

STATE OF WEST VIRGINIA

UPDATE OF THE

PRELIMINARY PERFORMANCE REVIEW OF THE

PUBLIC EMPLOYEES INSURANCE AGENCY

**A Sample of Public Employee Insurance
Agency and Third Party Administrator Files Found
No Differences in Eligibility Information**

OFFICE OF LEGISLATIVE AUDITOR
Performance Evaluation and Research Division
Building 1, Room W-314
State Capitol Complex

CHARLESTON, WEST VIRGINIA 25305
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Executive Summary

The Public Employee's Insurance Agency (PEIA) is designed to provide health, life, and prescription insurance for active and retired employees of the State of West Virginia and various related state and non-state agencies. In order to provide health and prescription services, PEIA contracts with third party administrators (TPAs) to manage the payment of medical and pharmacy claims. The Legislative Auditor generated a random sample of 505 policyholder files to test the eligibility information maintained in TPA databases. The results of the tests performed are summarized below:

Issue 1: A Sample of Public Employee Insurance Agency and Third Party Administrator Files Found No Differences in Eligibility Information.

There is a potential for many negative outcomes due to inaccurate eligibility information in a TPA database. The Legislative Auditor reviewed 505 PEIA and TPA files to determine if differences exist between the PEIA and TPA databases. **No differences were found in the eligibility information contained in the databases reviewed.**

PEIA has made efforts to improve the services and systems of the agency. The fact no differences were found in eligibility information between the systems appears to be a direct result of this effort. **This is not to say all problems within the PEIA database have been corrected.** The PEIA database appears to be outdated and difficult to manage, making it a constant struggle to maintain accurate information. The PEIA should continue efforts to improve the accuracy of the PEIA database until a replacement system can be developed.

Review Objective, Scope and Methodology

A Performance Update of the Public Employees Insurance Agency (PEIA) is required and authorized by the West Virginia Sunset Law, Chapter 4, Article 10, Section 5a of the West Virginia *Code*, as amended. As stated in the *Code*, an update is performed to determine whether an agency has complied with recommendations contained in prior performance reviews and to research further issues relating to the initial evaluation.

Objective

The Legislative Auditor has previously issued reports on problems encountered with the eligibility and billing information within the PEIA computer database (EIAS). This update of the PEIA is conducted as a *further inquiry* into the computing system of the PEIA. The primary objective of the review is to determine if there are differences between the eligibility information maintained at the PEIA and the information maintained in third party administrator (TPA) files.

Scope

The PEIA update will include a sample of PEIA and TPA files that cover the period from January 2002 through May 2002.

Methodology

Information compiled in this report has been acquired from the West Virginia *Code*, interviews, collection of sample data from PEIA and TPA's, last year's preliminary performance review, and other sources. For the purposes of this study, a sample of 505 policyholder files were reviewed. The policyholders' and dependents' names, birth dates, number of individuals covered per policy, and social security numbers were examined for differences between the various data bases. Any discrepancies were noted and reviewed for all possible outcomes. The review also considered PEIA staff coordination meetings held from January 2002 to April 2002.

Issue 1: A Sample of Public Employee Insurance Agency and Third Party Administrator Files Found No Differences in Eligibility Information.

The West Virginia Public Employees Insurance Agency (PEIA) provides health, life, and prescription insurance for active and retired employees of the State of West Virginia and various related state and non-state agencies. In order to provide health and prescription services, PEIA contracts with third party administrators (TPAs) to manage the payment of medical and pharmacy claims. Given the important function of TPAs in the management of medical and pharmacy benefits, it is imperative that TPAs maintain accurate eligibility information on participants in PEIA plans. In this audit, the Legislative Auditor focused on an examination of the eligibility data maintained in TPA databases. **A review of 505 PEIA and TPA files found no differences with regard to eligibility information.**

Eligibility Concerns

Eligibility information is collected by the PEIA from policyholders and entered into the PEIA database. In order to transfer the eligibility information to the TPAs, the PEIA database is periodically uploaded into TPA databases. If information is not uploaded correctly by the computer systems, or if there is a timing difference between the date information is entered at PEIA and the date that information is uploaded, the eligibility data maintained at the TPAs could be inaccurate.

There is a potential for many negative outcomes due to inaccurate eligibility information in a TPA database. For example, if a policyholder attempts to fill a formulary prescription at a pharmacy and is inappropriately listed as inactive on the TPA database, the pharmacy may require the individual to pay for the entire prescription. Likewise, a policyholder improperly listed as inactive on a medical claim system could receive a billing for medical services that should have been covered under insurance. Correcting such problems can be frustrating to the policyholder and creates extra work on PEIA and the TPA's part to reimburse the policyholder and resolve the discrepancy with the file.

Of significant concern to PEIA is the possibility an individual is listed as active in a TPA database when he/she should be inactive. In such instances, the person could receive medical and prescription benefits the individual is not eligible to receive.

PERD File Review

The objective of testing performed at PEIA is to review the accuracy of eligibility information stored in TPA databases. The following TPA databases were included in the review:

Contracted Service	TPA Name
Claims Administration	Acordia National (Acordia)
	Carelink*
	The Health Plan*
Pharmacy Benefits Management	Merck-Medco

***Note:** Carelink and The Health Plan are collectively referred to as “Managed Care” in this audit report.

The Legislative Auditor generated a random sample of 505 policyholder files to test eligibility information. In order to ensure a proportionate sample was taken from each type of insurance plan provided by the PEIA, a weighted average calculation was performed to make selections. Table 1 illustrates the breakdown of insurance plans at PEIA, the number of policyholders in each plan and the number of policyholder files selected for review.

Table 1**PEIA SAMPLE DATA**

Type of Insurance Plan	Total Policyholders	Number of Policyholder Files Selected for Review	Percentage of Total Policyholders
State Employees			
PPB, Single	17,296	87	17.3%
PPB, Family	36,178	182	36.2%
Managed Care, Single	3,463	18	3.5%
Managed Care, Family	5,839	30	5.8%
Non-State Employees			
PPB, Single	2,968	15	3.0%
PPB, Family	4,477	23	4.5%
Managed Care, Single	284	2	0.3%
Managed Care, Family	122	2	0.1%
Retirees			
PPB, Single	17,150	86	17.2%
PPB, Family	11,707	58	11.7%
Managed Care, Single	190	1	0.2%
Managed Care, Family	168	1	0.2%
TOTAL	99,842	505	100%

In the testing performed, the Legislative Auditor reviewed three databases for each selection:

1. **PEIA Database** - The PEIA database (known as “EIAS”) represents the master database of eligibility information for PEIA policyholders.
2. **Acordia / Managed Care Database** - The Acordia and Managed Care databases are maintained for the administration of medical claims. Acordia is used by PEIA as the TPA for the PPB plan and was only reviewed for policyholders enrolled in the PPB plan; the appropriate managed care databases were reviewed for all other policyholders.
3. **Merck-Medco Database** - The Merck-Medco database is maintained for the administration of prescriptive insurance benefits of policyholders in the PPB plan. Managed care providers provide prescription benefits separate of Merck-Medco.

A comparison was made between the three databases to ensure the following areas were in agreement:

- 1.) Social Security Number of Policyholder
- 2.) Total Number of Active Dependents of Policyholder
- 3.) Last Name of Policyholder and Dependents
- 4.) First Name of Policyholder and Dependents
- 5.) Date of Birth of Policyholder and Dependents

No differences were found in the eligibility information contained in the three databases reviewed. All files were reviewed by a team to ensure accuracy.

PEIA Efforts to Improve

There has been a documented history of problems with data maintained in the PEIA database. Audits by private accounting firms and Legislative audits have found problems with eligibility data. Ernst and Young recommended as early as 1997 that:

management evaluate their premium billing/eligibility process (within the EIAS system) and make the necessary enhancements to ensure that eligibility updates and related premium adjustments are reflected on the monthly invoices (as soon as possible).

PEIA has made efforts to improve the services and systems of the agency. To start, PEIA held eligibility meetings in May 2001 to address the concerns of the policyholders. Second, PEIA hired two special computer technicians to correct the problems surrounding the interfacing of the PEIA and TPA computer systems. Weekly coordination meetings were also started to review the progress toward correcting the problems at hand. At least one representative from Acordia and Merck-Medco are regularly in attendance at the meetings, along with technicians from the Information Systems and Communications Division (IS&C) of the State, the PEIA claims consultant, the computer technicians who specialize in the PEIA computer system, the chief financial officer, and the PEIA eligibility supervisor. **The fact no differences were found in eligibility information between the systems appears to be a direct result of this effort.** Some examples of the concerns addressed by these meetings are:

- Acordia's effective dates for plan changes,
- Merck-Medco eligibility issues, and

- EIAS clean up project.

Many of these issues are corrected within the same week discussed. However, some larger problems take several months to correct due to the size of the systems and the amount of individual plans to sort through to correct records. PEIA continues to hold these meetings to address other problems.

Conclusion

Past concerns and complaints from the policyholders and agencies have been well founded. Policyholders expect services and agencies expect to be charged appropriately for the number of insured employees. PEIA has made a concerted effort to improve the accuracy of information within the system. Given the fact this review found no differences with regards to eligibility information in the TPA databases is evidence these efforts have improved the services provided by PEIA. **This is not to say all problems within the PEIA database have been corrected.** The PEIA database appears to be outdated and difficult to manage, making it a constant struggle to maintain accurate information. The PEIA should continue its efforts to maintain the accuracy of the PEIA database until a replacement system can be developed.