

Minutes

Insurance Audit Committee
January 23, 2023
9:30 AM

The State, Local Education, and Local Government Insurance Audit Committee met on January 23, 2023 at 9:30 am in Conference Room D, Third Floor, William R. Snodgrass Tennessee Tower, Nashville, TN and via WebEx.

Insurance Audit Committee Members:

Present:

- Treasurer David Lillard, Chair
- Maryanne Durski, Local Education Insurance Committee representative
- Kevin Krushenski, Local Government Insurance Committee representative

Absent:

- Holly Girgies, State Insurance Committee representative

Treasurer Lillard called the meeting to order at 9:30 a.m. (CST) and a quorum was established. All attending members were in the room.

Agenda Item #1 – [Action] Approval of Minutes from August 25, 2022

Chairman Lillard called for a motion for the approval of the minutes from August 25, 2022 and a second. Motion moved by Mr. Krushenski and seconded by Ms. Durski, which passed with a unanimous voice vote.

Agenda Item #2 – [Action] Approval of 2023 Audit Committee Calendar of Events

Chairman Lillard called for a motion for the approval of the 2023 Audit Committee Calendar of Events and a second. Motion moved by Mr. Krushenski and seconded by Ms. Durski. The Chair asked if there was any discussion on this and asked the Benefits Administration (BA) staff for any comments. Christa Martin, Director of Financial Management & Program Integrity, remarked that calendar year from 2022 worked well and thus 2023 had no changes for the current calendar year. The 2023 Audit Committee Calendar of Events passed with a unanimous voice vote.

Agenda Item #3 – [Information Only] Review of Calendar Year 2022 Audit Committee Activities

Ms. Martin presented members with an updated 2022 Calendar of Audit Committee activities showing the completion of tasks and the dates when they were completed. Ms. Martin noted that the Insurance Committee would be updated on the Audit Committee's 2022 activities at its January 26th meeting.

Agenda Item #4 – [Information Only] Healthcare Horizons Audit Reports Review

Ms. Martin reminded members that the General Assembly appropriated one-time funding for the Attorney General's Office to competitively procure an audit firm to perform audits on the State Group Insurance Program's health Third Party Administrators (TPA). These are Cigna, Blue Cross Blue Shield of Tennessee (BCBST), and Optum. This procurement resulted in a contract between the Attorney General's Office and Healthcare Horizons. She reminded the Committee that the BCBST and Cigna reports were presented at the August 25, 2022 meeting. Ms. Martin introduced Randy King, President of Healthcare Horizons, who was in attendance by WebEx to present OPTUM's audit reports.

OPTUM Random Sample Report – Mr. King explained the process for stratifying the claims based on paid amount ranges and the claims selection process for the 300 claims selected. Healthcare Horizons tested each claim for processing accuracy, payment accuracy, and financial accuracy. All measures resulted in an accuracy rate above 99%. Healthcare Horizons noted one finding within those random sample claims related to the calculation of out-of-pocket maximums. Since the State, Local Education, and Local Government Plans (Plans) have behavioral health and pharmacy benefits carved out from the medical benefits, all of the member cost sharing for these benefits are accumulated into one. Timing differences exist due to coordinating the reporting of the member cost share. Healthcare Horizons recommends a final reconciliation of member cost sharing.

OPTUM Targeted Report – Mr. King explained that the targeted report examined all of the claims paid during the audit period looking for both overpaid claims and benefit exclusions based on the Plan Document. Healthcare Horizons submitted 300 targeted claims that required additional information from OPTUM. The total amount of recoverable claims was approximately \$40,000.

The Committee members requested Benefits Administration follow-up with the medical TPAs to determine the processes for calculating shared accumulators and reconciliations performed.

Agenda Item #5 – [Information Only] Benefits Administration's Follow-up on BCBST & Cigna Healthcare Horizons' Audit Report

Ms. Martin discussed the follow-up Benefits Administration has conducted for the BCBST and Cigna random sample and targeted audits. She explained that staff had examined both the agreed upon and out of sample claims with the appropriate TPA. To date, Cigna and BCBST had corrected \$1,145,596.51 in claims. These includes corrections in favor of the Plan, member, or provider.

Agenda Item #6 – [Information Only] Resolution of Pharmacy Benefit Manager System Configuration Issue

Ms. Martin discussed the resolution of Caremark’s system configuration issue found by AON during an audit of CY 2018 rebates. Benefits Administration’s pharmacy benefits have a three-tiers of copays depending on the classification of drug filled at the pharmacy. Caremark’s system was incorrectly configured as a two-tier copay system versus a three-tier copay system, resulting in the Plans receiving lesser rebates than they should have. Caremark quantified the impact of the error and documented their methodology for this calculation. We asked Aon to verify that the methodology and the error impact calculation was reasonable. Caremark paid the Plans a total of \$39,358,000 as a resolution of this issue. In addition, Benefits Administration amended the contract to strengthen the contract language in a situation of breach of contract.

Agenda Item #7 – [Information Only] Comptroller Office Audit Reports Review

Tabitha Furlong, Audit Manager of the Comptroller’s Office, Division of State Audit, presented on the Comptroller’s FY 2022 Annual Comprehensive Financial Report – State Plan, FY 2022 Local Education Plan Audit Report and FY 2022 Local Government Plan Audit Report. She discussed the testing that their office performs. She noted that there no findings or weaknesses noted in any of these reports. The Committee complimented the staff on their consistent audit results.

Agenda Item #8– [Information Only] Financial Activity Report Review

Ms. Martin presented the Financial Activity Report Review for the period July 1, 2022-November 30, 2022. Members were advised that the Plans were in spend down mode as approved by the full Insurance Committees to reduce excess reserves. Ms. Martin noted that each Plan’s CY 2022 target solvency reserve continued to exceed the estimated plan balance as of the report date. Ms. Martin stated that staff continues to closely review the Plans’ finances.

Agenda Item #9 – [Information Only] Ongoing Audits/Engagements

Ms. Martin provided updates and answered questions concerning the following ongoing audits/engagements:

- Pre-Implementation Audits for 2023 Benefits – BCBST, Cigna, OPTUM, and Caremark
- Audits in support of the Pharmacy Benefit Manager Audit and Monitoring Report
- OPEB Trust and Census Engagements
- Centers for Medicare & Medicaid Services (CMS) Federal Targeted Desk Market Conduct Examination

Agenda Item #10 – [Information Only] Future Audits

Ms. Martin provided an update on the future audits Benefits Administration has engaged Aon to perform. These are:

- Audit of TPA adjudication system updates
- Random Sample Audit of TPAs for claims incurred in plan year 2022
- Implementation audits of any changes in plan years 2023 and/or 2024

There being no further business for the public meeting, the Audit Committee adjourned to enter into Executive Session pursuant to T.C.A. § 4-35-108.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Laurie S. Lee". The signature is written in a cursive, flowing style.

Laurie S. Lee