

Due to an oversight in its automated COVID-related claims submission process, one of the largest teachers' retirement funds discovered it was vastly overpaying for claimants' hospital costs — an error it rectified to save \$500,000.

The challenge

During the pandemic, little to no direction was provided by the Centers for Medicare and Medicaid Services regarding COVID-related claims. As a result, many benefits administrators inadvertently waived advantageous cost-sharing options for non-COVID-related health issues, leading to a higher spend for self-insured clients.

Such was the case for a large teachers' retirement fund. Unbeknownst to the fund, non-COVID claims were routinely being paid with zero cost-sharing, a provision intended only for COVID-related claims, because of a flaw a previous vendor had unintentionally programmed into its claims payment system.

Our solution

Segal's Benefit Audit Solutions team — highly skilled professionals focused exclusively on vendor audit services — was engaged to investigate and resolve the issue in real time, drawing on deep experience in claims auditing for thousands of insured and self-funded plans.

We customized the audit to fit the client's needs and mapped out a six-step strategy. After executing a thorough review of programmed benefits for COVID-related claims, the Segal team quickly identified the problem. As a first action, Segal set up a meeting with the vendor and client to discuss how to proceed with the reprogramming of the system for future claims submissions.

Those conversations, in which Segal advocated on behalf of the client, focused on initiating coding improvements. Concurrently, our team performed a series of tests to isolate claims that had the greatest potential for high-dollar errors (and thus cost savings, because eventually they would be recovered and refunded to our client).

Segal implemented its strategy based on the findings of the analysis.

The results

Our audit uncovered a pattern of non-COVID-related claims paid with cost-share waiving due to an error in the vendor's claims system: it had been programmed to auto-adjudicate any claim presenting a cost-share waiving modifier.

One of those modifiers was a simple COVID test. Although it was routinely administered to anyone entering a hospital during the pandemic, it was enough to mark a non-COVID health issue as COVID by the system, even if it was an eye injury or snake bite (two examples in our audit results).

Our audit also revealed irregularities with the Diagnosis Related Grouping inpatient hospital readmissions — leading to the recapture of \$41,000 in COVID-related readmission funds.

As inpatient hospital admissions are high-dollar claims — and the problem could very well be broader than just COVID-related hospital readmissions — Segal's next step was to recommend that the fund ask the vendor to generate a financial impact report for all hospital readmission claims throughout the year.

It was ultimately this impact report that led to the discovery of almost \$500,000 in overpaid claims.

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