

May 21, 2008



## **EXECUTIVE SUMMARY OF HEALTH CARE CLAIMS AUDIT**

CHEIBA Trust (CHEIBA) sponsors a plan to provide health care benefits to its members. CHEIBA contracts with Anthem Blue Cross and Blue Shield (Anthem) to provide insurance and specific administrative services on behalf of the plan. Anthem engaged BMI Audit Services, LLC (BMI) to perform a random audit of CHEIBA claims paid between 5/1/2007 and 12/31/2007.

Tests were performed on a sample of 100 claims selected on a stratified random sampling basis for claims processed by Anthem. The number of claims selected within each payment strata were consistent with the number of claims occurring in the strata proportionate to the total number of claims.

Consistent with the Scope of Services agreed to by Anthem on CHEIBA's behalf, we:

- ◆ Performed a comprehensive detailed on-site claims audit of the 100 claims selected. During the on-site audit, Anthem's adjudication accuracy for each audit sample was evaluated relative to documentation of details including claimant eligibility, provider status, duplicate payment potential, covered service, limited service, excluded service, coordination of benefits potential, and other party liability potential.
- ◆ Testing for each sample included verification of the electronic data we received from Anthem, including the claim detail described above as well as the eligibility information relative to effective dates, termination dates, date of birth, relationship, and full-time student status of the claimants. This information was also cross-checked with the information provided by the health care providers who submitted the claims being reviewed.
- ◆ Requested that Anthem respond in writing with its comments and either agreed with the audit findings or stated its support for payment of the claim(s) in question.
- ◆ Summarized our audit findings including supporting rationale for our assertion of errors.

A draft report of potential findings was provided to Anthem's authorized staff and consultants for further review and follow-up responses. The goal of such follow-up activities was to seek rebuttal-type responses from Anthem relative to documentation of its benefits payment decisions. With very few exceptions (two), Anthem provided satisfactory responses to our potential findings with agreed error amounts totaling \$151.28.

Based on our review, we were not alerted to systemic issues that would result in ongoing payment errors if left uncorrected. From our audit activities, we concluded that Anthem is performing in a very satisfactory manner in terms of benefit payment accuracy. We did not test participant satisfaction with Anthem's administrative services.

Such satisfactory due diligence findings are somewhat rare, and should be perceived by CHEIBA as extremely favorable. A clean audit report validates the efforts of CHEIBA staff and its advisors in selecting a vendor who is properly staffed, equipped, and trained to make accurate decisions on behalf of the CHEIBA Trust health care benefits plan.