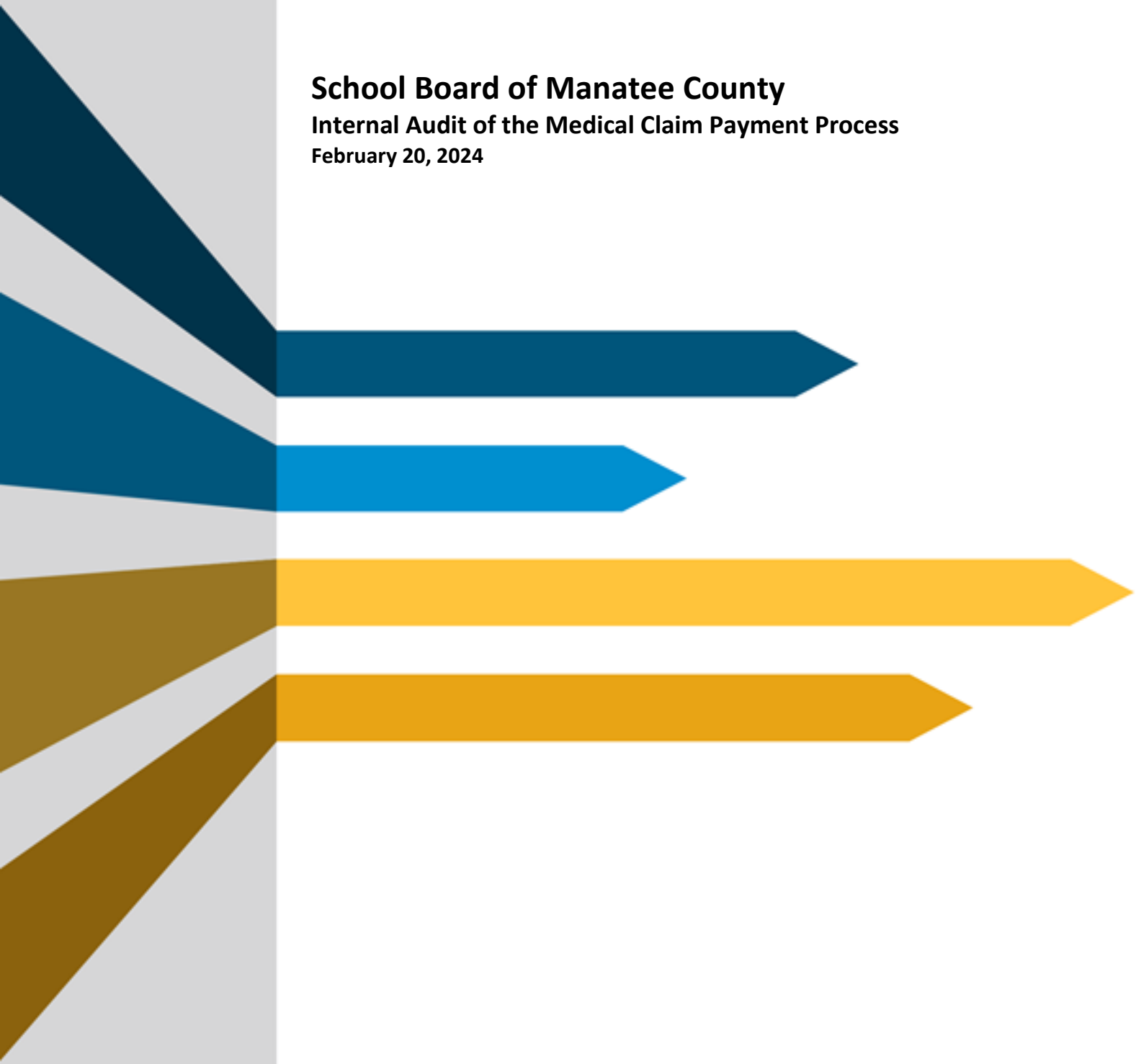
School Board of Manatee County

Internal Audit of the Medical Claim Payment Process

February 20, 2024



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February 20, 2024

Audit Committee and School Board of
Manatee County
215 Manatee Ave. W.
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Pursuant to the approved 2023/2024 internal audit plan, we hereby submit the Internal Audit of the Medical Claim Payment Process. We will be presenting this report to the Audit Committee at the next scheduled meeting on March 6, 2024.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the observations and testing results related to our internal audit of the Medical Claim Payment Process.
Background	This provides an overview of the components of the Medical Claim Payment Process.
Objectives, Scope, and Methodology	The internal audit objectives and focus are expanded upon in this section as well as the period of our methodology and areas evaluated.
Testing & Results	This section documents the testing performed and results of our internal audit procedures.

We would like to thank all those involved in assisting the Internal Auditors in connection with this audit.

Respectfully Submitted,

Carr, Riggs & Ingram, LLC
Internal Auditors

An internal audit of the Medical Claim Payment Process was included on the 2023/2024 approved Audit Plan. The District's medical plan is self-insured and administered by Meritain Health (Meritain). Meritain is a subsidiary of Aetna and is one of the nation's largest administrators of health benefits. Meritain processes the service provider claims and then bills the District for payment. Once Meritain receives the funds, then they make payments to the service providers. The internal audit did not include testing of the validity of claims and associated benefits, but rather an analysis and comparison of District Records and Meritain records. Meritain started providing administrative services for the self-insured plan on January 1, 2022.

The period from January 1, 2022 through December 31, 2022 (calendar year 2022), was reviewed during this internal audit. Per the Meritain contract, the District has a right to audit for up to one (1) year following the period end, therefore the audit for the 2022 calendar year must be complete by December 31, 2023. In order to evaluate the payments made by the District through Meritain to service providers, the District requested an internal audit of medical claim payments. We interviewed personnel, conducted walkthroughs, obtained documentation, analyzed data, and performed testing. We developed an internal audit program that addressed the following related functions:

- Medical Claim Payments
- Check Registers
- Explanation of Benefits
- Duplicate Claims
- ACH Payments

There were 90,729 claims for $37,533,169 processed for the 2022 calendar year based on the monthly check registers. Upon discussion with the Deputy Superintendent of Business Services, a sample size of fifty (50) was used and selections were made based on an analysis performed of the claim dollar amount and number of claims for different claim dollar ranges. For each paid claim, the data on the check register was successfully traced to the corresponding Explanation of Benefits (EOB) therefore confirming that the amount paid to the medical service provider, through Meritain, was properly supported. We selected two (2) months during the 2022 calendar year and traced all ACH payments submitted to Meritain matched the check register amounts for those months without exception. However, when performing the analysis of Duplicate Claim Payments we noted an exception. The specific test steps, can be found at Appendix A. The following is a summary of the area that should be addressed:

MCP-1 Duplicate Claim Payments – Moderate (Page 7)

Using the check registers for claims during the 2022 Calendar Year, a match was performed for the following fields of each claim to identify possible duplicate payments:

- Incurred Date
- Employee ID
- Payee ID
- Amount

The match analysis performed resulted in 547 total matches. After discussion with the Deputy Superintendent of Business Services, it was determined that testing would be performed on 10 matches (20 claims total). Four (4) out of the ten (10) selections were deemed to be duplicate payments per responses from Meritain, for a total of $8,834.30. Due to the number of discrepancies from the original duplicate claim payments testing, and per discussion with the Deputy

Superintendent of Business Services, additional testing was performed for possible duplicate payments for an additional 20 matches (47 claims- some matches resulted in multiple claims). Four (4) out of the twenty (20) selections were deemed duplicate billings per responses from Meritain, for an additional of $1,201.07. In all, eight (8) out of the thirty (30) duplicate claim payment matches resulted in duplicate claim payments totaling $10,035.37, which calculates to 0.0267% of the total claims paid during the 2022 Calendar Year.

Critical	Such an issue would be expected to receive immediate attention from Management, but must not exceed 30 days to remedy from the final Audit Report date.
High	Such an issue would be expected to receive urgent corrective action by Management, and must be completed within 60 days of final Audit Report date.
Moderate	Such an issue would be expected to receive corrective action from Management, and must be completed within 90 days of final Audit Report date.
Low	Such an issue does not warrant immediate attention but requires corrective action by Management, and must be completed within 120 days of final Audit Report date.

APPENDIX A

BACKGROUND

Premium payment deductions are taken out of employee paychecks for the employee portion of the health premiums. The District share of the health premium is also calculated each pay period. The total premiums (employee and District) are then transferred to a trust account. Meritain sends a secure email every Tuesday with the claim payments to several District staff, including the Benefits, Accounts Payable and Finance Departments. The Finance Department logs in to a portal and downloads the check register from Meritain that contains the details of the medical claims within the past week that are ready for funding.

The Employee Benefits Administrator receives a detailed check register that contains additional information, such as employee name, patient name, and reviews for any high-cost claimants. There is an average of 1,800 claims per check register. The Employee Benefits Administrator then communicates at the District's Healthcare Insurance Committee (HIC) meetings any high cost claims to identify current and possible further significant costs to the self-insurance plan. The Employee Benefits Administrator has 3 to 4 days prior to Meritain processing the ACH debit to review the check register and inquire about any claims.

The Employee Benefits Administrator approves the invoice for payment by the Accounts Payable Department for ACH. Meritain processes the ACH debit and this amount is charged to the District's concentration account. The Finance Department verifies that the ACH debit amount equals the Meritain check register amount, and also keeps an Excel spreadsheet log of the payments schedule, so the Finance Department can forecast for cash management when the ACH payment will be charged to the concentration account.

Aetna uses an auto adjudication system that follows the Plan Document (source of truth) using benefit codes tied to diagnosis and procedure coding under the Aetna network pricing system. Per Management, due to the lag in processing and the fact that there are typically multiple providers/charges with various process dates included in a claim, reconciling specific invoices or checks against a member's claim is not practical. Aetna's network pricing system checks to see if a provider is in-network, then Meritain's system automatically sends those claims to be repriced by the Aetna repricing team. This ensures Meritain is applying the appropriate contractual terms for allowable charges.

If the provider is not in-network, the claim follows a different path for allowable pricing. Meritain's cost management process for Out of Network claims is tiered, so that first the system looks for a network discount. If this is not available, Meritain attempts to negotiate a discount with the provider to accept and not balance bill the member. Precision Benefits Services (PBS) is a company within Aetna that negotiates the payments of claims to Out of Network Providers.

During the 2022 Calendar Year, there were 90,729 claims paid for a total of $37,553,169, broken down by month as follows:

2022 Medical Claims		
Month	Claims	Total
Jan-22	2,938	$363,819.78
Feb-22	4,775	$879,257.28
Mar-22	5,616	$1,220,111.33
Apr-22	6,340	$1,980,840.08
May-22	13,517	$5,963,445.53
Jun-22	7,818	$2,981,553.66
Jul-22	8,382	$3,429,598.58
Aug-22	10,438	$5,481,953.45
Sep-22	7,309	$3,035,414.89
Oct-22	8,173	$5,031,471.88
Nov-22	7,497	$2,898,615.10
Dec-22	7,926	$4,287,087.89
Grand Total	**90,729**	**$37,553,169.45**

OBJECTIVE

The primary objective of this internal audit was to assess medical claim payments made from the District's self-insured medical plan to medical providers for claims processed by Meritain.

SCOPE

Our internal audit scope for the Medical Claim Payments was for the 2022 Calendar Year, January 1, 2022 through December 31, 2022.

METHODOLOGY

We interviewed personnel, conducted walkthroughs, obtained documentation, analyzed data, and performed testing. We developed an internal audit program that addressed the following related functions:

- Medical Claim Payments
- Check Registers
- Explanation of Benefits
- Duplicate Claims
- ACH Payments

TESTING & RESULTS

Medical Claim Payments

There were 90,729 claims for $37,533,169 processed for the 2022 calendar year. Upon discussion with the Deputy Superintendent of Business Services, a sample size of fifty (50) was requested and used. The selections were made based on the analysis performed below:

Claim Amount Category	Number of Claims	% of Number of Claims	Dollar Amount of Claims	% of Dollar Amount of Claims	Number of Selections for Testing
Over $20,000	254	0.28%	$ 12,360,612.21	32.91%	18
$5,000 to $20,000	811	0.89%	$ 8,106,329.17	21.59%	10
$500 to $5,000	6,149	6.78%	$ 8,179,304.18	21.78%	10
Under $500	83,515	92.05%	$ 8,906,923.89	23.72%	12
	90,729		**$ 37,553,169.45**		**50**

For each selection, we obtained the Explanation of Benefits (EOB) and performed the following testing:

1) Payee Name on Check Register matches EOB
2) Claim Number on Check Register matches EOB
3) Employee Name on Check Register matched EOB
4) Patient Name on Check Register matches EOB
5) Amount Paid on Check Register matches EOB

We reviewed an additional five (5) claims from Precession Benefits Services (PBS) as these are billed in aggregate and in a single line item for multiple Out of Network Claims. We obtained the EOB for the five (5) selections and discussed with the Deputy Superintendent of Business Services. Reports were provided to the Deputy Superintendent of Business Services to show the cost savings made through negotiations of claims, she determined based on the information received from Meritain that no additional testing was necessary.

Conclusion: For all fifty (50) claims tested, information on the check register, including dollar amount to be paid to the service provider, agreed to the supporting Explanation of Benefits. No exceptions noted.

Duplicate Claims

Duplicate Claim Numbers

Using the check registers for claims paid during the 2022 Calendar Year, a duplicate claim number match was performed for all 90,729 claims.

Conclusion: There were no duplicate claim numbers identified, therefore all claims on the check register had unique claim numbers. No exceptions noted

Duplicate Claim Payments – Round 1

Using the check registers for claims during the 2022 Calendar Year, a match was performed for the following fields of each claim to identify possible duplicate payments:

- Incurred Date
- Employee ID
- Payee ID
- Amount

The match performed resulted in 547 total matches. After discussion with the Deputy Superintendent of Business Services, it was determined that testing would be performed on 10 matches (20 claims total). The following procedures were performed:

1) For each claim we obtained the Explanation of Benefits and performed the following testing:

    1) Payee Name on Check Register matches EOB
    2) Claim Number on Check Register matches EOB
    3) Employee Name on Check Register matched EOB
    4) Patient Name on Check Register matches EOB
    5) Amount Paid on Check Register matches EOB

2) For each match, reviewed the EOB of each claim in the pair for possible duplications; such as Procedure/Revenue Code, Payee Name, Total Charges, Discount, notes, etc., and provided the noted duplications to Employee Benefits Administrator for inquiry with Meritain and received the responses from Meritain.

Conclusion: Four (4) out of the ten (10) selections were deemed to be duplicate payments per responses from Meritain, for a total of $8,834.30, with the largest duplicate payment at $7,960.00.

Duplicate Claim Payments – Round 2

Due to the number of discrepancies from the original duplicate claim payments testing, and per discussion with the Deputy Superintendent of Business Services, additional testing was performed for possible duplicate payments. An additional 20 matches (47 claims- some matches resulted in multiple claims). Selections were made based on certain attributes that were identified during the first round of testing. For example, different payee name but same payee number resulted in 3 of the 4 identified duplicate payments. Additionally, legitimate matches occurred in cases as it is common for certain medical procedures to require the billing of two (2) anesthesiologist or two (2) doctors.

The following procedures were performed during the second round of testing:

1) For each claim we obtained the Explanation of Benefits and performed the following testing:

    1) Payee Name on Check Register matches EOB
    2) Claim Number on Check Register matches EOB
    3) Employee Name on Check Register matched EOB
    4) Patient Name on Check Register matches EOB
    5) Amount Paid on Check Register matches EOB

2) For each match, reviewed the EOB of each claim in the pair for possible duplications; such as Procedure/Revenue Code, Payee Name, Total Charges, Discount, and notes, and provided the noted duplications to Employee Benefits Administrator for inquiry with Meritain and received responses from Meritain.

Conclusion: Four (4) out of the twenty (20) selections were deemed duplicate billings per responses from Meritain, for a total of $1,201.07.

Based on the testing of duplicate claim payments, the following recommendation is made:

MCP-1 Duplicate Claim Payments - Moderate

Condition: Eight (8) out of the thirty (30) potential duplicate claim payment matches resulted in actual duplicate payments totaling $10,035.37, which calculates to 0.0267% of the total claims paid during the 2022 Calendar Year.

Impact: The District paid twice for services performed by medical service providers. Per Meritain, a refund will be requested from the service provider. If the refund is not received, after one year the amount is written off as unable to recover. It is possible the District will not receive refunds of the duplicate payments.

Criteria: Payments should be made only once for services provided.

Cause: There is not a review process performed by the District, to identify duplicate payments. Responses provided from Meritain included that some of the duplicate claim payments were a result of being reprocessed or adjusted.

Recommendation: Management should perform the following:

1) Inquire and confirm with Meritain that any identified duplicate payment claims have been refunded by the service providers.

2) Perform a review of possible duplicate claim payments for the 2023 Calendar Year.

3) Determine the responsibility of the vendor to perform ongoing analysis or review of possible duplicate claim payments.

Management Response:

1) Robin Sallee at Meritain Health confirmed the claims have been closed due to no response, and/or the refund was received. As of February 27, 2023, the district received refunds totaling $6,981.77.

Per Denise McWilliams and Meritain Health's contract: Meritain Health will pursue overpayment and duplicate claims for one year. If the provider does not submit the refund the case is closed. This is industry standard and Meritain cannot take financial liability beyond the recovery efforts.

Meritain's internal auto adjudication system reviews multiple elements to identify duplicate claims, and if any of those elections are different [provider name, procedure code, billed amount, etc.], Meritain's system will identify it as a different claim; therefore, Meritain cannot guarantee every potential duplicate will be identified.

2) Brian Arnold / Denise McWilliams at Meritain Health provided a duplicate report showing the claims that were denied as a duplicate. From 1/1/2023 to 2/22/2024. They will provide a duplicate claims report annually, which is how Meritain's process is structured.

Brian Arnold / Denise McWilliams at Meritain Health have provided a refund report showing claims that have been adjusted and that Meritain has requested a refund for period 1/1/2023 to 2/21/2024.

3) Per Denise McWilliams at Meritain Health:

i. **Meritain has multiple system edits in place to identify claims that are incorrectly coded, unbundled, and/or billed as a duplicate.**
ii. **Duplicate billing is common based on providers' practice of rebilling at specific intervals if payment is not posted.**
   - **In most cases the duplicate is an identical match to initial billing, and easily caught and denied as duplicate.**
   - **Meritain's system keys on multiple elements to identify a duplicate, and if any of those elements are different [provider name, procedure codes, billed amount, etc.] the system will think it's a different claim; therefore, we cannot guarantee every potential duplicate will be identified.**
   - **In many cases the provider will advise if they've been overpaid, and we submit to the Adjustments Team to request a refund.**

- **Any duplicates brought to our attention are submitted to the Adjustments Team, as the action needed could be a full or partial refund request, or an additional payment based on a refiling.**
- **We follow-up 4 times to collect overpayments, then if not received they are referred to an outside agency for collection.**

- **Per Denise McWilliams at Meritain:**
- **Meritain will pursue overpayment refunds as noted in our contract [item #11 below]. Meritain will pursue for one year, and if the provider does not submit the refund, the case is closed. This is industry standard and Meritain cannot take financial liability beyond the recovery efforts.**
- **#11 Overpayments**
  - **a. Meritain shall reprocess any identified errors in Plan benefit payments (other than errors Meritain reasonably determines to be de minimis), and, subject to Applicable Law, seek to recover any resulting overpayment by attempting to contact the party receiving the overpayment twice via letter, phone, or email. Client may direct Meritain not to seek recovery of overpayments from Participants, and if so then Meritain shall have no further responsibility with respect to those overpayments. Meritain is not responsible for pursuing overpayment recovery through litigation.**
  - **b. If Meritain elects to use a third-party recovery vendor, collection agency, or attorney to pursue the recovery, the overpayment recoveries will be credited to Client less the Fees for non-subrogation recovery services as set forth under the Fee Schedule and Disclosures Exhibit. Client shall cooperate with Meritain in recovering all overpayments of Plan benefits.**

Responsible Party: See Above.

Estimated Completion Date: See Above.

ACH Payments

We selected two (2) months, March and October, from the 2022 Calendar Year and traced transactions from the monthly check register (claims to be paid) to the bank transaction report. We confirmed that the amounts on the check registers were the amounts charged by Meritain via ACH.

Conclusion: All amounts on the check registers traced to the bank transaction reports without exception.