**DIVISION OF INSPECTOR GENERAL**
Ken Burke, CPA
Clerk of the Circuit Court and Comptroller
Pinellas County, Florida

# AUDIT OF CIGNA MEDICAL CLAIMS




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**REPORT NO. 2023-31**
**DECEMBER 20, 2023**

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CLERK OF THE CIRCUIT COURT AND COMPTROLLER
PINELLAS COUNTY, FLORIDA

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Recorder of Deeds
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December 20, 2023

Peggy Rowe, Interim Director, Human Resources

Pinellas County contracted with Willis Towers Watson (WTW) to conduct the Audit of Cigna Medical Claims.

A summary of the WTW audit results and our involvement are presented in this report.

We appreciate the cooperation shown by the staff of Human Resources, WTW, and Cigna Health and Life Insurance Company (Cigna) during the course of this review.

Respectfully Submitted,
Melissa Dondero
Melissa Dondero
Inspector General/Chief Audit Executive

cc: The Honorable Chair and Members of the Board of County Commissioners
Barry Burton, County Administrator
Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
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Michelle LeVecque, Senior Director, WTW
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# INTRODUCTION

## *Abbreviations*

| | |
|---|---|
| **BCC** | Board of County Commissioners |
| **Cigna** | Cigna Health and Life Insurance Company |
| **County** | Pinellas County |
| **HR** | Human Resources |
| **WTW** | Willis Towers Watson |

# Executive Summary

Cigna Health and Life Insurance Company (Cigna) became the Pinellas County (County) health insurance plan administrator on January 1, 2022, replacing the previous administrator, UnitedHealthcare. The County requested its existing employee benefits consultant, Willis Towers Watson (WTW), to perform a medical claims audit as part of the optional services documented in the WTW contract. An impetus for the audit was the increased claims outlay since the plan administrator transition.

WTW commenced the Cigna medical claims audit in June 2023. The objectives of the audit were to:

1. Ensure claims were paid within the eligibility period
2. Validate the County's benefit plan designs were administered correctly
3. Evaluate the administrator's plan management capabilities and effectiveness as compared to industry standards and best practices
4. Measure vendor performance and aid in future development or refinement of performance guarantees

During the audit, we reviewed the documentation WTW compiled and provided feedback or sought clarification, as needed. Moreover, the results of this audit are those reported by WTW, and the responses are those provided by Cigna to WTW, both of which are presented in the Audit Summary and Findings section of this report. No proprietary or protected health information is disclosed in this report.

WTW's audit process included a statistical sample of 210 claims and an additional review of 25 high-dollar claims processed during the audit period. As a result of the audit, WTW identified no non-financial or procedural issues. In addition, WTW noted no systemic issues leading to mass claims processing errors. However, the medical claims audit sample testing discovered three errors in manual processing, resulting in a total County overpayment of $105,530.68. WTW also identified four member accumulator errors on claims not included in the sample testing, which resulted in County underpayments. After further research, Cigna identified claims totaling $12,093.68 where member accumulator issues existed, resulting in County underpayments.

Cigna corrected all errors and recovered one of two overpayments in the amount of $105,528.28 with a single $25.49 overpayment recovery remaining in process as of WTW's final audit report. WTW's high-dollar claims review resulted in no issues.

During sample testing, WTW also evaluated Cigna's performance as compared to performance guarantees and industry standard best practice. WTW noted no accuracy concerns; however, WTW highlighted Cigna fell 0.1% below its performance guarantee and industry standard for 30 calendar day claim turnaround time.

# Background

Pinellas County (County) entered into a contract with the Cigna Health and Life Insurance Company (Cigna) for health insurance plan administration on January 1, 2022, through contract number 21-0162-P. The contract had a term of five years and a not-to-exceed sum of $9,040,000.

The Cigna contract contained the following audit clause language in Section 12:

> *"**12. Audit.** Contractor shall retain all records relating to this Agreement for a period of at least five (5) years after final payment is made. All records shall be kept in such a way as will permit their inspection pursuant to Chapter 119, Florida Statutes. In addition, County reserves the right to examine and/or audit such records. Audits of claims individually payable by County (e.g. self-funded claim reviews) shall be conducted upon the mutual agreement of appropriate audit scope and terms, and subject to mutually-executed audit and non-disclosure agreements as set forth in the Administrative Services Agreement attached.*
>
> ***A. Claim Audits***
>
> *a. Claim Audit. County may, audit Contractor's payment of Plan Benefits in accordance with the following requirements:*
>
> *i. County shall provide to Contractor a scope of audit letter and the fully executed Claim Audit Agreement, a sample of which is attached hereto as Attachment 4 together with a forty-five (45) day advance written request for audit.*
>
> *ii. County may designate with Contractor's consent (which consent shall not be unreasonably withheld) an independent, third-party auditor to conduct the audit (the 'Auditor').*
>
> *iii. County and Contractor will agree upon the date for the audit during regular business hours in a virtual/remote audit environment or at Contractor's office(s) as business needs require.. [sic]*
>
> *iv. Except as otherwise agreed to by the parties in writing prior to the commencement of the audit, the audit shall be conducted in accordance with the terms of Contractor's Claim Audit Agreement attached hereto as Attachment 4, which is hereby agreed to by County and which shall be signed by the Auditor prior to the start of the audit.*

v. *If the audit identifies any claim adjustments, such adjustments will be made in accordance with this Agreement and based upon the actual claims reviewed and not upon statistical projections or extrapolations.*

vi. *County shall be responsible for its Auditor's costs.*

*While this Agreement is in effect there shall be no additional cost to County for an audit of payment documents (relating to a random, statistically valid sample of two hundred seventy five (275) claims paid during the two prior Plan years and not previously audited, County may conduct one such audit every Plan Year (but not within six (6) months of a prior audit). In no event shall any audit involve Plan benefit payments made prior to the most recent two (2) Plan Years. In the event Employer requests to alter the scope of the claim audit, Contractor will endeavor to reasonably accommodate the County's request, which may be subject to additional charges to be mutually agreed upon by the County and Contractor prior to the start of the audit. Charges for audits beyond this scope shall be agreed to by County and Contractor in writing prior to the audit."*

Within the Cigna contract, Cigna provided an allowance of $30,000 to be used as follows:

*"CHLIC [Cigna] shall make available to Employer [County] the designated amount to be used by Employer to: defray its expenses associated with a pre-implementation audit or an ongoing audit of CHLIC's performance of the administrative services under this Agreement."*

An amendment to the Cigna contract, executed on June 9, 2023, updated Cigna's audit allowance to $65,000 biennially.

In June 2023, the Clerk of the Circuit Court and Comptroller notified the Inspector General that Human Resources (HR) was exploring an external audit of Cigna medical claims in response to an increase in the total claim outlay since the transition from the previous vendor, UnitedHealthcare. We contacted HR in an effort to assist with this effort.

During a meeting on June 22, 2023, HR management informed us Willis Towers Watson (WTW) had been selected to perform the medical claims audit. WTW had already been engaged with the County to perform other cost projection services. Specifically, on May 21, 2019, the County and WTW entered into contract number 178-0396-P for employee benefits consulting services. The contract had a term of five years and an annual cost of $275,000, for a total of $1,375,000 over the life of the contract. Among the optional services listed in the agreement was a medical claims audit at an additional cost of $65,000.

A contract amendment executed on June 7, 2022, increased the contract total by $675,000, for a total not to exceed amount of $2,050,000. The associated Board of County Commissioners

(BCC) staff report stated the increased contract amount would be used to fund regular fees and optional services, including the following:

- Data aggregation
- Total rewards analysis
- The 457 Plan Benchmarking project

The BCC staff report proceeded to state:

> *"Funding for these services is not available due to utilization of the current contract amount to pay for optional services including assistance with the group medical, dental, and pharmacy employee benefits scoping and analysis process, the medical claims and pharmacy audit, and data aggregation services."*

Our involvement in the audit was as follows:

- Reviewing WTW's scope of services
- Kickoff meeting participation
- Audit progress monitoring

# SCOPE AND METHODOLOGY

The scope of the audit included WTW's evaluation of Cigna to ensure proper medical plan administration in accordance with summary plan descriptions, as well as to ensure compliance with plan sponsor fiduciary responsibilities.

The audit period was June 1, 2022, through May 31, 2023.

During the audit, WTW performed the following:

- Coordinated project planning efforts with the County
- Selected, using a stratified approach, and tested a sample of 210 medical claims from the population of all medical claims paid during the audit period to ensure claims were processed correctly using the following resources:
    - The County's plan documents
    - Industry-wide claim processing guidelines
    - Cigna's established policies and procedures
- Selected and tested a separate focused sample of 25 high-dollar claims
- Conducted periodic project status meetings with the County
- Prepared a report that included an overall assessment of Cigna's performance levels and recommendations for continuous quality improvement, including a description of error patterns discovered
- Conducted a post-project meeting with Cigna to discuss the evaluation findings and developed a mutually agreed-upon action plan

# OBJECTIVES AND OUTCOMES

The objectives of the audit were to:

1. Ensure claims were paid within the eligibility period
2. Validate the County's benefit plan designs were administered correctly, including validation of the following on each selected claim:
   - Ensure proper and consistent interpretation of the County's medical plans
   - Ensure the consistent application of fee schedules, plan discounts, and reasonable and customary provisions
   - Ensure the consistent application of edits to prohibit payment of ineligible services, duplicate payments, and payments to ineligible claimants
   - Ensure the appropriateness of medical management, utilization management, and case management triggers, where applicable
   - Evaluate the reasonableness of processing turnaround time
   - Investigate potential other coverage and application of coordination of benefits provisions
   - Ensure proper coding procedures
   - Ensure the accuracy of payments both in financial terms and general accuracy, including proper payee
3. Evaluate the administrator's plan management capabilities and effectiveness as compared to industry standards and best practices
4. Measure vendor performance and aid in future development or refinement of performance guarantees

The WTW medical claims audit determined the following:

1. No exceptions were noted regarding the claims eligibility period.
2. WTW identified three total errors in its sample testing for a net County overpayment of $105,530.68. In addition, WTW identified four errors that were not included in the sampled claims relating to a member accumulator issue, which resulted in a total County underpayment of $2,506.79. Subsequent to the audit report, Cigna performed a more comprehensive review and identified 59 total member files having the member accumulator issue that required adjustments, totaling $12,093.68. All errors were corrected and overpayments recovered with the exception of a $25.49 overpayment that was in the process of being recovered as of WTW's final report. WTW reported no issues for the high-dollar claim review. Regarding its review of performance standards, WTW noted no accuracy concerns; however, WTW highlighted Cigna fell 0.1% below performance guarantee and industry standard for its 30 calendar day claim turnaround time.
3. No exceptions were noted regarding Cigna's plan management capabilities and effectiveness other than the one turnaround time category discussed previously.
4. No exceptions were noted regarding vendor performance other than the one turnaround time category discussed previously.

# AUDIT SUMMARY AND FINDINGS

Our role in this audit was to review WTW's scope of services, participate in relevant audit meetings, and monitor progress. During the audit, we reviewed the documentation WTW compiled and provided feedback or sought clarification, as needed. As this was an outsourced limited scope audit, we did not identify specific opportunities for improvement related to medical claim internal controls or processes.

This portion of the report will be dedicated to summarizing WTW's audit findings, Cigna's corrective actions, and our efforts during the audit.

## *Audit Summary*

The following table depicts the audit timeline of events:

| Audit Timeline | |
|---|---|
| **Date** | **Event** |
| June 22, 2023 | WTW submitted the audit scope letter to Cigna. |
| June 23, 2023 | HR provided us a copy of the WTW audit scope letter and scope of services for the audit, which we reviewed in detail. |
| July 11, 2023 | WTW provided a data file to Cigna, which contained the claims selected for sample testing. WTW also hosted a kickoff meeting with HR and us during which we discussed questions from our review of the WTW audit scope letter and scope of services. |
| August 7, 2023 | WTW began audit fieldwork. |
| September 14, 2023 | We met with WTW and HR staff to discuss WTW's preliminary audit findings. Prior to the meeting, WTW sent the preliminary findings to Cigna with a response due date of September 20, 2023. |
| September 28, 2023 | We met with WTW, Cigna, and HR to discuss WTW's findings and Cigna's corrective actions. |
| October 16, 2023 | WTW presented its findings and associated Cigna corrective actions at the County Appointing Authority meeting. Prior to the meeting, HR shared the WTW documentation, which was compiled in the meeting agenda packet. We reviewed the documentation along with the Finance Division, and we both attended the Appointing Authority meeting to ensure we obtained any necessary clarification. |
| November 17, 2023 | HR obtained and provided us WTW's final report and Cigna's corrective actions. |

# *WTW Findings*

**Claims**

Following is a summary of the total population of paid claims for June 1, 2022, through May 31, 2023, as reported by WTW:

| Audit Population | |
|---|---|
| Total population paid claims amount | $39,049,848 |
| Total population number of claims | 84,226 |
| Total sample paid claims amount | $7,271,066 |
| Total sample number of claims | 210 |
| Percent of paid dollars audited | 18.6% |

As a result of reviewing a sample of 210 claims, WTW identified 3 claims, or 1.4%, containing errors as follows:

| Summary of Sample Errors | | | |
|---|---|---|---|
| **Type of Error** | **Amount** | **Cigna's Explanation** | **Cigna's Reported Action** |
| County Overpayment | $105,528.28 | Manual processing error | Cigna identified the error on January 11, 2023, and recovered the funds on July 18, 2023. |
| County Overpayment | 25.49 | Manual processing error | Cigna initiated recovery efforts August 2023, which remained outstanding as of WTW's final audit report. |
| County Underpayment | (23.09) | Manual processing error | Cigna corrected the claim in September 2023. |
| **Total County Overpayment** | **$105,530.68** | | |

Regarding all identified errors, Cigna stated it reviewed the errors with individual claim processors and the claim team for further coaching opportunities.

Cigna implemented a high-dollar claims review process in March 2014. The high-dollar review program reviews claims paying in excess of $5,000 that have a high likelihood of error based on predetermined criteria. Regarding the $105,528.28 overpayment, Cigna staff reviewed the claim in the pre-disbursement high-dollar review and did not identify the error at that time. However, Cigna subsequently discovered the error and received a refund prior to the audit. Cigna further stated it continued to evaluate and improve its quality program.

The Cigna high-dollar claims process for claims valued from $100,000 - $249,999 includes a pre-disbursement inspection and comparison to Cigna policy, plan benefits, and contract reimbursement information to ensure accuracy. Claims containing errors are returned for coaching and correction. Upon reprocessing, the claims could be subject to the pre-disbursement inspection again.

WTW identified four additional discrepancies during the audit on claims not included in the sample testing, which are summarized as follows:

| Summary of Out-of-Sample Errors | | | |
|---|---|---|---|
| **Type of Error** | **Amount** | **Cigna's Explanation** | **Cigna's Reported Action** |
| County Underpayment | ($2,277.30) | Member accumulator* issue resulting from updating plan design benefits | Cigna corrected the member accumulator in September 2023. |
| County Underpayment | (171.31) | Member accumulator issue resulting from updating plan design benefits | Cigna corrected the member accumulator in September 2023. |
| County Underpayment | (45.82) | Member accumulator issue resulting from updating plan design benefits | Cigna corrected the member accumulator in September 2023. |
| County Underpayment | (12.36) | Member accumulator issue resulting from updating plan design benefits | Cigna corrected the member accumulator in September 2023. |
| **Total County Underpayment** | **($2,506.79)** | | |

*** -** An accumulator is a running total of money a member has paid toward the annual out-of-pocket maximum for covered services, which includes copays, coinsurance, and other healthcare costs.

Cigna noted it performed an account level review in September 2023 and identified 59 total member files, including the 4 documented in the preceding table, that required accumulator adjustments, totaling $12,093.68.

Regarding its focused review of 25 high-dollar claims processed during the audit period, WTW identified no errors.

Overall, WTW identified no confirmed non-financial or procedural errors. Moreover, WTW noted no systemic issues leading to mass claims processing errors.

## Performance

Using the 210 sampled claims records, WTW analyzed statistically Cigna's performance in five categories as compared to Cigna's performance guarantees and industry standard best practice. WTW's results were as follows:

| Summary of Performance | | | |
|---|---|---|---|
| **Performance Standard** | **Performance Guarantees** | **Industry Standard** | **Audit Results** |
| Financial Accuracy – % of benefit dollars paid correctly | 99.3% | 99% - 99.3% | 99.7% |
| Payment Incidence Accuracy – % of claims without overpayments and/or underpayments | 98% | 97% - 98% | 99.3% |
| Processing Accuracy – % of claims without nonfinancial errors | N/A | 98% - 99% | 100% |
| Overall Accuracy – % of claims without payment or nonfinancial errors | 96% | 95% - 97% | 99.3% |
| Claim Turnaround Time – % of claims processed within time: | | | |
| 14 calendar days | 94% | 94% - 96% | 94.7% |
| 30 calendar days | 99% | 99% - 99.5% | 98.9% |

WTW concluded Cigna met or exceeded all performance standards except the 30 calendar day claim turnaround time, which was 0.1% below the performance guarantee and industry standard.

In reply to the audit, Cigna indicated it measured claim turnaround time from the date the claim was received until the date the claim was adjudicated, excluding claim adjustment time. Cigna recalculated using its methodology and arrived at 99.6% of claims being processed within 30 calendar days in 2022 and 2023.

# Division of Inspector General

## Ken Burke, CPA

Clerk of the Circuit Court
and Comptroller
Pinellas County, Florida

1983 — 2023

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