# San Francisco Health Service System
# Health Service Board

## UnitedHealthcare Medical Plan Audit

February 9, 2017

**Prepared by:**
**Aon** | Aon Hewitt | Health & Benefits

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# About This Material

- City and County of San Francisco (CCSF) provides medical plan benefits to its many employees, retirees, and their dependents
- UnitedHealthcare (UHC), located in Chico, California, performs claims processing services and customer service assistance for the CCSF medical plans
- The primary purpose of our evaluation was to provide CCSF with a comprehensive assessment concerning the quality of claim handling, plan management, and customer service being provided to CCSF plan participants by UHC
- Other specific objectives of the audit were to:
  - Verify that CCSF's medical benefits are being paid accurately and according to the plan provisions
  - Assess the overall quality of claim administration being delivered by UHC personnel

# About This Material (continued)

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- Other specific objectives of the audit were to:
  - Identify opportunities and changes that will improve UHC's overall performance on the account and increase the level of service being provided to CCSF participants
- Aon team was onsite at UHC's Oldsmar, Florida facility during the week of October 17, 2016 to conduct the claim audit
  - All  of UHC's claim audits are conducted at this facility regardless of where the claims are processed
- This report summarizes our findings, observations, and recommendations concerning UHC's performance
- The Aon team wishes to acknowledge the excellent assistance and cooperation we received from UHC personnel throughout the course of this project

# Summary of Findings—Claim Audit

- Aon's audit consisted of a random, stratified sample of 220 claims incurred and processed January 1, 2016 through June 30, 2016
- Of the $997,158.12 total benefits paid within the sample, gross errors totaled $8,427.90
- Of the 220 claims audited, 5 in-sample and 2 out-of-sample errors were identified
- A detailed description can be found in the Claim Audit Results section of this report

# Summary of Findings—Claim Audit (continued)

| | 2016 Audit Results | | Satisfactory | Good | Excellent |
|---|---|---|---|---|---|
| **Financial Accuracy** | 99.25% | 🔴 | 99.30% | 99.60% | 99.80% |
| **Overall Accuracy** | 99.81% | 🟢 | 96.00% | 97.50% | 99.00% |
| **Payment Accuracy** | 99.81% | 🟢 | 97.50% | 98.50% | 99.50% |
| **Turnaround Time** | 94.55% | 🟢 | 92.00% within 14 calendar days | | |
| **Turnaround Time** | 97.73% | 🔴 | 99.00% within 30 calendar days | | |

**Results Key**

- 🟢 Excellent
- 🟡 Satisfactory
- 🟠 Good
- 🔴 Fail

# Summary of Findings—Claim Audit (continued)

## Summary of Error Categories

| | In-Sample Errors | Out-of-Sample Errors [1] | Total Dollars: Ranked from Highest to Lowest |
|---|---|---|---|
| Eligible charges denied | — | 2 [1] | $1,261.71 |
| Incorrect benefit level | 3 | — | $627.75 |
| Incorrect allowable amount applied | 2 | — | $300.15 |
| **Totals** | **5** | **2** | **$2,189.61** |

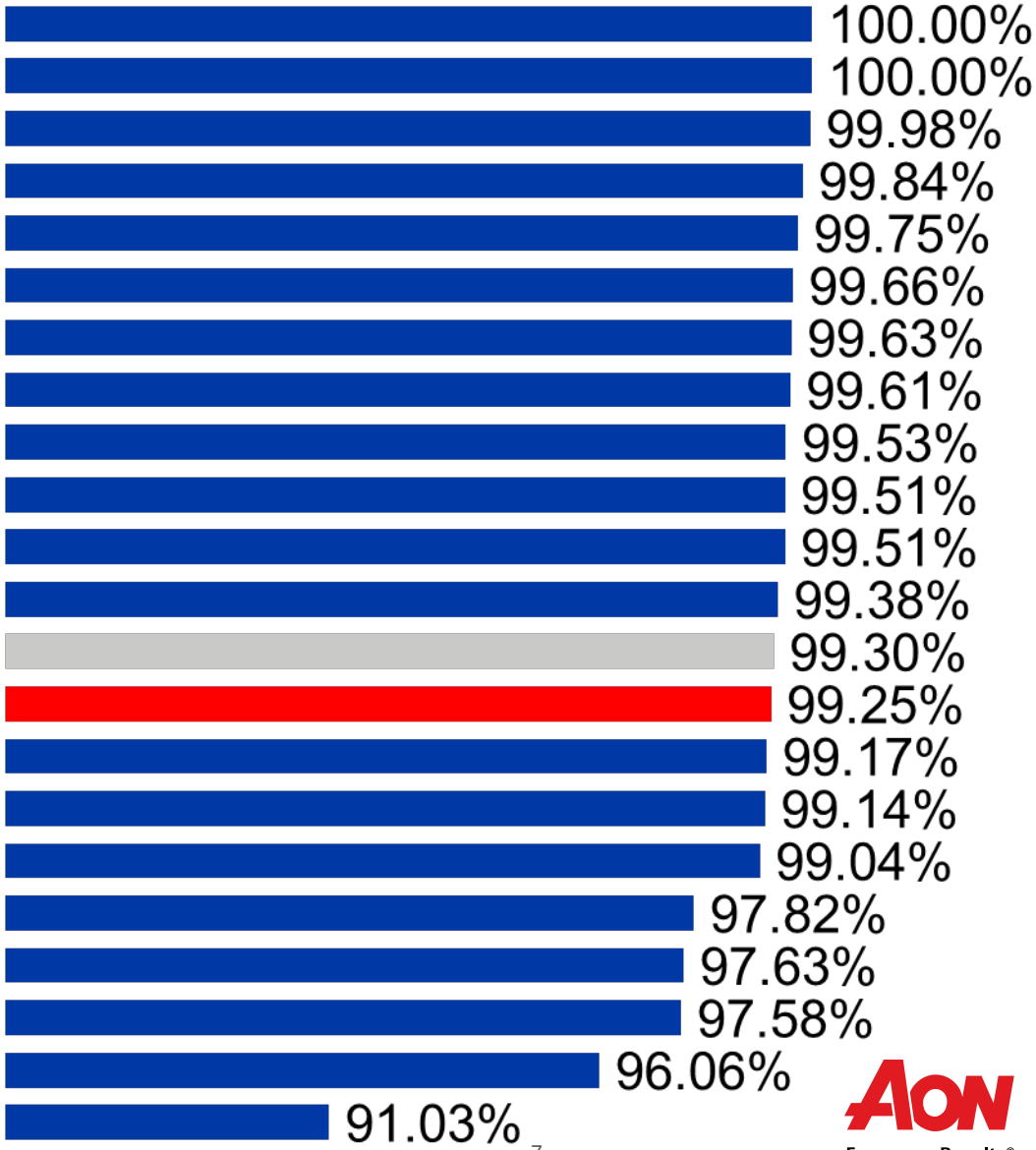
[1] Out-of-sample errors will not be included in our calculation of the statistical audit results but will be included as a commentary in this report.

# Summary of Findings—Claim Audit

## Comparative Results

**Financial Accuracy:**

When comparing the results against Aon's 20 most recent claim audits, which include other administrators, **UHC's results ranked 13th**

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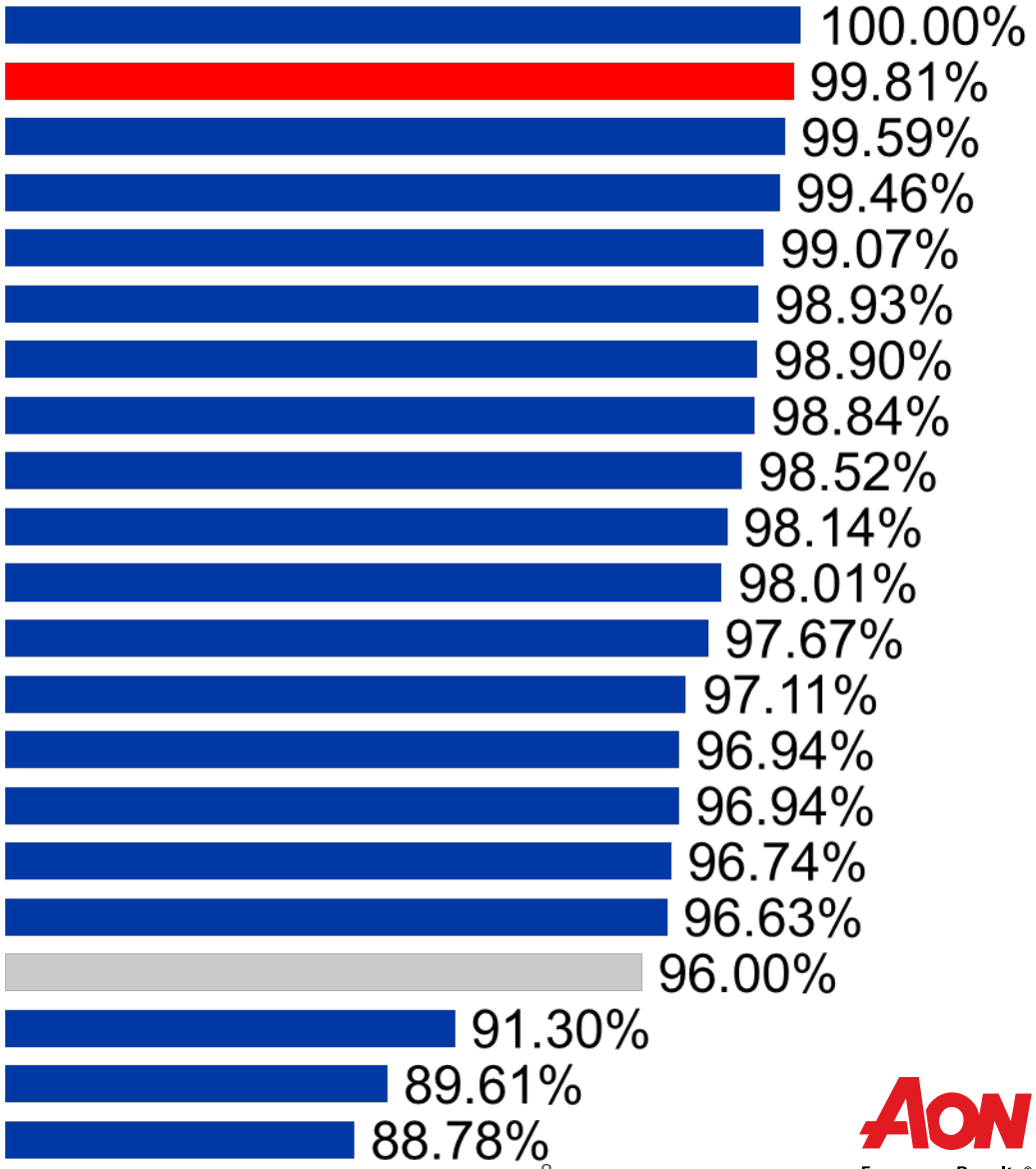
# Summary of Findings—Claim Audit

## Comparative Results (continued)

**Overall Accuracy:**

When comparing the results against Aon's 20 most recent claim audits, which include other administrators, **UHC's results ranked 2nd**

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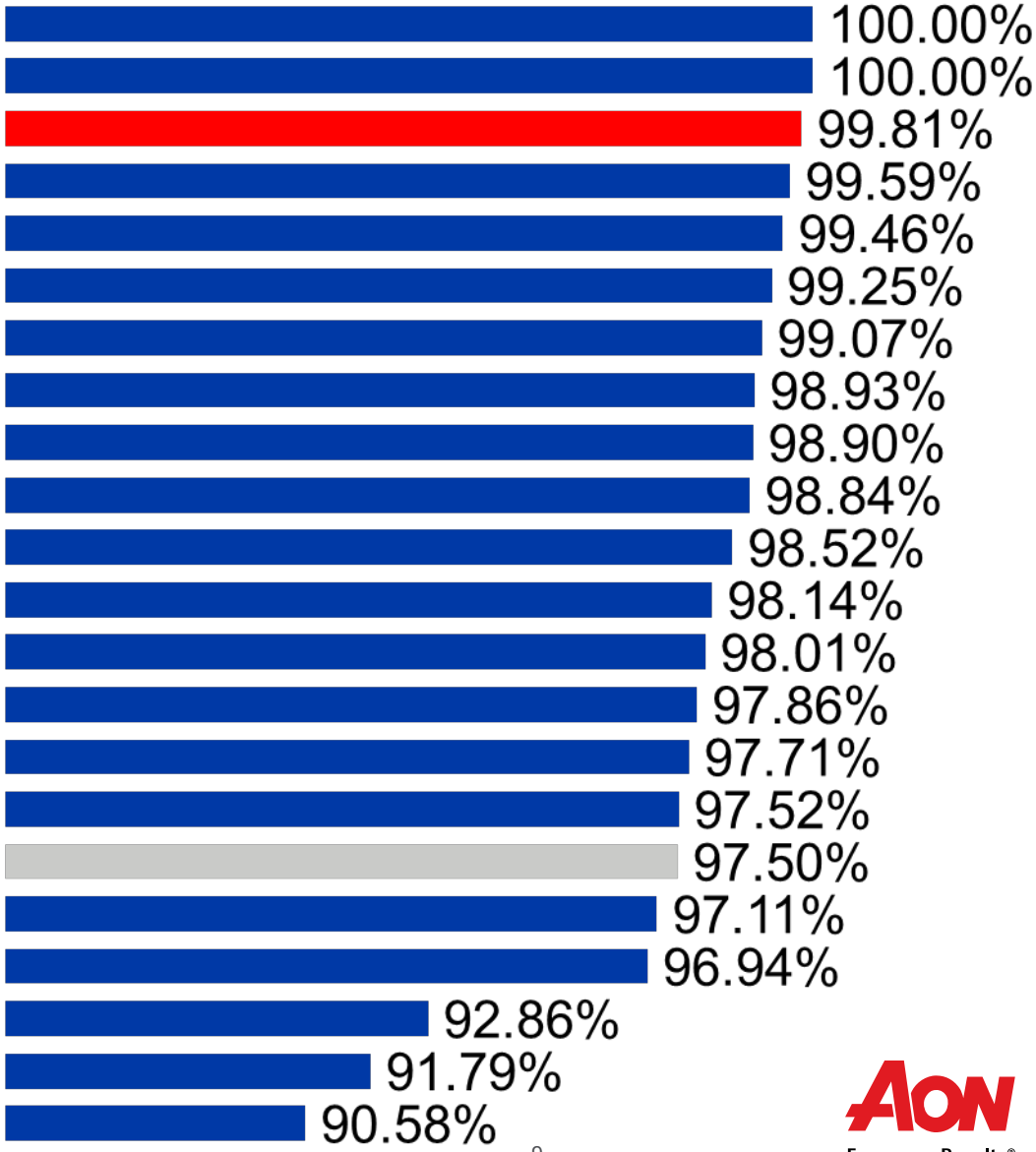
# Summary of Findings—Claim Audit

## Comparative Results (continued)

**Payment Accuracy:**

When comparing the results against Aon's 20 most recent claim audits, which include other administrators, **UHC's results ranked 3rd**

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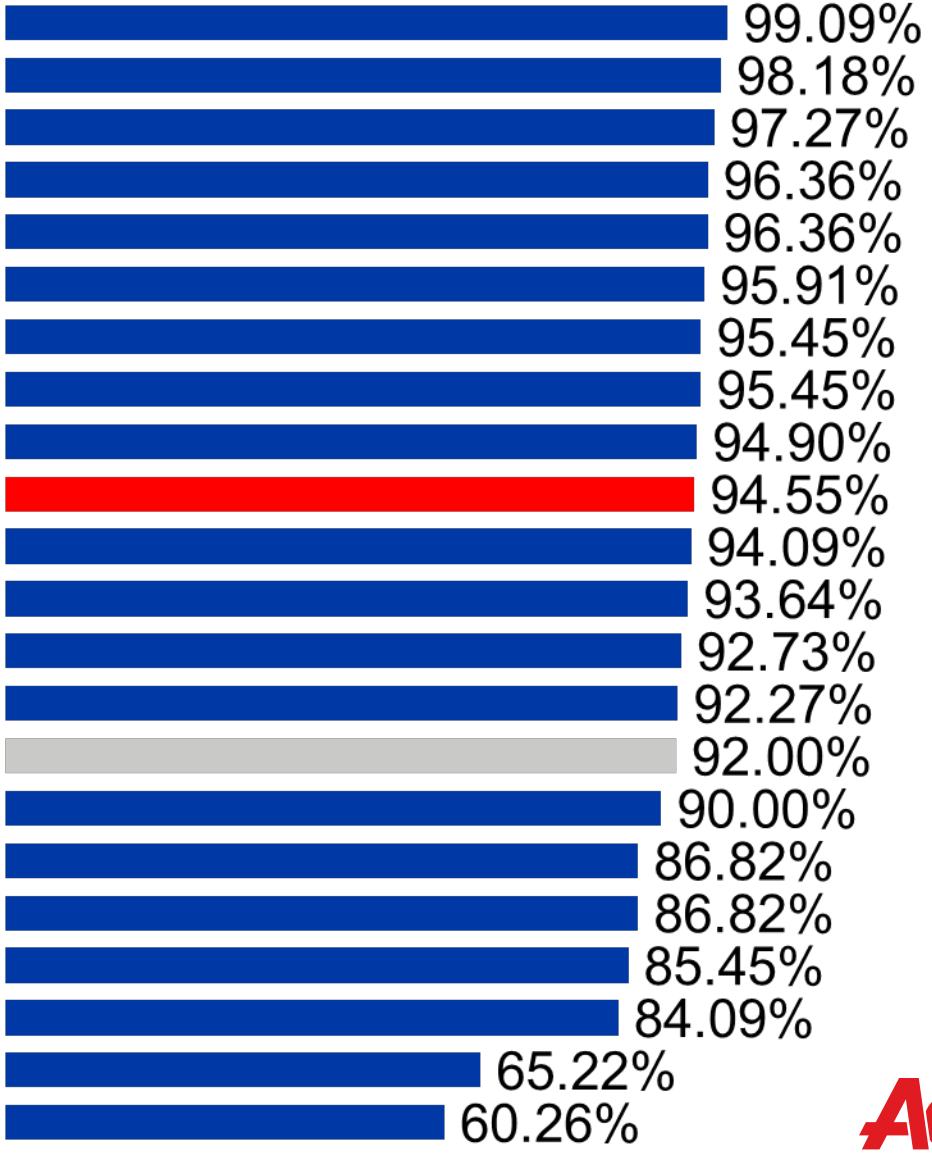
# Summary of Findings—Claim Audit

## Comparative Results (continued)

**14-Calendar Day Claim Turnaround:**

When comparing the results against Aon's 20 most recent claim audits, which include other administrators, **UHC's results ranked 10th**

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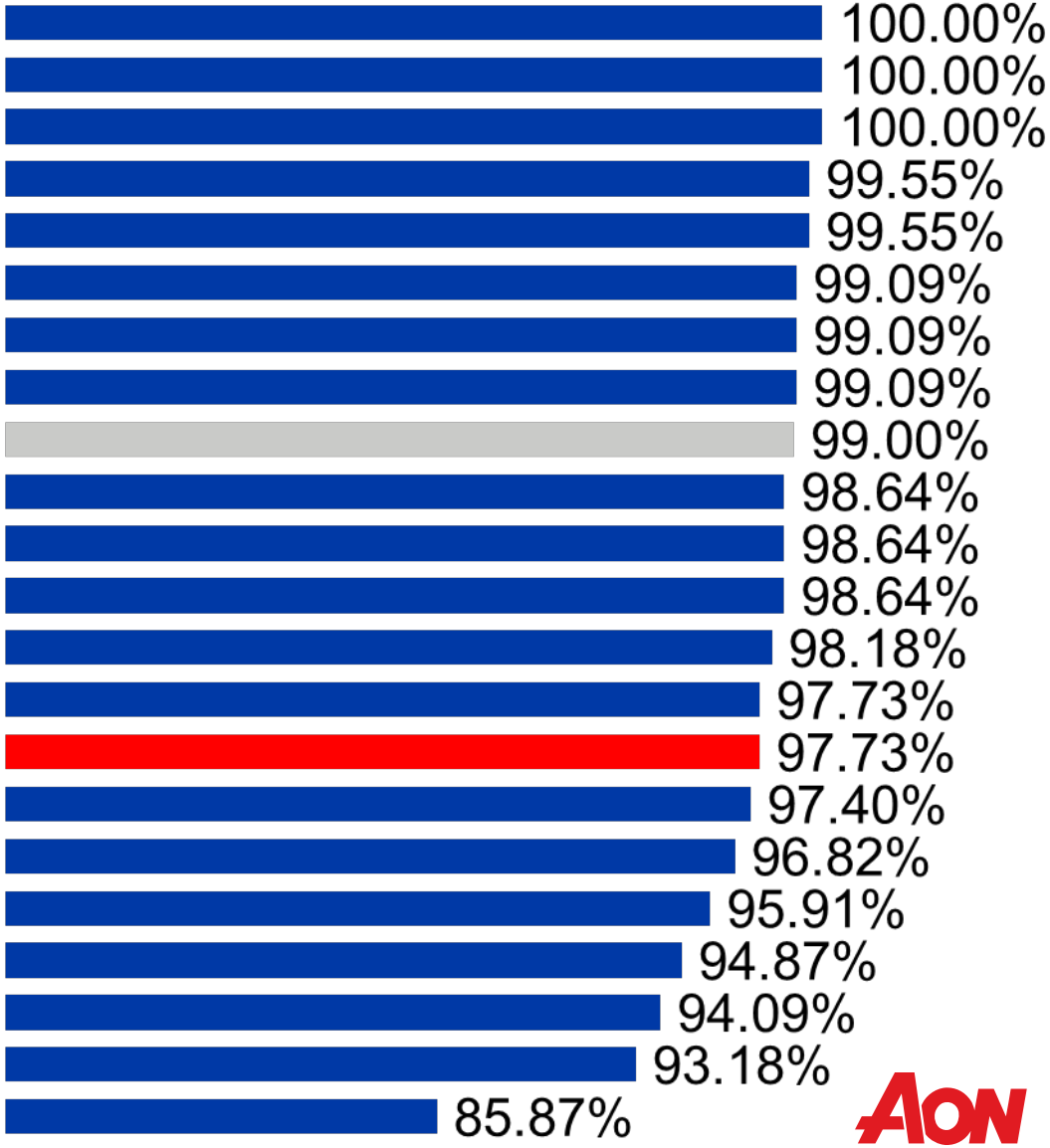
# Summary of Findings—Claim Audit

## Comparative Results (continued)

**30-Calendar Day Claim Turnaround:**

When comparing the results against Aon's 20 most recent claim audits, which include other administrators, **UHC's results ranked 13th**

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# Summary of Findings—Next Steps

We suggest CCSF take the following steps.

- A copy of the audit report will be sent to UHC and a written response will be requested to our audit findings and recommendations
- UHC should respond to each item contained in the Detailed Claim Audit Recommendations section of our report
  - The claim audit response also needs to address recommendations in the same order as this report
  - All responses should also include any root cause analysis, project plans, and/or impact reports
- Ask UHC to send the response to CCSF and Aon within two weeks of receipt of the report
- Meet with the appropriate UHC personnel assigned to CCSF and Aon to discuss the evaluation and audit, and the response to our report

# Summary of Findings—Next Steps (continued)

- Ask UHC to prepare a timetable for implementing agreed upon changes
- Establish a follow-up process to ensure that needed changes are made by UHC according to schedule and that these changes are working effectively

# Detailed Claim Audit Findings

## Claim Turnaround Time Results—Aon Standards

The following table provides additional information on the claim processing turnaround time for the 220 claims within our sample:

| Calendar Day Turnaround Time | | | Cumulative | |
|---|---|---|---|---|
| **Claims Processed:** | **Number** | **%** | **Number** | **%** |
| 7 days or less | 183 | 83.18% | 183 | 83.18% |
| 8 to 14 days | 25 | 11.36% | 208 | 94.55% |
| 15 to 21 days | 6 | 2.73% | 214 | 97.27% |
| 22 to 30 days | 1 | 0.45% | 215 | 97.73% |
| 31 days or more | 5 | 2.27% | 220 | 100.00% |
| **Total** | **220** | **100.00%** | **220** | **100.00%** |

# Detailed Claim Audit Findings

## Selection Strata Summary—**Claim Sample Statistics**

The following table provides additional information regarding the claim audit sample and findings:

| Statistical Category | All Sample Claims | Auto Adjudicated Claims | Stateside Manually Processed Claims* |
|---|---|---|---|
| Number of Claims | 220 | 159 | 61 |
| | | 72.27% | 27.73% |
| Total Charges Reviewed | $2,535,137.07 | $750,500.16 | $1,784,636.91 |
| | | 29.60% | 70.40% |
| Total Benefits Paid | $997,158.12 | $167,788.76 | $829,369.36 |
| | | [16.83%] | [83.17%] |
| % of Charges Paid | 39.33% | 22.36% | 46.47% |

** Claim had to be released by a claim processor*

# Detailed Claim Audit Findings

## Selection Strata Summary—**Claim Sample Statistics** (continued)

| Statistical Category | All Sample Claims | Auto Adjudicated Claims | Stateside Manually Processed Claims* |
|---|---|---|---|
| Total Number of Overpayments | 4 | 1<br>25.00% | 3<br>75.00% |
| Total Amount of Overpayments | $4,677.90 | $295.75<br>6.32% | $4,382.15<br>93.68% |
| Average Overpayment | $1,169.48 | $295.75 | $1,460.72 |

** Claim had to be released by a claim processor*

# Detailed Claim Audit Findings

## Selection Strata Summary—**Claim Sample Statistics** (continued)

| Statistical Category | All Sample Claims | Auto Adjudicated Claims | Stateside Manually Processed Claims* |
|---|---|---|---|
| Total Number of Underpayments | 1 | 0 | 1 |
| | | 0.00% | 100.00% |
| Total Amount of Underpayments | $3,750.00 | $0.00 | $3,750.00 |
| | | 0.00% | 100.00% |
| Average Underpayment | $3,750.00 | $0.00 | $3,750.00 |
| Gross Financial Error | $8,427.90 | $295.75 | $8,132.15 |
| | | 3.51% | 96.49% |
| Net Error | $927.90 | $295.75 | $632.15 |

** Claim had to be released by a claim processor*

# Detailed Claim Audit Findings—Paid Claims Data

## Selection Strata Summary—**Claim Sample**

- The following tables show the paid claim data for both the 220 claim sample as well as for all claims within the sample period:

Claims Incurred and Processed: January 1, 2016 – June 30, 2016

| Payment Strata | Submitted Amount | Paid Amount | # of Claims | % of Charges Paid |
|---|---|---|---|---|
| $0 | $27,837.49 | $0.00 | 30 | 0.00% |
| $.01 – $1,000.00 | 92,821.06 | 7,752.56 | 130 | 8.35% |
| $1,000.01 – $5,000.00 | 666,182.33 | 40,351.68 | 20 | 6.06% |
| $5,000.01 – $10,000.00 | 266,134.26 | 135,642.15 | 20 | 50.97% |
| $10,000.01 + | 1,482,161.93 | 813,411.73 | 20 | 54.88% |
| **Total** | **$2,535,137.07** | **$997,158.12** | **220** | |

*The Entire Population table is on the following page*

# Detailed Claim Audit Findings—Paid Claims Data

## Selection Strata Summary—**Entire Population**

Claims Incurred and Processed: January 1, 2016 – June 30, 2016

| Payment Strata | Submitted Amount [1] | Paid Amount [1] | # of Claims | % of Charges Paid |
|---|---|---|---|---|
| $0.00 | $52,686,470.24 | $0.00 | 32,678 | 0.00% |
| $.01 – $1,000.00 | $73,313,096.87 | $4,305,004.99 | 62,548 | 5.87% |
| $1,000.01 – $5,000.00 | $52,863,879.25 | $2,983,398.39 | 1,627 | 5.64% |
| $5,000.01 – $10,000.00 | $1,488,989.03 | $768,798.45 | 114 | 51.63% |
| $10,000.01 + | $9,152,201.55 | $4,907,751.48 | 137 | 53.62% |
| **Total** | **$189,504,636.94** | **$12,964,953.31** | **97,104** | |

*[1] This does not include any claims where the total paid amount was <0*

# Detailed Claim Audit Findings

## Root Cause of Errors

- The table below exhibits the root cause of the **in-sample errors** found during the audit:

### In-Sample Errors Summary

| Claim Errors | Processor Errors | | System Errors | Provider File Maintenance Errors |
|---|---|---|---|---|
| | Vendor | UHC | | |
| Overpayment Errors | 0 | 3 | 1 | 0 |
| Underpayment Errors | 0 | 1 | 0 | 0 |
| Nonpayment Errors | 0 | 0 | 0 | 0 |
| **Total In-Sample Errors** | **0** | **4** | **1** | **0** |

# Detailed Claim Audit Findings

## Root Cause of Errors (continued)

- The table below exhibits the root cause of the **out-of-sample errors** found during the audit:

### Out-of-Sample Errors Summary

| Claim Errors | Processor Errors | | System Errors | Provider File Maintenance Errors |
|---|---|---|---|---|
| | Vendor | UHC | | |
| Overpayment Errors | 0 | 0 | 0 | 0 |
| Underpayment Errors | 0 | 2 | 0 | 0 |
| Nonpayment Errors | 0 | 0 | 0 | 0 |
| **Total Out-of-Sample Errors** | **0** | **2** | **0** | **0** |

# Detailed Claim Audit Findings

## Root Cause of Errors (continued)

- The tables to the right state UHC's position on the assessment of the identified errors:

| In-Sample Claim Number | Plan | Agree / Disagree |
|---|---|---|
| 166 | Active | Disagree |
| 171 | Active | Agree |
| 182 | Active | Disagree |
| 195 | Retiree | Agree |
| 218 | Active | Agree |

| Out-of-Sample Claim Number | Plan | Agree / Disagree |
|---|---|---|
| 36 | Retiree | Disagree |
| 169 | Retiree | Agree |

# Detailed Claim Audit Findings

## In-Sample Errors—Overpayments

- We identified 4 overpayments, totaling $4,677.90

**Summary of Errors—Overpayments**

| Reason | Frequency | Dollar Value | Claim Number |
|---|---|---|---|
| Incorrect Allowable Amount Applied | 2 | $300.15 | 166, 195 |
| Incorrect Benefit Level | 2 | $4,377.75 | 171, 182 |
| **Total** | **4** | **$4,677.90** | |

*Error Details on the following pages*

# Detailed Claim Audit Findings

## In-Sample Errors—Overpayments (continued)

**Error Description:**

- Two errors, $300.00 on claim 166 and $0.15 on claim 195, occurred when an incorrect discount was applied

| Error Reason | Current Status |
|---|---|
| In both instances, a claim processor applied the wrong provider contracted amounts to the claim. | UHC is reviewing these errors and will provide an update as soon as possible. |

# Detailed Claim Audit Findings

## In-Sample Errors—Overpayments (continued)

**Error Description:**

- Errors in the amounts of $4,082.00 on claim 182 and $295.75 on claim 171 were assessed when out-of-network charges were paid at the in-network benefit level

| Error Reason | Current Status |
|---|---|
| On claim 182, a claim processor incorrectly allowed diagnostic services, performed in a mobile X-ray unit, to pay at the network benefit level.<br><br>In the case of claim 171, a provider billed for two services performed in an ambulatory surgical center. The system allowed one service to pay out-of-network and the second service to pay in-network. | UHC is reviewing these errors and will provide an update as soon as possible. |

# Detailed Claim Audit Findings

## In-Sample Errors—Underpayments

- We identified 1 underpayment, totaling $3,750.00

**Summary of Errors—Underpayments**

| Reason | Frequency | Dollar Value | Claim Number |
|---|---|---|---|
| Incorrect Benefit Level | 1 | $3,750.00 | 218 |
| Total | 1 | $3,750.00 | |

*Error Details on the following page*

# Detailed Claim Audit Findings

## In-Sample Errors—Underpayments (continued)

**Error Description:**

- Claim 218 was assessed an error for $3,750.00 when charges were paid at the incorrect benefit level

| Error Reason | Current Status |
|---|---|
| Under the CCSF Active plan, services related to an emergency room (ER) visit are paid at the in-network benefit level regardless of the facility's network status.<br><br>In this instance, a member was seen at an out-of-network ER and directly admitted to the hospital. UHC paid the ER claim correctly, however, allowed the hospital claim to pay out-of-network. Since the member had no choice, charges should have been paid at the in-network benefit level. | UHC is reviewing this error and will provide an update as soon as possible. |

# Detailed Claim Audit Findings

## In-Sample Errors—Nonfinancial Errors

- We did not identify any nonfinancial errors during the course of this audit.

# Detailed Claim Audit Findings

## Out-of-Sample Errors

- We identified 2 out-of-sample errors—while these errors are not included in our calculation of the statistical audit results, they are included here as commentary to give a more comprehensive view of UHC's management of the CCSF plans

**Summary of Errors—Out-of-Sample**

| Reason | Error Type | Frequency | Dollar Value | Claim Number |
|---|---|---|---|---|
| Eligible Charges Denied | Underpayment | 2 | $1,261.71 | 36, 169 |
| **Total** | | **2** | **$1,261.71** | |

*Error Details on the following page*

# Detailed Claim Audit Findings

## Out-of-Sample Errors (continued)

**Error Description:**

- Two errors totaling $1,261.71 were assessed when eligible charges were denied

| Error Reason | Current Status |
|---|---|
| An error on claim 36 for $166.91 occurred when a processor denied a cardiovascular procedure for medical records even though Medicare paid the service.<br><br>In the case of claim 169, a $1,091.80 error was assessed when a processor denied an inpatient hospital claim requesting a correct diagnosis code. Since the diagnosis code was an eligible ICD10 code, the standard list of diagnoses, Aon maintains the claim should have been paid. | UHC is reviewing these errors and will provide an update as soon as possible. |

# Detailed Claim Audit Findings

## Commentary

### Claim Audit Recommendations

1) UHC should provide CCSF with the status of errors identified by Aon, as well as the status of any overpayment/underpayment activities.
2) Steps should be taken to ensure the processors responsible for errors identified during this audit receive feedback and training concerning the claim issues discovered during the review. Once training is complete, UHC should advise CCSF of the type of training provided to each processor involved, as well as the date training was completed.
3) For the system issues identified during this review, facility management should advise CCSF when the system updates will be completed, provide the dates of the corrections and advise how all affected member files will be addressed. The total number of claims impacted by these issues and the overall financial impact should be reported in the response to this report.

# Claims Audit Evaluation Methodology

- Aon's audit sample consisted of a random, stratified sample of 220 claims
  - The sample size of 220 claims has a statistically valid confidence level of 95%, with an interval of 3.75%, that any similarly selected sample will produce similar results
- We classify errors by category according to the financial consequences of the errors
  - Payment Errors—include benefit payments issued for a different dollar amount than what should have been paid, issued to an incorrect payee, or issued for the incorrect patient; payment errors are quantified as overpayments and underpayments
  - Nonpayment Errors—include errors that do not affect the dollar accuracy of the payment or cannot be quantified as a dollar amount at the time of our audit

# Claims Audit Evaluation Methodology (continued)

- Aon measures claim processing performance based on the following four standards:
  - Financial Accuracy—is calculated by taking the total benefit dollars paid in the population, minus the sum of the weighted absolute value of overpayments and underpayments identified from the sample, divided by the total dollars paid in the population; Aon's minimum satisfactory goal is 99.3%
  - Overall Accuracy—is a frequency measure of all error types; this is measured by dividing the weighted number of claims processed without any type of error by the total number of claims in the population; Aon's minimum satisfactory goal is 96.0%

# Claims Audit Evaluation Methodology (continued)

*Bullet is continued from previous page:*

- Aon measures claim processing performance based on the following four standards:
  - Payment Accuracy—measures the frequency of payment errors by dividing the weighted number of correct benefit payments by the total number of payments in the population; Aon's minimum satisfactory goal is 97.5%
  - Turnaround Time—measures the time elapsed from the date all information necessary to process a claim is received to the date the claim is processed; only the received date, not the processed date, is included in our calculation; Aon's minimum satisfactory goal is 92.0% in 14 calendar days and 99.0% in 30 calendar days

# Claims Audit Evaluation Methodology (continued)

*Continued from previous page:*

- Errors that are discovered during the course of auditing a claim, but were made on claims outside of the audit sample, are considered to be out-of-sample errors
  - Out-of-sample errors are categorized as payment and nonpayment errors, but are not included in our calculation of the statistical audit results
  - These errors are, however, noted in this report as a means of evaluating the overall accuracy and efficiency of claim processing

# Legal Disclaimer

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