



Processes and Procedures to Detect and Reduce Fraud, Waste & Abuse

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Below, we document three broad level controls in place to detect and reduce fraud, waste and abuse:

- Special Investigations
- Internal Audits
- Operational Audits (other than claims)

Special Investigations

We have staff dedicated to prevention, detection and reduction of fraud, waste and abuse. Our Special Investigation Unit (SIU) performs reviews to detect and identify fraud, assessment and prioritization of specific cases, and pursuit of priority cases for recovery and prosecution. The SIU receives tips regarding potential investigations through multiple means. We maintain a “report fraud” hot-line to report potential fraud, waste or abuse. Additionally, SIU staff participate on the MN Fraud Task Force, are members of NHCAA (National Health Care Anti-fraud Association and monitor alerts issued by OIG (Office of Inspector General), the Attorney Generals office, various law enforcement agencies and others.

Internal Audits

The primary role of internal audit is to evaluate our systems of internal accounting and administrative controls, and provide recommendations for increasing the effectiveness and efficiency of these processes. In general, internal audit performs the following types of audits: Financial, Operational, Compliance, Systems (Data Center, Application Control, System, Development, Post Implementation, etc.) and Special Requests. These audits may include reviews of external or third party entities that do business with us.

Focus

Internal audit assists management and the Board of Directors in discharging their responsibilities by evaluating the accounting and administrative controls over our activities. Internal audit has full and complete access to all of our records, personnel, and physical properties. Their focus is to:

- Provide Senior Management with a process to monitor the reliability and integrity of financial and operating information.
- Be a constructive, valued-added force for improving the effectiveness of management processes, strengthening internal controls, and enhancing the quality of our performance
- Be an effective force in assuring compliance with applicable government regulations and our principles, policies, and procedures.
- Report all results objectively and fairly.

Services

Internal audit reviews generally examine an area’s internal controls, processes, and reporting to assure management that the systems and processes are operating as management perceives them to be. Internal audit determines if systems and processes are working effectively, identifies those that may require further enhancements, and focuses attention on potential risks that may not have

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been previously identified. We also look for opportunities to recommend improvements to systems and processes, and to identify best practices. Internal audit continually partners with management to provide focused support and assessment of critical business issues.

Statement on Auditing Standard 70 (SAS 70)

Annually we obtain a Type II SAS 70 report, which is a "Report on the Processing of Transactions by Service Organizations." CCStpa obtains this independent evaluation on the internal controls that are critical to the processing of claims. A SAS 70 is an extremely thorough controls audit that shows transparency to CCStpa customers. In addition, it shows our customers that CCStpa has been thoroughly checked and deemed to have satisfactory controls and safeguards when processing claims on behalf of those customers. Our customers receive valuable information regarding our controls and the effectiveness of those controls. Our customers also receive a detailed description of our controls over the processing of claims and an independent assessment of whether the controls were placed in operation, suitably designed, and operating effectively.

Operational Audits

We recognize our responsibility to provide reasonable assurance that the administration of contract benefits (whether fully-insured or self-insured), enrollment of members and dissemination of information through our service centers is accurate. As such, CCStpa has regularly scheduled operational audits in place.

The operational audits conducted by internal audit focus on the four major operational areas of our organization. These include Claims Administration, Membership/Enrollment, Group/Benefit Set-up and Customer Inquiry (which includes inquiries from members, accounts, agents and providers).

Claims Administration Audits

The claim administration audits CCStpa has in place are designed to address the multifaceted potential failure points in claims submission and processing. A list of these audits is provided below.

- Corporate level claim sample – This is an overall stratified random sample of claims. Sample selections occur daily to obtain a precision of 95% confidence \pm 3%. This single sample is used to determine an overall frequency of error rate and a financial accuracy rate.
- Account specific claim sample – This is a stratified random sample of account specific claims for accounts with account specific performance guarantees. The same dollar stratification is used for account specific audits and the corporate level claim audit.
- High dollar claim audit – This is an overall audit of high dollar claims processed. A daily report is generated that includes all claims processed on the previous day that meet the dollar thresholds established by internal audit. The daily pull of claims for this audit allows review and correction of claims prior to checks being released in most cases.
- Subscriber payee claim audit – This is an overall audit of claims that meet the specified dollar limits where payment is being directed to the subscriber. These claims are audited prior to checks being released.

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- Non-participating provider payee claim audit – This is an overall audit of claims that meet specified dollar limits where payment is being directed to a nonparticipating provider.

Membership/Enrollment Audits

We receive membership/enrollment information electronically and on paper. This audit is conducted to verify accurate enrollment and maintenance of membership information and is stratified to include audits of both submission types. This helps provide reasonable assurance that data mapping and business rules applied to electronic enrollment is accurate as well as the manual administration of enrollment for paper submission. The audit includes, but is not limited to, the review of effective and cancel dates, dates of birth, correct group number, member address, name spelling, coverage type, etc.

Sample selections for these audits are collected weekly with the audit results reaching the desired precision of 95% confidence \pm 3% on a quarterly basis for each stratum, electronic and manual submissions. The results of each stratum are weighted to report an overall accuracy rate.

Group/Benefit Set-up Audit

The group/benefit set-up audit evaluates the accuracy of the demographic information for the account as well as a high level validation that the account's benefits are set-up correctly. This includes but is not limited to the review of co-pays, deductibles, out-of-pocket maximums, student dependent age, coordination of benefits type, lifetime and other maximums, probationary periods, etc.

Customer Inquiry Audits

Internal audit conducts both an overall corporate-level audit and a service representative-specific audit of customer inquiries. Our customers include members, providers, agents and groups which can reach us through our phone lines with the ability to self-serve in our VRU (Voice Response Unit) system or to speak with a service representative. Additionally our customers can choose to self-serve through our WEB portals or contact us in writing via mail or email. All methods of inquiry are included in our overall corporate evaluation of inquiries.

- Corporate-level inquiry audit – This audit consists of a stratified sample of inquiries handled by our service representatives, completed through the VRU or WEB and those submitted in written form. Samples are selected weekly for a precision of 95% confidence \pm 3% on a quarterly basis for manual and electronic inquires separately which accounts for the large sample size.
- Service-representative-specific audit – This audit consists of monthly sample selections for each service representative which provides service leadership an evaluation and feedback mechanism regarding accuracy of responding to customer calls.

Note: This audit is an audit of the accuracy of the call, not an audit regarding service representative behavior or call approach. That evaluation is completed by service leadership, although audit staff can flag calls for leadership to review.

Business review of findings

Findings identified in each of the audits conducted by internal audit are reviewed by designated staff in each business division. All audit findings are tracked in databases that allow for reporting

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and trending of issues. The database also provides tracking of “error origination” points that support root cause evaluation, allowing operations staff to target areas for improvement.