



# Healthcare Horizons

Consulting Group, Inc.



## CITY OF VIRGINIA BEACH OPTIMA HEALTH CLAIMS AUDIT REPORT

SEPTEMBER 17, 2014

# TABLE OF CONTENTS

Executive Summary _____	1
Process Overview _____	4
Areas of Testing _____	5
Site Visit Selection _____	11
Agreed Findings _____	12
Disputed Findings _____	16
Informational Findings _____	17
Conclusion _____	19
Appendix A _____	20
Appendix B _____	24
Appendix C _____	26
Contact Information _____	29
Company Information _____	29

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Executive Summary

The City of Virginia Beach engaged Healthcare Horizons to perform an audit of claims processed by Optima Health (Optima) for paid dates of January 2013 through March 2014. Healthcare Horizons received \$111,440,992 in paid claims data from Optima and performed a full electronic review of claims processing. Of this total amount, \$64,795,646 was paid for school membership and \$46,645,346 for city employees. The purpose of the audit was to identify claim errors resulting in incorrect payments and to assess underlying conditions contributing to any errors identified. Healthcare Horizons delivered 200 sample claims to Optima as potential errors (based on mining of the data) or higher-dollar items in need of review. A site visit was not necessary for the audit as Optima provided detailed responses to all of our inquiries.

Healthcare Horizons identified an agreed recovery amount of \$30,237 from the sample claims, representing an extremely low volume of errors given the overall size of the data set. The majority of sample findings are related to coordination of benefits, eligibility, and outpatient surgery pricing for one facility. The detailed results of all sample claims are presented in **Appendix A**. Based on the sample findings, Healthcare Horizons delivered out-of-sample claims with similar potential errors in the categories of ESRD, eligibility, and ER copayments. These out-of-sample claims have an estimated recovery potential of \$7,960 and are detailed in **Appendix B**.

The only disputed finding for the audit involves the pricing of assistant surgeon claims that are for physicians outside of the Optima network. Finally, Healthcare Horizons presents informational findings related to post-operative evaluations and food allergy testing.

The Optima response is included in its entirety as **Appendix C**. For ease of reference, Healthcare Horizons has inserted portions of the response within the body of this report and included final comments where necessary.

Our findings by category are summarized as follows.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## SUMMARY FINDINGS

Issue	Site Visit Agreed Recovery Amount	Site Visit Disputed Amount	Out-of-Sample Recovery Potential
Outpatient Surgery	\$3,101.00	\$0.00	\$0.00
Assistant Surgeon Pricing	\$0.00	\$25,200.00	\$0.00
Other Insurance	\$6,685.55	\$0.00	\$0.00
Paid Greater than COB	\$4,456.79	\$0.00	\$0.00
ESRD	\$1,485.45	\$0.00	\$3,531.33
Duplicates	\$773.24	\$0.00	\$0.00
Multiple Procedure Reductions - Surgery	\$1,945.31	\$0.00	\$0.00
Pre-Admission Testing	\$413.70	\$0.00	\$0.00
Post-Op	\$189.05	\$0.00	\$0.00
Eligibility	\$10,647.81	\$0.00	\$2,728.96
Copays - Diagnostic Testing	\$50.00	\$0.00	\$0.00
Copays - ER	\$300.00	\$0.00	\$1,700.00
Copays - Urgent Care	\$50.00	\$0.00	\$0.00
Copays - Outpatient Mental Health	\$40.00	\$0.00	\$0.00
Benefit Max - Outpatient Therapy	\$98.78	\$0.00	\$0.00
<b>Totals</b>	<b>\$30,236.68</b>	<b>\$25,200.00</b>	<b>\$7,960.29</b>

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

The following charts identify the findings between City and Schools:

## City

Issue	Site Visit Agreed Recovery Amount	Site Visit Disputed Amount	Out-of-Sample Recovery Potential
Paid Greater than COB	\$4,456.79	\$0.00	\$0.00
Duplicates	\$604.88	\$0.00	\$0.00
Multiple Procedure Reductions - Surgery	\$1,163.97	\$0.00	\$0.00
Pre-Admission Testing	\$186.85	\$0.00	\$0.00
Post-Op	\$189.05	\$0.00	\$0.00
Eligibility	\$6,834.47	\$0.00	\$2,168.51
Copays - ER	\$0.00	\$0.00	\$500.00
Copays - Outpatient Mental Health	\$40.00	\$0.00	\$0.00
<b>Totals</b>	<b>\$13,476.01</b>	<b>\$0.00</b>	<b>\$2,668.51</b>

## Schools

Issue	Site Visit Agreed Recovery Amount	Site Visit Disputed Amount	Out-of-Sample Recovery Potential
Outpatient Surgery	\$3,101.00	\$0.00	\$0.00
Assistant Surgeon Pricing	\$0.00	\$25,200.00	\$0.00
Other Insurance	\$6,685.55	\$0.00	\$0.00
ESRD	\$1,485.45	\$0.00	\$3,531.33
Duplicates	\$168.36	\$0.00	\$0.00
Multiple Procedure Reductions - Surgery	\$781.34	\$0.00	\$0.00
Pre-Admission Testing	\$226.85	\$0.00	\$0.00
Eligibility	\$3,813.34	\$0.00	\$560.45
Copays - Diagnostic Testing	\$50.00	\$0.00	\$0.00
Copays - ER	\$300.00	\$0.00	\$1,200.00
Copays - Urgent Care	\$50.00	\$0.00	\$0.00
Benefit Max - Outpatient Therapy	\$98.78	\$0.00	\$0.00
<b>Totals</b>	<b>\$16,760.67</b>	<b>\$25,200.00</b>	<b>\$5,291.78</b>

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Process Overview

Healthcare Horizons systematically reviews 100% of claims payments by the administrator on behalf of our clients via our proprietary electronic claims edits. A series of standard algorithms are utilized to identify potential areas of claims overpayments in areas such as eligibility, pricing, duplicates and medical edits. In addition, customized queries are created specific to each client based on variable factors such as benefits design.

Based on the results of our electronic analysis, Healthcare Horizons targets areas with significant overpayment potential based on the dollar amount and our experience with the categories in question. Many areas are resolved by Healthcare Horizons without inclusion in the claims sample due to low findings from the electronic analysis or our determination that the claims flagged are exceptions rather than errors. For the areas that warrant additional research, a sample of claims is selected for review during the site visit with the administrator. Within each category, Healthcare Horizons strives to select a sample that is representative of all claims identified for the particular issue and covers significant potential errors. The goal of the site visit is to work with the administrator to verify the presence of an error on each claim and to solidify the logic used to identify the claims for full reports. Healthcare Horizons recommends the delivery of additional claims beyond the site visit sample for review and recovery by the administrator if warranted by the site visit findings. For example, if Healthcare Horizons and the administrator agreed that nineteen of twenty eligibility claims were recoverable overpayments, Healthcare Horizons would deliver a full report from the entire data set meeting the same criteria.

Once an agreed listing of overpaid claims has been identified and placed into recovery by the administrator, Healthcare Horizons monitors the collections process to a point of completion that is satisfactory to both Healthcare Horizons and our client.

The following section describes the general areas of testing by Healthcare Horizons.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Areas of Testing

### DUPLICATE CLAIMS

Healthcare Horizons runs a series of duplicate claim edits across the claims data set to identify claims that have been billed and paid more than once. Healthcare Horizons identifies duplicate claims at both the claim level and individual procedure level. The duplicate claim queries vary with matches and mismatches on fields such as patient, provider, service date, billed charge, and procedure code. While most clients would expect duplicate claims to be rare, they are actually quite common in healthcare claims payments and usually result in recoveries on every project conducted by Healthcare Horizons.

### ELIGIBILITY

In addition to claims data, Healthcare Horizons requests a full eligibility file from the administrator in order to validate coverage on the service date. Employer groups often submit retroactive terminations to the administrator, resulting in an opportunity for overpayments unless the administrator has a process in place to identify and recover these claims. Every administrator should have a process for identifying and recovering claims affected by a retroactive termination as they are common in the claims industry. In addition to claims paid after the termination date, Healthcare Horizons identifies claims paid during a gap in coverage and claims paid without an eligibility record on file.

### CONTRACT AUDIT

Healthcare Horizons normally requests a review of the signed provider contracts for the top 30 utilized hospitals for each group. While on-site at the administrator, Healthcare Horizons uses the claims data to test pricing and other contractual terms present in the contract for all claims paid to that provider in the claims data set. Other terms in the contract may include readmissions, outpatient services on the day of admission, pre-admission testing, timely filing, and transfers.

Some administrators do not allow this type of comprehensive audit of provider contracts in which Healthcare Horizons tests all claims according to the terms present in the contracts. If this is not made available, Healthcare Horizons selects site visit sample claims to test pricing and the following items on a more limited basis.

- Readmissions - If provider contracts have Diagnosis-Related Group (DRG) case rate reimbursement, readmissions to treat the same illness may not be allowed if the patient is

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

readmitted within a certain number of days. This prevents facilities from being compensated a greater amount for an inappropriate discharge.

- **Outpatient Services on Day of Admission** - If a patient receives outpatient services such as an emergency room visit, and is later admitted on the same day, these charges should be combined with the inpatient claim according to most provider contracts. If the provider is reimbursed based on per diems or DRG case rate, no additional payment is made for the outpatient services.
- **Pre-admission Testing** - If a patient undergoes tests related to a scheduled admission within 24 to 72 hours, these services may be included with the inpatient claim and not paid in addition to the inpatient stay for per diem or DRG case rate reimbursement. Examples of these tests include lab work and a baseline chest x-ray.
- **Timely Filing** - Provider contracts often state that claims must be submitted to the administrator within a certain time period (such as one year) to be eligible for payment. Otherwise the claim should be denied and the patient is held harmless.
- **Transfers** - Provider contracts based on DRG case rate inpatient reimbursement often contain special pricing if the patient is transferred to another acute care hospital for treatment. Since the patient was transferred, the initial hospital is not due the full case rate amount to treat the illness. Transfer payments are often based on a specific per diem rate in the contract.

## ASSISTANT SURGEON

In some circumstances, a procedure may require the services of an assistant in addition to the primary surgeon. Healthcare Horizons tests two common areas of overpayments for assistant surgeons: pricing and coding. Assistant surgeons usually receive 20-25% of the normal fee schedule rate for the codes used with assistant modifiers. Healthcare Horizons utilizes the claims data to identify the payment to the primary surgeon and then isolates assistant surgeon claims paid greater than 20-25% of this rate. In our experience, this analysis yields a high rate of assistant surgeon lines that are overpaid. In addition, The Center for Medicare Services produces a publicly available listing of procedure codes for which it does not allow a payment for assistant surgery. These are services that, by their nature, do not lend themselves to requiring an assistant. Healthcare Horizons identifies assistant surgeon claims for these procedures as possible overpayments. Although this Medicare guideline is not a requirement that must be followed by commercial insurance carriers, most administrators should have some similar list of codes not payable for assistants.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## MULTIPLE PROCEDURE REDUCTIONS

When multiple services are performed in the same session, secondary procedures are priced at a reduced percentage (usually 50%) of the normal contract rate to account for economies and efficiency gained by not having to duplicate preparation of the patient for each procedure. Healthcare Horizons flags claims that may have missed this standard discount by reviewing the secondary procedure allowance in relation to the primary procedure allowance for the session of care.

## BENEFITS

Healthcare Horizons creates customized queries to model the benefits present in the summary plan documents (SPDs) provided by the employer group. Likely areas of testing for benefits are application of copayments and coinsurance, annual dollar or visit maximums, non-covered benefits, coordination of benefit rules, and other specific items flagged by our auditors as potential errors. A Healthcare Horizons auditor reviews the SPDs in full for each claims audit and selects the benefit areas where testing is possible. Some benefits do not lend themselves to systematic testing in the data and can only be reviewed on selected sample claims.

## PRICING

Healthcare Horizons takes steps to verify accurate pricing of certain claims in the data set such as high dollar, no discount, and those with variability in pricing. These steps are described further below.

Healthcare Horizons selects the highest paid claims in the data set to ensure correct pricing by the administrator. Often these claims are more complex, which raises the possibility of error.

Claims priced at billed charges with no discount are targeted for pricing verification. Given the broad networks of the larger administrators, as well as the availability of national rental networks, the majority of claims should receive some type of discount. Healthcare Horizons verifies that pricing was not missed in error on higher paid claims.

Healthcare Horizons profiles top facilities and establishes payment patterns and trends. Claims that fall outside of the normal patterns will be questioned for payment errors. This area is especially important if a contract audit is not available as part of the audit process.

Since Healthcare Horizons has found that pricing of claims is one of the largest categories of errors at many administrators, we take aggressive steps to identify as many potential errors as possible for detailed review.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## OTHER INSURANCE

The presence of other primary insurance usually reduces the payment due by the employer group if they are secondary. In some cases, a secondary policy will pay as primary, such as when primary benefits are exhausted or the primary policy does not cover a particular service. Healthcare Horizons utilizes the claims data to identify claims paid as primary that may have other insurance based on the following categories:

- Other Claims Paid as Secondary – Healthcare Horizons utilizes the claims data to create a date range for each patient where claims have been paid as secondary based on the presence of a coordination of benefits (COB) savings amount. Any claims paid within this date range without a COB amount may be questioned for the presence of other primary coverage.
- ESRD – After 33 months of treatment for ESRD, Medicare automatically becomes the primary insurer for the patient. Healthcare Horizons identifies patients with an extended period of treatment for ESRD to ensure the administrator is correctly tracking the Medicare primary effective date.
- COBRA – While exceptions do apply, Medicare should be the primary payer for members on COBRA coverage that are age-eligible for Medicare.
- Retirees – Medicare should be primary for members, age 65 and higher, on a retiree plan.

Healthcare Horizons also scrutinizes claims that are paid as secondary with a paid amount higher than that of the primary carrier. Normally, the secondary payment is lower than the primary plan payment as it likely only covers remaining member responsibility after the primary payment.

## FRAUD

Healthcare Horizons analyzes provider billing patterns to detect possible instances of fraud. While these cases may prove difficult to recover, it is important to identify these providers and stop future payments.

## HIGH UNITS

Healthcare Horizons queries the claims data for unit counts that are abnormally high for the procedure code billed. An error in units may cause the claim to default to billed charges as the fee schedule is multiplied by an incorrect unit count.

## MEDICAL EDITS

Healthcare Horizons applies medical edits to the claims data to identify mutually exclusive procedures and cases of procedure unbundling. Mutually exclusive edits identify procedure

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

combinations that cannot be reasonably performed on the same patient on the same day. Unbundling occurs when a provider bills multiple component codes versus a single comprehensive code, often resulting in higher reimbursement. Payers have much discretion over which medical edits to apply as there is not a commonly accepted group of these throughout the industry; therefore, Healthcare Horizons is generally looking for a reasonable application of a set of edits and questions selected claims that seem to be clear errors.

## OVERLAPPING INPATIENT

Healthcare Horizons identifies cases where patients have claims reporting that they are inpatient at different facilities for the same service date. These are often the result of provider billing errors or manual data entry mistakes.

## SUBROGATION

Healthcare Horizons queries the claims data for possible subrogation opportunities where third party liability (TPL) may exist. A common example is medical services related to an auto accident where the auto insurer is liable for a portion of the medical claims. These claims are identified via accident-related diagnosis codes.

## HOSPITAL MISTAKES

Many payers across the country have adopted policies to investigate and subsequently deny payment for hospital mistakes and avoidable conditions, such as objects left in patient during surgery, fractures incurred in the hospital, blood incompatibility, and certain types of infections. Healthcare Horizons examines the claims data for these types of hospital errors and expects recovery opportunities for these errors as more administrators adopt such policies.

## COSMETIC SURGERY

Healthcare Horizons maintains a listing of procedure codes that may be considered as cosmetic, but judgments on these claims are highly subjective. Healthcare Horizons is usually looking at the total paid for these types of codes to make sure it is not excessive. If any of these claims are selected for the sample, we request that the administrator provide evidence that the claim was considered for medical review and that reasonable review took place. Medical necessity issues such as cosmetic surgery are not areas that result in significant recovery, but can be issues that our clients want to address proactively for future cost savings.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## REINSURANCE

If the employer group has stop loss or reinsurance coverage, Healthcare Horizons utilizes the claims data to identify members that should have resulted in a credit due back to the group. Healthcare Horizons verifies with the administrator that the credits have been issued to the group.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Site Visit Selection

The following chart details the composition of the site visit claims selection as well as the errors identified during the site visit.

### SELECTION

Issue	Audit Items	Agreed Recovery		Disputed	
		Items	Amount	Items	Amount
Pricing	5	0	\$0.00	0	\$0.00
Transfers	8	0	\$0.00	0	\$0.00
Outpatient Surgery	1	1	\$3,101.00	0	\$0.00
Assistant Surgeon Pricing	6	0	\$0.00	2	\$25,200.00
Assistant Surgeon Not Allowed	1	0	\$0.00	0	\$0.00
Other Insurance	15	1	\$6,685.55	0	\$0.00
Paid Greater than COB	5	2	\$4,456.79	0	\$0.00
High Secondary	5	0	\$0.00	0	\$0.00
ESRD	5	1	\$1,485.45	0	\$0.00
Duplicates - Claim Level	2	0	\$0.00	0	\$0.00
Duplicates - Line Level	30	5	\$773.24	0	\$0.00
Multiple Procedure Reductions - Surgery	17	7	\$1,945.31	0	\$0.00
Multiple Procedure Reductions - Radiology	7	0	\$0.00	0	\$0.00
ER with Admission	4	0	\$0.00	0	\$0.00
Pre-Admission Testing	10	2	\$413.70	0	\$0.00
Post-Op	9	2	\$189.05	0	\$0.00
Eligibility	16	5	\$10,647.81	0	\$0.00
Copays - Allergy Treatment	3	0	\$0.00	0	\$0.00
Copays - Diagnostic Testing	3	1	\$50.00	0	\$0.00
Copays - ER	4	3	\$300.00	0	\$0.00
Copays - Outpatient Surgery	2	0	\$0.00	0	\$0.00
Copays - Urgent Care	2	1	\$50.00	0	\$0.00
Copays - Outpatient Mental Health	3	1	\$40.00	0	\$0.00
Exclusions - Food Allergy Testing	2	0	\$0.00	0	\$0.00
Exclusions - Botox	5	0	\$0.00	0	\$0.00
Exclusions - Non Emergency ER	5	0	\$0.00	0	\$0.00
Benefit Max - Outpatient Therapy	25	1	\$98.78	0	\$0.00
<b>Totals</b>	<b>200</b>	<b>33</b>	<b>\$30,236.68</b>	<b>2</b>	<b>\$25,200.00</b>

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Agreed Findings

**A single claim (audit item 14) was identified for incorrect payment of multiple surgical procedures.** The Optima contract for this facility only allows a payment for the primary surgical procedure with all other lines paid at zero. Healthcare Horizons only identified a single overpayment of \$3,101 for this issue. Optima has indicated previously that these overpayments are routinely identified via a retroactive process.

***Optima Response:** A single claim was identified in the audit sample for incorrect payment of multiple surgical procedures. Optima Health Plan has an internal audit process in place to identify multiple procedure claims reduction opportunities as a result of split billing from the provider. It is a manual process. We will continue our internal audit practice to achieve the highest level of accuracy possible.*

**Optima incorrectly processed a secondary claim (audit item 30) based on denial by the other carrier due to possible duplicate or other information required.** For this particular claim, the primary carrier denied payment due to possible duplicate or other information required. Optima incorrectly processed the claim as secondary by utilizing a primary payment of \$0.00. Optima should have pended any secondary payment until final resolution by the primary carrier. Healthcare Horizons is citing a recovery amount equal to the total payment of the claim (\$6,686) until the claim can be resolved. All other claims in the dataset were correctly coordinated for this member by accounting for the other primary payment.

**Healthcare Horizons identified two incorrect secondary payment calculations (audit items 38 and 39) which resulted in a total overpayment of \$4,457.** As part of our testing, Healthcare Horizons examines high secondary payments to ensure proper calculations as this can be a manual process. For the agreed errors, Optima indicated an issue with the COB screen in its processing system. We request that Optima expand on this response and provide information on whether other claims were impacted.

***Optima Response:** Two claims were calculated with incorrect secondary payments for members who have dual coverage. Our claims processors are able to confirm the primary and secondary payment amount with our claims processing system. We educate our claims processors on how to accurately determine the calculation and have confirmed the Coordination of Benefits (COB) screen is calculating payment amounts correctly. We will continue to monitor the COB screen and secondary payment amounts to ensure accuracy of payments.*

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

**Healthcare Horizons' Final Comment:** Optima should ensure that no other claims have been impacted by this COB screen issue.

**Retroactive notification of Medicare primary coverage due to ESRD resulted in the identification of recoverable claims.** For audit item 48, Optima confirmed retroactive Medicare primary coverage due to ESRD. At the time of processing, the claim was processed correctly as primary; however, the claim is now recoverable and requires coordination with Medicare. In addition to the sample claim, Healthcare Horizons has delivered four out-of-sample claims processed as primary after the Medicare effective date. In total, we estimate a recovery amount of \$5,017 for this issue. We request that Optima speak to any processes in place to identify and recover claims affected by retroactive other insurance information.

***Optima Response:** There was one member identified in the audit sample with Medicare as their primary insurance. Prior to receiving the Medicare information, Optima Health processed claims for this member with the Virginia Beach City and Schools plan as primary. As noted in the audit report, Optima Health originally processed these claims correctly. We will reprocess these members' claims to reflect Medicare as the primary payer and the Virginia Beach City and Schools plan as the secondary payer.*

**Healthcare Horizons' Final Comment:** Optima should provide feedback on the out-of-sample recoveries as well.

**Optima continues to have effective procedures in place to prevent duplicate payments.** Healthcare Horizons identified \$6,915 in duplicate payments in the sample, which is insignificant given the volume of claims processed by Optima. A single claim (audit item 60) accounts for \$6,141 of this total and Optima has indicated that the claim was recovered in March of 2014. The claims data provided for the audit was through March 2014 and the negative adjustment is not present. As such, we request that Optima confirm the actual recovery date of this overpayment. All material potential overpayments were presented in the sample; therefore, no additional follow-up is required in this area.

**Healthcare Horizons' Final Comment:** After further review, audit item 60 was recovered prior to sample delivery. All charts have been updated to reflect no error for this item. The new duplicate finding totals \$773.

**Similar to prior audits, missed multiple procedure reductions were caused by fragmented billing by providers.** When multiple surgical procedures are performed in the same operative session, it is industry standard to allow the primary procedure at the full fee schedule rate and secondary procedures at a reduced rate (usually 50% of the full fee). These reductions are taken since the primary procedure payment accounts for patient preparation and other services.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

Healthcare Horizons often finds that payers fail to implement systems to combine procedures across claims when payments are processed on different claims for the same surgical case. A total of seven errors were identified for this issue resulting in an overpayment of \$1,945. Upon review of the entire dataset, no other likely errors were identified beyond the site visit selection. While the financial impact is insignificant, Optima may wish to explore options to improve processing in this area.

***Optima Response:** There were seven claims in the sample identified for opportunity to combine multiple claims submissions for the purposes of applying multiple procedure reductions as a result of the provider billing practice to split the claim for payment. This continues to be a manual process and we are committed to achieving the highest level of accuracy possible through our internal audit process.*

**A small volume of pre-admission testing claims were paid in error as the provider contract prohibits separate payment of this testing prior to a planned inpatient admission.** Many provider contracts state that preadmission testing services (such as lab, X-ray, or EKG) are not to be paid separately from the subsequent inpatient reimbursement. Healthcare Horizons identified two claims paid in error for this issue for a total of \$414. All potential errors were submitted in the site visit sample selection.

**A limited number of recoverable claims were identified due to retroactive eligibility terminations.** Healthcare Horizons utilized the eligibility data provided by Optima to test all claims for valid coverage. Overall, an immaterial volume of potential payments were identified for this issue which is indicative of timely transmission of eligibility updates by the group. Optima did agree that five claims required reprocessing based on updated eligibility information totaling \$10,648. Based on these five members with sample findings, Healthcare Horizons has submitted 26 additional out-of-sample claims for review by Optima with a total paid of \$2,729.

***Optima Response:** As noted in the audit report, an immaterial volume of potential payments were identified for retroactive terminations. We work closely with the Virginia Beach City and Schools Consolidated Benefits Office to process retroactive terminations once received and reprocess any applicable claims in a timely manner.*

**Healthcare Horizons' Final Comment:** Optima should provide feedback on the out-of-sample recoveries as well.

**Healthcare Horizons identified a limited number of claims with a missed ER copayment.** We suspect that the billing of observation hours or an outpatient place of service may have been a factor in these errors. We request that Optima present the root cause for these missed overpayments as well as any required action plan for resolution. Healthcare Horizons has

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

identified seventeen additional out-of-sample claims for this issue and all include observation charges with an outpatient place of service.

**Optima Response:** *Three claims were identified in the audit sample as not having the appropriate copay applied for ambulatory surgery claim types. In our exit call, it was requested that we review the out-of-sample claims for possible missed copays within this category. The out-of-sample claims were for IV Therapy under the POS plan which are covered at 100% after deductible. These claims were processed correctly. For those claims with the missed copay, we will wait for direction from the City if we should recover these claims as the member would now be responsible for the applicable copay. We will continue to educate our claims processors to identify opportunities for applying appropriate copayments for Ambulatory Surgery claim types.*

**Healthcare Horizons' Final Comment:** Healthcare Horizons respectfully requests clarification on the out-of-sample claims. Specifically, Optima is stating that the claims are for IV therapy, however, a 450 revenue code (emergency room) is billed on each claim. Our position would be that emergency room benefits should apply.

**All additional agreed findings on site visit claims were manual in nature with no underlying systemic root cause findings or out-of-sample review required.** Additional details regarding these agreed items can be found in **Appendix A**.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Disputed Findings

**Outside rental networks have priced two assistant surgeon claims at the same rate as the primary surgeon.** Healthcare Horizons submitted audit items 18 and 20 as possible overpayments since the allowed amounts for the assistant surgeons were equal to that of the primary surgeons (\$21,000 and \$10,500). In-network assistant surgeons are generally priced at 20% of the normal fee schedule rate, however, PHCS and Beech Street priced the claims at the same amount as the primary surgeon via percent of charges (note that the assistant billed the same amount as the primary in each case). Our position is that the rental networks should have reduced the allowed amounts to 20% of the normal rate for a total recoverable amount of \$25,200. If these outside networks are unwilling to make these adjustments, the assistant surgeon should be contacted for potential abusive billing. It is reasonable to expect a lower billed charge amount from an assistant surgeon.

***Optima Response:** There were two claims reviewed for payment to an assistant surgeon under the PHCS provider contract. As requested during our exit call, we have contacted PHCS to confirm contract pricing with this provider and an opportunity to reduce the payment to the assistant surgeon. We will need to follow up on the result of our conversations with PHCS.*

**Healthcare Horizons' Final Comment:** We will await the response from Optima.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Informational Findings

**Optima requires an exact match (all five digits) of the diagnosis code in order to deny evaluation and management claims billed in the 90-day post-operative period.** The payment of certain surgical procedures is inclusive of follow-up evaluations within 90 days of the surgery. Optima must evaluate follow-up visits to ensure they are related in order to appropriately deny the services and this is done by comparing the diagnosis codes. Based on the current procedure by Optima, the following follow-up would be allowed for payment due to a different diagnosis:

Procedure	Diagnosis
Surgery	813.42 – Other closed fractures of distal end of radius
Follow-Up (9 days later)	813.44 – Closed fracture of lower end of radius with ulna

Optima should consider revising its policy to deny follow-ups with slightly different diagnosis codes.

**As of 1/1/2013, Optima states that food allergy ingestion testing is covered.** The plan document states that food allergy ingestion testing is excluded from coverage. On the claims submitted for the audit, Optima responded that per its medical director, the tests are necessary and are covered as of 1/1/2013. The City should ensure it is in agreement with this decision and consider modification of the plan document.

***Optima Response:** There were two claims identified as being paid for Food Allergy testing. The Virginia Beach City and Schools plan excluded Food Allergy testing in 2013 when these claims were incurred. There is a pre-authorization requirement for an ingestion test for food or Drug Allergy testing. Providers must submit a request for the pre-authorization for the ingestion test and should be specific it is for food or drug allergy testing. The ingestion test for drug allergy testing was covered in 2013. These two claims were pre-authorized for the ingestion test and subsequent review indicates these claims were for food allergy testing. Our Medical Director is aware of the two claims and has educated the Clinical Review team to ensure the documentation is clear on the specific test prior to authorizing or denying the service. Please note, Food Allergy testing is covered under the 2014 Virginia Beach City and Schools health plan.*

## CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

**Healthcare Horizons' Final Comment:** The City should instruct Optima on recovery of the sample claims totaling \$226 as the response indicates the services were authorized in error. Healthcare Horizons estimates an additional \$771 in out-of-sample overpayments as well. These out-of-sample claims can be delivered to Optima should The City decide to pursue recovery.

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Conclusion

Healthcare Horizons appreciates the opportunity to perform this claims audit on behalf of The City of Virginia Beach. The overall results represent exceptional performance by Optima in the administration of healthcare claims. We would also like to recognize the cooperation exhibited by the entire Optima team during this process.

We recommend the following actions in order to maximize the effectiveness of the audit:

- Optima should provide detailed feedback on the out-of-sample claims
- Optima should initiate recovery on all agreed overpayments and report any negative potential member impact to both Healthcare Horizons and The City prior to any collections activity. We request that a monthly collections report be delivered to Healthcare Horizons until collections are complete.
- Optima should provide feedback on the non-participating assistant surgeon payments

Appendix A

# SITE VISIT DETAIL

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## SITE VISIT DETAIL

Audit Item	Issue	Recovery	Disputed	Comment	City/Schools
1	Pricing	\$0.00	\$0.00	Priced correctly at PHCS rate	City
2	Pricing	\$0.00	\$0.00	Priced correctly at PHCS rate	Schools
3	Pricing	\$0.00	\$0.00	No PHCS rate - facility refused negotiation	City
4	Pricing	\$0.00	\$0.00	Paid via transplant agreement	City
5	Pricing	\$0.00	\$0.00	Pricing at billed charge is correct per Optima	City
6	Transfers	\$0.00	\$0.00	Paid correctly at transfer rate	City
7	Transfers	\$0.00	\$0.00	Paid correctly at stop-loss rate	City
8	Transfers	\$0.00	\$0.00	Paid correctly at transfer rate	City
9	Transfers	\$0.00	\$0.00	Paid correctly at transfer rate	City
10	Transfers	\$0.00	\$0.00	Paid at normal case rate as LOS longer than ALOS for DRG	Schools
11	Transfers	\$0.00	\$0.00	Paid correctly at transfer rate	City
12	Transfers	\$0.00	\$0.00	Paid correctly at transfer rate	Schools
13	Transfers	\$0.00	\$0.00	Paid at normal case rate as LOS longer than ALOS for DRG	City
14	Outpatient Surgery	\$3,101.00	\$0.00	Only the primary procedure should be paid	Schools
15	Assistant Surgeon Pricing	\$0.00	\$0.00	Priced correctly by PHCS (primary surgeon - informational)	City
16	Assistant Surgeon Pricing	\$0.00	\$0.00	Priced correctly by PHCS - assistant billed and allowed lower amounts	City
17	Assistant Surgeon Pricing	\$0.00	\$0.00	Priced correctly by PHCS (primary surgeon - informational)	Schools
18	Assistant Surgeon Pricing	\$0.00	\$16,800.00	PHCS priced assistant at the same amount as the primary surgeon	Schools
19	Assistant Surgeon Pricing	\$0.00	\$0.00	Priced correctly by PHCS (primary surgeon - informational)	Schools
20	Assistant Surgeon Pricing	\$0.00	\$8,400.00	Beech Street priced assistant at the same amount as the primary surgeon	Schools
21	Assistant Surgeon Not Allowed	\$0.00	\$0.00	Paid based on appeal	City
22	Other Insurance	\$0.00	\$0.00	Medicare primary 2/1/13	Schools
23	Other Insurance	\$0.00	\$0.00	Other insurance termed 9/30/12	City
24	Other Insurance	\$0.00	\$0.00	Medicare primary 1/1/13	City
25	Other Insurance	\$0.00	\$0.00	Other insurance termed 6/30/13	Schools
26	Other Insurance	\$0.00	\$0.00	Optima primary on service date	City
27	Other Insurance	\$0.00	\$0.00	Primary insurance denied as non-covered	Schools
28	Other Insurance	\$0.00	\$0.00	Primary EOB indicates entire amount to patient portion	Schools
29	Other Insurance	\$0.00	\$0.00	Medicare primary 3/1/13	Schools
30	Other Insurance	\$6,685.55	\$0.00	Primary EOB denied for possible duplicate or other info required - Optima should not process as primary	Schools
31	Other Insurance	\$0.00	\$0.00	Medicare primary 7/1/14	Schools
32	Other Insurance	\$0.00	\$0.00	Medicare primary 7/1/14	Schools
33	Other Insurance	\$0.00	\$0.00	Optima primary on service date	Schools
34	Other Insurance	\$0.00	\$0.00	Optima primary on service date	City
35	Other Insurance	\$0.00	\$0.00	Medicare primary 11/1/13	City
36	Other Insurance	\$0.00	\$0.00	Medicare primary 12/1/13	City
37	Paid Greater than COB	\$0.00	\$0.00	Coordinated correctly	City
38	Paid Greater than COB	\$2,449.79	\$0.00	Coordination error	City
39	Paid Greater than COB	\$2,007.00	\$0.00	Coordination error	City
40	Paid Greater than COB	\$0.00	\$0.00	Coordinated correctly	City
41	Paid Greater than COB	\$0.00	\$0.00	Coordinated correctly	City
42	High Secondary	\$0.00	\$0.00	Coordinated correctly	Schools
43	High Secondary	\$0.00	\$0.00	Coordinated correctly	City
44	High Secondary	\$0.00	\$0.00	Coordinated correctly	Schools
45	High Secondary	\$0.00	\$0.00	Coordinated correctly	Schools
46	High Secondary	\$0.00	\$0.00	Coordinated correctly	City
47	ESRD	\$0.00	\$0.00	Optima primary on service date	Schools
48	ESRD	\$1,485.45	\$0.00	Medicare primary 2/1/14	Schools
49	ESRD	\$0.00	\$0.00	Member has Medicare Part A only	City
50	ESRD	\$0.00	\$0.00	Medicare primary 5/1/16	City
51	ESRD	\$0.00	\$0.00	Medicare primary 7/1/16	Schools
52	Duplicates - Claim Level	\$0.00	\$0.00	RT / LT procedures (RT modifier not keyed into system)	Schools
53	Duplicates - Claim Level	\$0.00	\$0.00	RT / LT procedures (RT modifier not keyed into system)	Schools
54	Duplicates - Line Level	\$0.00	\$0.00	Contrast allowed on each claim per Optima policy	Schools
55	Duplicates - Line Level	\$0.00	\$0.00	Contrast allowed on each claim per Optima policy	Schools
56	Duplicates - Line Level	\$127.02	\$0.00	Duplicate error - Optima indicates recovery on 3/6/14 that is not present in data	City
57	Duplicates - Line Level	\$0.00	\$0.00	Correct claim for 56/57 combo	City
58	Duplicates - Line Level	\$0.00	\$0.00	Separate visits on same day per Optima	City
59	Duplicates - Line Level	\$0.00	\$0.00	Separate visits on same day per Optima	City
60	Duplicates - Line Level	\$0.00	\$0.00	Recovered prior to sample delivery (\$6141.30 on 4/22/14)	Schools
61	Duplicates - Line Level	\$0.00	\$0.00	Correct claim for 60/61 combo	Schools
62	Duplicates - Line Level	\$0.00	\$0.00	Two separate ER visits	Schools
63	Duplicates - Line Level	\$0.00	\$0.00	Two separate ER visits	Schools
64	Duplicates - Line Level	\$79.02	\$0.00	Coordination error	Schools
65	Duplicates - Line Level	\$89.34	\$0.00	Paid as primary in error	Schools

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

Audit Item	Issue	Recovery	Disputed	Comment	City/Schools
66	Duplicates - Line Level	\$293.06	\$0.00	Duplicate error - Optima indicates recovery on 3/6/14 that is not present in data	City
67	Duplicates - Line Level	\$0.00	\$0.00	Correct claim for 66/67 combo	City
68	Duplicates - Line Level	\$0.00	\$0.00	Correct claim for 68/69 combo	City
69	Duplicates - Line Level	\$0.00	\$0.00	Adjusted prior to sample delivery	City
70	Duplicates - Line Level	\$0.00	\$0.00	Two separate ER visits	Schools
71	Duplicates - Line Level	\$0.00	\$0.00	Two separate ER visits	Schools
72	Duplicates - Line Level	\$0.00	\$0.00	Separate visits on same day per Optima	Schools
73	Duplicates - Line Level	\$0.00	\$0.00	Separate visits on same day per Optima	Schools
74	Duplicates - Line Level	\$0.00	\$0.00	Correct payment for 74/75 combo	City
75	Duplicates - Line Level	\$184.80	\$0.00	Error for 74/75 combo	City
76	Duplicates - Line Level	\$0.00	\$0.00	Discharged to home from ER then readmitted via ER later same day	Schools
77	Duplicates - Line Level	\$0.00	\$0.00	Discharged to home from ER then readmitted via ER later same day	Schools
78	Duplicates - Line Level	\$0.00	\$0.00	Procedures performed twice on the same day per Optima	Schools
79	Duplicates - Line Level	\$0.00	\$0.00	Procedures performed twice on the same day per Optima	Schools
80	Duplicates - Line Level	\$0.00	\$0.00	Correct payment for 80/81 combo	City
81	Duplicates - Line Level	\$0.00	\$0.00	No payment issued on this claim per Optima	City
82	Duplicates - Line Level	\$0.00	\$0.00	Correct payment for 82/83 combo	Schools
83	Duplicates - Line Level	\$0.00	\$0.00	No quantity limit per Optima	Schools
84	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Reduced correctly	Schools
85	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	City
86	Multiple Procedure Reductions - Surgery	\$340.88	\$0.00	Reduction missed due to fragmented billing	City
87	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	Schools
88	Multiple Procedure Reductions - Surgery	\$99.69	\$0.00	Reduction missed due to fragmented billing	Schools
89	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	Schools
90	Multiple Procedure Reductions - Surgery	\$101.93	\$0.00	Reduction missed due to fragmented billing	Schools
91	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	City
92	Multiple Procedure Reductions - Surgery	\$431.84	\$0.00	Reduction missed due to fragmented billing	City
93	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	Schools
94	Multiple Procedure Reductions - Surgery	\$293.76	\$0.00	Reduction missed due to fragmented billing	Schools
95	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	City
96	Multiple Procedure Reductions - Surgery	\$391.25	\$0.00	Reduction missed due to fragmented billing	City
97	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	Schools
98	Multiple Procedure Reductions - Surgery	\$285.96	\$0.00	Reduction missed due to fragmented billing	Schools
99	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Primary procedure - informational only	City
100	Multiple Procedure Reductions - Surgery	\$0.00	\$0.00	Corrected prior to sample delivery	City
101	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Primary procedure - informational only	Schools
102	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Codes not subject to reductions - informational finding	Schools
103	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Primary procedure - informational only	City
104	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Codes not subject to reductions - informational finding	City
105	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Codes not subject to reductions - informational finding	City
106	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Primary procedure - informational only	City
107	Multiple Procedure Reductions - Radiology	\$0.00	\$0.00	Codes not subject to reductions - informational finding	City
108	ER with Admission	\$0.00	\$0.00	No error - different facilities	Schools
109	ER with Admission	\$0.00	\$0.00	No error - different facilities	Schools
110	ER with Admission	\$0.00	\$0.00	No error - different facilities	Schools
111	ER with Admission	\$0.00	\$0.00	No error - different facilities	Schools
112	Pre-Admission Testing	\$0.00	\$0.00	Not considered as PAT per Optima	City
113	Pre-Admission Testing	\$0.00	\$0.00	Inpatient claim - informational only	City
114	Pre-Admission Testing	\$0.00	\$0.00	Not considered as PAT per Optima	Schools
115	Pre-Admission Testing	\$0.00	\$0.00	Inpatient claim - informational only	Schools
116	Pre-Admission Testing	\$226.85	\$0.00	Error - charges should be included on inpatient claim	Schools
117	Pre-Admission Testing	\$0.00	\$0.00	Inpatient claim - informational only	Schools
118	Pre-Admission Testing	\$186.85	\$0.00	Error - charges should be included on inpatient claim	City
119	Pre-Admission Testing	\$0.00	\$0.00	Inpatient claim - informational only	City
120	Pre-Admission Testing	\$0.00	\$0.00	Not considered as PAT per Optima	City
121	Pre-Admission Testing	\$0.00	\$0.00	Inpatient claim - informational only	City
122	Post-Op	\$0.00	\$0.00	Original surgery - informational	City
123	Post-Op	\$51.79	\$0.00	Follow-up to surgery should be denied	City
124	Post-Op	\$0.00	\$0.00	Original surgery - informational	Schools
125	Post-Op	\$0.00	\$0.00	Unrelated services per Optima	Schools
126	Post-Op	\$0.00	\$0.00	Original surgery - informational	Schools
127	Post-Op	\$0.00	\$0.00	Optima states that diagnosis must match exactly to deny - only off by fifth digit - info finding	Schools
128	Post-Op	\$0.00	\$0.00	Optima states that diagnosis must match exactly to deny - only off by fifth digit - info finding	Schools
129	Post-Op	\$0.00	\$0.00	Original surgery - informational	City
130	Post-Op	\$137.26	\$0.00	Follow-up to surgery should be denied	City
131	Eligibility	\$6,234.00	\$0.00	Retroactive termination - recoverable (Optima states claim has now been reprocessed)	City
132	Eligibility	\$0.00	\$0.00	Member eligible	Schools
133	Eligibility	\$0.00	\$0.00	Member eligible (COBRA)	Schools
134	Eligibility	\$2,669.00	\$0.00	Retroactive termination - recoverable (Optima states claim has now been reprocessed)	Schools

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

Audit Item	Issue	Recovery	Disputed	Comment	City/Schools
135	Eligibility	\$0.00	\$0.00	Covered under COBRA	Schools
136	Eligibility	\$0.00	\$0.00	Covered under COBRA	Schools
137	Eligibility	\$0.00	\$0.00	Covered under COBRA	Schools
138	Eligibility	\$0.00	\$0.00	Member eligible	Schools
139	Eligibility	\$0.00	\$0.00	Member eligible	Schools
140	Eligibility	\$0.00	\$0.00	Member eligible	Schools
141	Eligibility	\$644.34	\$0.00	Retroactive termination - recoverable (Optima states claim has now been reprocessed)	Schools
142	Eligibility	\$600.47	\$0.00	Retroactive termination - recoverable (Optima states claim has now been reprocessed)	City
143	Eligibility	\$0.00	\$0.00	Member eligible	Schools
144	Eligibility	\$500.00	\$0.00	Retroactive termination - recoverable (Optima states claim has now been reprocessed)	Schools
145	Eligibility	\$0.00	\$0.00	Member eligible	City
146	Eligibility	\$0.00	\$0.00	Member eligible	Schools
147	Copays - Allergy Treatment	\$0.00	\$0.00	Services not allergy related	City
148	Copays - Allergy Treatment	\$0.00	\$0.00	Services not allergy related	Schools
149	Copays - Allergy Treatment	\$0.00	\$0.00	Services not allergy related	Schools
150	Copays - Diagnostic Testing	\$0.00	\$0.00	Preventive - copay not applicable	City
151	Copays - Diagnostic Testing	\$0.00	\$0.00	Preventive - copay not applicable	Schools
152	Copays - Diagnostic Testing	\$50.00	\$0.00	Copay missed	Schools
153	Copays - ER	\$100.00	\$0.00	Copay missed	Schools
154	Copays - ER	\$100.00	\$0.00	Copay missed	Schools
155	Copays - ER	\$100.00	\$0.00	Copay missed	Schools
156	Copays - ER	\$0.00	\$0.00	OOP met	City
157	Copays - Outpatient Surgery	\$0.00	\$0.00	Secondary - copay not applicable	Schools
158	Copays - Outpatient Surgery	\$0.00	\$0.00	Preventive - copay not applicable	City
159	Copays - Urgent Care	\$50.00	\$0.00	Copay missed	Schools
160	Copays - Urgent Care	\$0.00	\$0.00	Preventive - copay not applicable	Schools
161	Copays - Outpatient Mental Health	\$40.00	\$0.00	Copay missed	City
162	Copays - Outpatient Mental Health	\$0.00	\$0.00	Services rendered in inpatient setting - copay not applicable	Schools
163	Copays - Outpatient Mental Health	\$0.00	\$0.00	Copay taken on another claim	Schools
164	Exclusions - Food Allergy Testing	\$0.00	\$0.00	Optima states covered as of 1/1/13 - authorized as necessary per medical director - informational finding	Schools
165	Exclusions - Food Allergy Testing	\$0.00	\$0.00	Optima states covered as of 1/1/13 - authorized as necessary per medical director - informational finding	Schools
166	Exclusions - Botox	\$0.00	\$0.00	Authorized by the medical director as medically necessary	Schools
167	Exclusions - Botox	\$0.00	\$0.00	Authorized by the medical director as medically necessary	City
168	Exclusions - Botox	\$0.00	\$0.00	Authorized by the medical director as medically necessary	City
169	Exclusions - Botox	\$0.00	\$0.00	Authorized by the medical director as medically necessary	Schools
170	Exclusions - Botox	\$0.00	\$0.00	Authorized by the medical director as medically necessary	Schools
171	Exclusions - Non Emergency ER	\$0.00	\$0.00	Optima criteria met	City
172	Exclusions - Non Emergency ER	\$0.00	\$0.00	Optima criteria met	City
173	Exclusions - Non Emergency ER	\$0.00	\$0.00	Optima criteria met	Schools
174	Exclusions - Non Emergency ER	\$0.00	\$0.00	Optima criteria met	City
175	Exclusions - Non Emergency ER	\$0.00	\$0.00	Optima criteria met	Schools
176	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
177	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
178	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
179	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
180	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
181	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
182	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
183	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
184	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
185	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
186	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
187	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
188	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
189	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Additional periods granted for different conditions	Schools
190	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Additional periods granted for different conditions	Schools
191	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Additional periods granted for different conditions	Schools
192	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Additional periods granted for different conditions	Schools
193	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Additional periods granted for different conditions	Schools
194	Benefit Max - Outpatient Therapy	\$98.78	\$0.00	Exceeded maximum	Schools
195	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
196	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
197	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
198	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
199	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
200	Benefit Max - Outpatient Therapy	\$0.00	\$0.00	Processed correctly under early intervention benefit	City
<b>Totals</b>		<b>\$30,236.68</b>	<b>\$25,200.00</b>		

Appendix B

# OUT-OF-SAMPLE CLAIMS

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## OUT-OF-SAMPLE

Audit Item	Issue	Potential Recovery Amt	City/ Schools
201	ESRD	\$397.92	Schools
202	ESRD	\$1,485.45	Schools
203	ESRD	\$1,485.45	Schools
204	ESRD	\$162.51	Schools
205	Eligibility	\$121.18	City
206	Eligibility	\$53.78	City
207	Eligibility	\$119.77	City
208	Eligibility	\$47.13	City
209	Eligibility	\$49.46	City
210	Eligibility	\$57.33	City
211	Eligibility	\$65.10	City
212	Eligibility	\$12.29	City
213	Eligibility	\$55.08	City
214	Eligibility	\$204.10	City
215	Eligibility	\$260.32	City
216	Eligibility	\$243.13	City
217	Eligibility	\$15.54	City
218	Eligibility	\$128.98	City
219	Eligibility	\$128.98	City
220	Eligibility	\$15.74	City
221	Eligibility	\$215.75	City
222	Eligibility	\$84.90	City
223	Eligibility	\$84.90	City
224	Eligibility	\$84.90	City
225	Eligibility	\$258.15	Schools
226	Eligibility	\$120.00	Schools
227	Eligibility	\$120.15	City
228	Eligibility	\$102.73	Schools
229	Eligibility	\$40.34	Schools
230	Eligibility	\$39.23	Schools
231	Copays - ER	\$100.00	Schools
232	Copays - ER	\$100.00	Schools
233	Copays - ER	\$100.00	City
234	Copays - ER	\$100.00	City
235	Copays - ER	\$100.00	Schools
236	Copays - ER	\$100.00	City
237	Copays - ER	\$100.00	Schools
238	Copays - ER	\$100.00	Schools
239	Copays - ER	\$100.00	Schools
240	Copays - ER	\$100.00	City
241	Copays - ER	\$100.00	Schools
242	Copays - ER	\$100.00	Schools
243	Copays - ER	\$100.00	Schools
244	Copays - ER	\$100.00	City
245	Copays - ER	\$100.00	Schools
246	Copays - ER	\$100.00	Schools
247	Copays - ER	\$100.00	Schools
<b>Total</b>		<b>\$7,960.29</b>	

Appendix C

# OPTIMA RESPONSE

Dated September 15, 2014

September 15, 2014

Mr. Lyndon Remias  
City Auditor  
City of Virginia Beach  
2401 Courthouse Drive  
Virginia Beach, VA 23456

RE: **2013 Health Plan Audit**

Dear Lyndon,

Thank you for the opportunity to respond to the Draft Optima Health Claims Audit Report for The City of Virginia Beach and The School Board of the City of Virginia Beach dated August 11, 2014. With over \$111 million in paid claims audited and a financial accuracy rate of over 99.99%, we hope you are once again pleased with Optima Health's administration of the Virginia Beach City and Schools health plan. As with prior audits, we welcome the feedback from this audit and continue to strive for excellence in all services provided to Virginia Beach City and Schools. Below please find our response to the Claims Audit Report as well as follow up to our discussion on the August 21, 2014 exit call.

**1. *ESRD***

There was one member identified in the audit sample with Medicare as their primary insurance. Prior to receiving the Medicare information, Optima Health processed claims for this member with the Virginia Beach City and Schools plan as primary. As noted in the audit report, Optima Health originally processed these claims correctly. We will reprocess these members' claims to reflect Medicare as the primary payer and the Virginia Beach City and Schools plan as the secondary payer.

**2. *Secondary overpayment***

Two claims were calculated with incorrect secondary payments for members who have dual coverage. Our claims processors are able to confirm the primary and secondary payment amount with our claims processing system. We educate our claims processors on how to accurately determine the calculation and have confirmed the Coordination of Benefits (COB) screen is calculating payment amounts correctly. We will continue to monitor the COB screen and secondary payment amounts to ensure accuracy of payments.

**3. *Missed copay***

Three claims were identified in the audit sample as not having the appropriate copay applied for ambulatory surgery claim types. In our exit call, it was requested that we review the out-of-sample claims for possible missed copays within this category. The out-of-sample claims were for IV Therapy under the POS plan which are covered at 100% after deductible. These claims were processed correctly. For those claims with the missed copay, we will wait for direction from the City if we should recover these claims as the member would now be responsible for the applicable copay. We will continue to educate our claims processors to identify opportunities for applying appropriate copayments for Ambulatory Surgery claim types.

**4. *Multiple Surgical Procedure – Outpatient Surgery***

A single claim was identified in the audit sample for incorrect payment of multiple surgical procedures. Optima Health Plan has an internal audit process in place to identify multiple procedure claims reduction opportunities as a result of split billing from the provider. It is a manual process. We will continue our internal audit practice to achieve the highest level of accuracy possible.

**5. *Multiple Procedure Reduction Opportunities***

There were seven claims in the sample identified for opportunity to combine multiple claims submissions for the purposes of applying multiple procedure reductions as a result of the provider billing practice to split the claim for payment. This continues to be a manual process and we are committed to achieving the highest level of accuracy possible through our internal audit process.

**6. *Eligibility/Retroactive Terminations***

As noted in the audit report, an immaterial volume of potential payments were identified for retroactive terminations. We work closely with the Virginia Beach City and Schools Consolidated Benefits Office to process retroactive terminations once received and reprocess any applicable claims in a timely manner.

**7. *Assistant Surgeon Claims***

There were two claims reviewed for payment to an assistant surgeon under the PHCS provider contract. As requested during our exit call, we have contacted PHCS to confirm contract pricing with this provider and an opportunity to reduce the payment to the assistant surgeon. We will need to follow up on the result of our conversations with PHCS.

**8. *Food Allergy Testing***

There were two claims identified as being paid for Food Allergy testing. The Virginia Beach City and Schools plan excluded Food Allergy testing in 2013 when these claims were incurred. There is a pre-authorization requirement for an ingestion test for food or Drug Allergy testing. Providers must submit a request for the pre-authorization for the ingestion test and should be specific it is for food or drug allergy testing. The ingestion test for drug allergy testing was covered in 2013. These two claims were pre-authorized for the ingestion test and subsequent review indicates these claims were for food allergy testing. Our Medical Director is aware of the two claims and has educated the Clinical Review team to ensure the documentation is clear on the specific test prior to authorizing or denying the service. Please note, Food Allergy testing is covered under the 2014 Virginia Beach City and Schools health plan.

Again, thank you for the opportunity to respond. We look forward to our continued partnership and providing a quality health plan for the Virginia Beach City and School employees and family members. If you have any questions or need anything further please let me know. I can be reached at 687-6060 or [srfuqua@sentara.com](mailto:srfuqua@sentara.com).

Sincerely,



Stacy Fuqua  
Sr. Client Executive

# CITY OF VIRGINIA BEACH CLAIMS AUDIT REPORT

## Contact Information

RANDY KING  
PRESIDENT

**Tel:** 800-646-9987 x198  
rking@healthcarehorizons.com

## Company Information

Healthcare Horizons Consulting Group, Inc.  
One Cherokee Mills  
2220 Sutherland Avenue  
Knoxville, TN 37919  
**Tel:** 800-646-9987  
**Fax:** 866-317-9578  
www.healthcarehorizons.com

