



Best Kept Secrets of Claims and Auditing

Evolving Health and Welfare Landscape
2006 Webcast Educational Series

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Introduction

- What Kind of Healthcare Audits Exist?
- Eligibility Audits
- Claim Audits: Medical, Pharmacy, Dental
- Compliance Audits
- Recent Survey Demographics
- Reasons for Performing an Audit
- Types of Audits Performed
- Audit Methodologies Used
- Audit Findings
- Best Practice “Secrets”
- Buck’s Best Kept Secrets: Claim, Eligibility, Compliance Audits
- When Should We Perform an Audit?
- ...It’s Time to Audit
- Questions and Answers

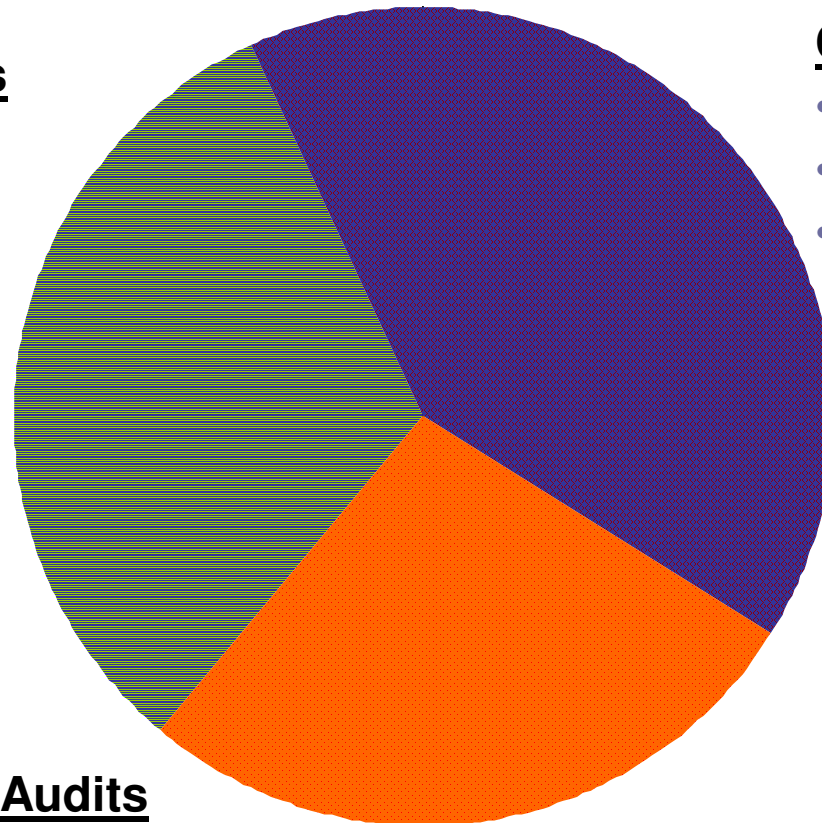
Questions for the speakers?

- jacqueline.rivera@buckconsultants.com
- Type into the question box on the webcast

What Kind of Healthcare Audits Exist?

ELIGIBILITY Audits

- Eligibility Reconciliation
- Dependent Eligibility



CLAIM Audits

- Medical
- Prescription Drug
- Dental / Other

COMPLIANCE Audits

- Financial / Funding
- Contractual (ASO fees)
- Procedural

Eligibility Audits

Eligibility Reconciliation

Why?

- Identify ineligible *employees*
- Payer vs. Employer comparison
- Not likely to be self-reported by terminated member

Previous Practice

- Partial review (snapshot)
- Internal review
- None

Best Practice

- **100% electronic reconciliation**
- Reconcile with all eligibility data sources
- Initial reconciliation + Quarterly maintenance

Dependent Eligibility Review

Why?

- Identify ineligible *dependents*
- ID unintentional non-compliance

Previous Practice

- Rely on payer/administrator
- Investigate at the point of claim
- Intermittent internal review
- None

Best Practice

- **100% initial participation**
- Utilize neutral third party (*privacy*)
- Flexible Software capabilities
- Annual % maintenance

Claim Audits: Medical, Pharmacy, Dental (other)

Why audit claims?

- Identify *systemic* errors
 - Benefit payments
 - Administrative errors (i.e. duplicates)
 - Regulatory issues
 - Clinical anomalies
 - Exclusions / Limitations
 - Coordination of benefits
 - Potential lost discounts

Additional Pharmacy “Whys?”

- Per claim fees
- Contract (AWP) discount compliance
- Formulary compliance
- Rebate reconciliation

Previous Practice

- Random sample + extrapolation
- Statistical sample + extrapolation
- Minimal Electronic Review
- None

Best Practice

- **100% Electronic Review** – Retro 2 years
- Site or Remote validation capabilities
- Detailed, fact-based analysis
- Nationally recognized fee schedule data
- Flexible & customizable software capabilities
- Cumulative data warehouse
- Quarterly **100% Electronic Review** maintenance
- Recovery of overpayments

Compliance Audits

Why Financial?

- Comparison of actual *claim data* to actual *funding records*
- ID over-funding or missed retrospective claim adjustments

Why Contractual?

- Reconciliation: *eligibility data* to ASO *fees*
- Reconciliation: *claim data* to ASO *fees*
- ID systemic fee miscalculations
- Reconcile retrospective adjustments

Why Procedural?

- Fiduciary responsibility
- Sarbanes-Oxley (SOX)
- Identified issues from ALL other audits

Previous Practice

- Reliance on payer SAS-70
- Minimal internal review
- None

Best Practice

- **100% Electronic Review**
- Reconstruction of actual fund or premium statements and financial transactions
- Detailed, fact-based analysis & results
- Flexible software capabilities
- Cumulative data warehouse
- **Quarterly 100% Electronic Review**
- Recovery of overpayments

Recent Survey Demographics

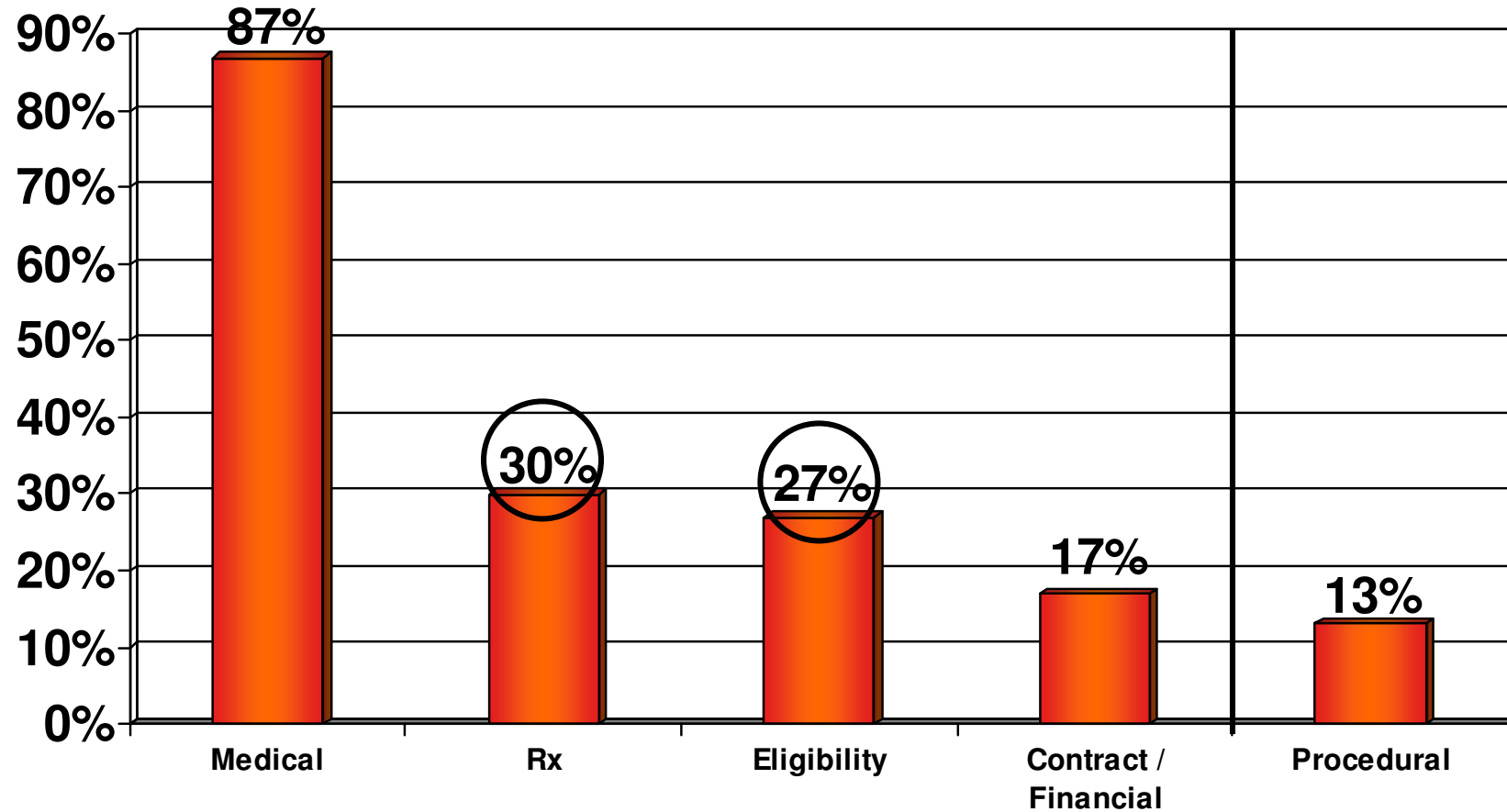
- **86 Organizations Participated**
 - **Industries represented**
 - Manufacturing
 - Energy/Utilities
 - Technology
 - Financial Services
 - Entertainment
 - Life Sciences
 - Healthcare services
 - Wholesale / Retail
 - Government / Public Administration
 - Not-For-Profit
 - Education
- **80% of ALL respondents were middle or upper management**

Reasons For Performing an Audit

1. Meeting our fiduciary responsibilities
2. We're experiencing vendor performance issues
 - Our vendor is or has gone through some changes
 - We've observed unusual claim activity
3. We're implementing plan and vendor changes
 - Our company is or has gone through some changes

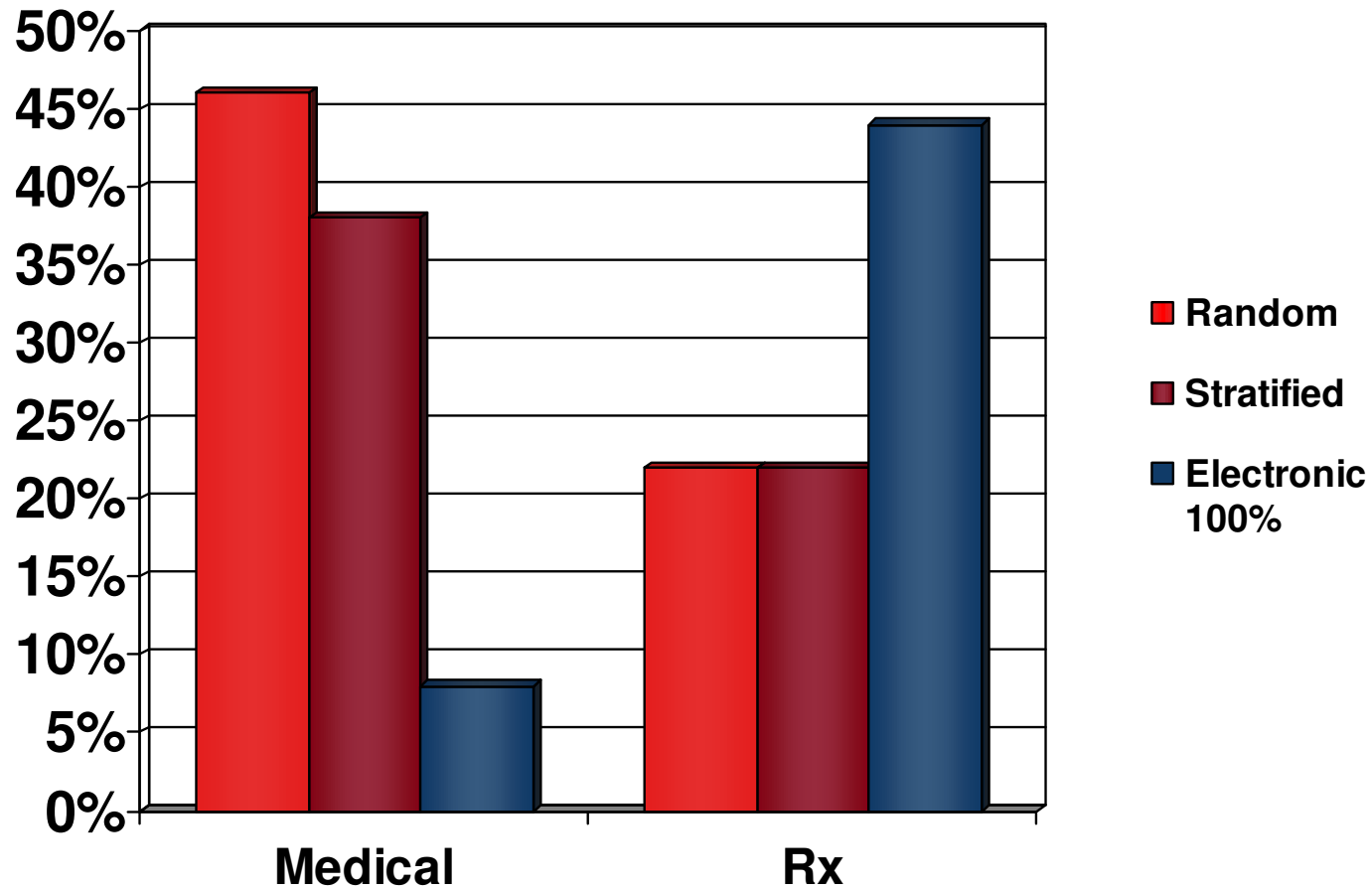
Source: The Hidden Value in Health and Welfare Audit Practices, Buck Consultants 2006 Survey

Types of Audits Performed



Source: *The Hidden Value in Health and Welfare Audit Practices, Buck Consultants 2006 Survey*

Audit Methodologies Used



Source: *The Hidden Value in Health and Welfare Audit Practices, Buck Consultants 2006 Survey*

Audit Findings

Medical Audits

| | |
|---|-----|
| Benefits not programmed per Plan Document | 71% |
| Identified eligibility issues | 44% |
| Incorrect discount application | 42% |

Prescription Drug Audits

| | |
|---|-----|
| Identified eligibility issues | 58% |
| Vendor not performing to standards | 50% |
| Benefits not programmed per Plan Document | 47% |

Eligibility Audits

| | |
|----------------------------------|------------------|
| Identified ineligible dependents | 74% |
| Range of Savings | \$250K to \$1.7M |

Source: *The Hidden Value in Health and Welfare Audit Practices, Buck Consultants 2006 Survey*

Best Practice “Secrets”

- **Focused Audit Methodology**
 - Data driven
 - Sophisticated and flexible technology
 - **100% systematic review** (*claims, eligibility, funding*)
 - Detailed, fact-based results
 - Initial assessment followed by periodic monitoring (*i.e. quarterly, etc.*)
- **Audit Team**
 - Multi-faceted experience base (*payer, analyst, auditor*)
- **Ability to resolve or recover**
 - Payer procedural correction
 - Recover \$\$\$

Buck's Best Kept Secrets: Claim Audits

Case Studies

Medical

- Electronic Review & site audit
- Claim volume \$118M
- Recoveries > \$1M

Pharmacy

- Electronic Review & site audit
- Claim volume \$230M
- Recoveries > \$1M

Claim Audit Ranges

Medical

- Claim volume: \$5M - \$600M
- Recoveries: \$50K - \$1M+
- Fiduciary validation

Pharmacy

- Claim volume: \$5M - \$300M
- Recoveries: \$25K - \$1M+
- Fiduciary validation

Informed decision making...

Buck's Best Kept Secrets: Eligibility Audits

Case Studies

Eligibility Reconciliation & Dependent Eligibility

- 3,400 Employees
- 121 Employees removed
- 141 Dependents removed
- Estimated savings > \$500K

Dependent Eligibility

- 18,000 Employees
- 46 Employees removed
- 3,500 Dependents removed
- Estimated savings > \$5M

Eligibility Audit Ranges

Demographics

- Employees: 600 - 50K+
- All eligibility arrangements
- Varying corporate cultures

Results

- Ineligibles removed: 1 - 3 %
- Ineligibles = EEs & Deps
- Savings = Annuity

Informed decision making...

Buck's Best Kept Secrets: Compliance Audits



Compliance
Audits

Results

- **Financial Audit**
 - Claim data vs. Funding = Corrective Action
 - Refund of over-charges
- **Contractual Audit**
 - Testing of Contract Provisions = Over Billings & Fee Refund
- **Procedural Audit**
 - Contract Renegotiation
 - Validation of Clinical Programs
 - Satisfies fiduciary responsibility

Informed decision making...

When Should We Perform an Audit?

- Has our healthcare plan been audited recently?
- Has our vendor/administrator had operational changes?
 - New adjudication system / Significant increase in client base / High turnover
- Have we changed administrators recently?



- Is our HR decentralized?
- Do we outsource our eligibility?
- Have we seen large fluctuations in our healthcare spend?
- Are our performance guarantees being met?
- Do we have fiduciary responsibilities to satisfy?

...It's Time to Audit

1. Identify internal audit team
 - Select individuals who can monitor the project and understands SPD language, ASO agreements and HR processes
2. Assess current audit needs
 - Identify types of audits required for your plan
3. Vendor selection
 - Ensure your vendor has the ability to:
 - offer comprehensive services (*multiple services / 100% review*)
 - provide flexibility in the audit delivery process
 - make available an experienced team (*payer, analyst, auditor*)
 - supply recovery support
4. Determine timeline
 - Clearly define milestones before kicking off the project
5. Execute

Results...

Thank you...questions and answers

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The survey report, *The Hidden Value in Health and Welfare Audit Practices* will be available soon at www.bucksurveys.com on the Health and Welfare Benefits Reports web page.