACERA discuss with Anthem the precertification benefit intention for outpatient surgeries. If Anthem is correct, modification or clarification may be required for the benefit language in the SPD.**
- Four (4) duplicate claim payments were made. (Total: $1,004.60)
  - *Anthem agreed to the duplicate claim overpayments that were due to human error during the remote review. Additionally, coaching was provided to the processors. Anthem noted that they need LACERA's direction regarding placing the overpaid claims into adjustment status.*
  - **Segal recommends that LACERA discuss with Anthem direction on placing the claims into the adjustment process.**

LACERA Medical Audit - Follow-up Items

- Follow up with Anthem for the following reports:
  - Anthem account management to provide to LACERA the financial impact report for claims applying Anthem's allowed amount on Medicare coordination of benefit.
  - Anthem account management to provide to LACERA the financial impact report for benefits overpayment of the $1,000,000 maximum.
- LACERA follow up items:
  - Determine if LACERA wants to request a financial impact report on the hearing aids over $300.00 maximum.
  - Determine if LACERA wants to request a financial impact report on the acupuncture over $30.00 maximum.
  - Provide direction to Anthem for duplicate claim overpayment adjustments.
  - Discuss with Anthem the plan document language and plan intent surrounding outpatient surgery precertification.
  - Discuss with Anthem the new pharmacy integration process and outcome results of implementation.