

Insurance Audit Committee
October 1, 2020
1:30 pm

The State, Local Education and Local Government Insurance Audit Committee met on October 1, 2020 at 1:30 pm via WebEx.

Committee members participating:

Treasurer David Lillard, Chair
Rob Chance, State Insurance Committee representative
Maryanne Durski, Local Education Insurance Committee representative
Kevin Krushenski, Local Government Insurance Committee representative

Treasurer Lillard called the meeting to order at 1:30 and a roll call noted that a quorum was present.

Agenda Item 1 – Approval to Meet Electronically

Christa Martin, Director of Financial Management and Program Integrity, Benefits Administration (BA) read the Electronic Participation Statement. Treasurer Lillard made a motion that the Committee approve meeting electronically in accordance with Governor Lee’s Executive Order 60. Mr. Krushenski seconded the motion which passed with the following roll call vote:

Lillard	yes	Chance	yes
Durski	yes	Krushenski	yes

Agenda Item 2 – Approval of Minutes of January 24, 2020

Mr. Krushenski made a motion that the January 24, 2020 meeting minutes be approved as presented. Mr. Chance seconded the motion which passed with the following roll call vote:

Lillard	yes	Chance	yes
Durski	yes	Krushenski	yes

Agenda Item 3 – Financial Activity Report Review

Ms. Martin presented the Financial Activity Report for the period July 1, 2019 through June 30, 2020 for the following plans: State, State OPEB, Local Education, Local Government and Medicare Supplement. Members were advised that balances for all applicable plans were above the CY 2020 Target Solvency Reserve amounts. For the State Plan, Ms. Martin noted that the net revenue/expenditures contained the amount reduced due to the premium holiday. All plan experienced lower spending due to a reduction in claims associated with COVID-19. In response to member inquiry, Ms. Martin noted that there had been an increase within the past two months for preventative and elective procedure costs; however not to the level of pre-COVID-19 expenditures. With the plans intentionally spending down fund balances and with the premium increase in January, Mr. Krushenski requested that staff continue to review the spend down plan. Laurie Lee, Executive Director, BA, informed members that Aon, BA’s contracted actuary, would be re-forecasting in November for claims paid through August and would be better able to review post COVID-19 experience.

Agenda Item 4 – Management’s Communication to Employees Concerning Fraud

Ms. Martin shared the May 1, 2020 memo from Deputy Commissioner Eugene Neubert relative to Employee Responsibility for Identifying Fraud. In the memo, employees are reminded of the framework for spotting high-risk fraud situations and their responsibility to report fraud to their supervisor, F & A Internal Audit or the Comptroller’s Office.

Agenda Item 5 – Calendar Year 2019 Program Integrity Monitoring Activities

Ms. Martin advised members of the 2019 monitoring activities of BA’s Program Integrity staff which included the following reviews:

- Claims Payment Turnaround
- Duplicate Claims
- Denied Claims
- Pended Claims
- Internal Provider Complaints

Ms. Martin noted that BA reviewed the attributes used by both carriers to measure performance guarantees required for claims payment and processing accuracy as well as claims payment turnaround and determined that these attributes were appropriate. Below is a summary of each of the reviews conducted:

Claims Turnaround Review

For this review, BA monitors all paid claims to ensure that all network providers are reimbursed within 14 days for 92% of clean claims and within 30 days for 98% of all claims. For calendar year 2019, the total number of claims reviewed was 3,006,776 with 99.38% processed within the 30-day criteria for all claims.

Duplicate Claim Review

BA conducts a quarterly review of all claims to determine if there are any areas of concern relating to processing and payment of duplicate claims. Based on the review of the facility and professional claims by the carriers, it appears that the carriers are not allowing duplication of claims payment outside of reason.

Denied Claims Review

Each quarter, BA conducts a review of a random sample of 25 denied claims from each carrier to determine whether claims are appropriately denied. Based on information reviewed, it appears that the claims are being denied appropriately for the claims sampled.

Pended Claims Review

BA reviewed pended claim monthly to determine how quickly both carriers are resolving these claims. Reasons for pended claims include waiting on coordination of benefit information, no pre-authorization match, special review for certain benefits or high dollar claims and claims that require additional information. Based on the 2019 review, BA determined that the carriers are resolving pended claims in a timely manner.

Internal Provider Complaints Review

BA conducts a quarterly review of a random sample of ten appealed claims to review each carrier's internal policies for handling appeals. Based upon the 2019 review, BA determined that the carriers are following their internal appeals procedures.

Agenda item #6 – Comprehensive Annual Financial Reports (CAFR) Related Audits

Members were advised that the State, Local Education and Local Government Plans had no findings in the CAFR. Ms. Martin noted that this was the first year of the OBE Trust Audit as the Trust was initially established January 1, 2019. For the OPEB Trust Audit, Ms. Martin stated that although the Audit Report had not been released, BA had been advised that there would be no findings and would have an unmodified opinion.

Agenda Item #7 – Discussion of Audit Plan

Ms. Martin reported that BA had conducted extensive research for best in class audit practices among public and private entities as well as reviewing audit policies of other state and local government agencies. Additionally, BA had engaged Aon as well as the National Academy for Health Policy in their research and will present recommendations to the Audit Committee for an audit plan for the state sponsored health plans at a future meeting.

Agenda Item #8 – Review of Pharmacy Benefits Management (PBM) Audit and Monitoring Report

In accordance with Public Act 408 of the 108th General Assembly, BA provides an annual report on the PBM's compliance with the PBM contract on or before July 1st to members of the General Assembly. In its most recent report, Ms. Martin noted that the review of eligibility of beneficiaries for pharmacy claims paid did not note any material, consistent findings. Committee members were directed in the report to considerations of other industry related risks to reduce the risk of financial losses due to fraud. BA had identified a potential risk associated with individuals abusing prescription narcotics or pain medications, commonly referred to as 'doctor shopping'. If CVS suspects abuse, an individual can be required to utilize a single pharmacy which allows the pharmacy to see in real time if a member is trying to fill more than a normal quantity of a medication or having multiple narcotics and/or pain medications prescribed by several different physicians.

Another potential risk identified by BA was the abuse of certain drug classes used to treat narcolepsy. BA has implemented a requirement for prior authorization prior to filling these medications. Additionally, BA has prior authorization requirements in place for any drug compound with a cost over \$300 and has also excluded coverage of certain topical agents, bulk powders and creams and pain patches not FDA-approved.

In response to member questions, Keith Athow, Director of Pharmacy Services, BA, noted that CVS continually reviews potential abuse and recommends prior authorization, quantity limits and step therapy as needed.

There being no further business for the public meeting, the Audit Subcommittee entered into Executive Session to review PBM Audit Reports and a discussion of the Attorney General Claims Review.

Respectfully Submitted,



Laurie S. Lee