The State of Delaware

Audit Services Request for Proposal (RFP) – Scope of Work

SEBC Combined Subcommittee Meeting

June 17, 2024

Disclaimer

Willis Towers Watson has prepared this information solely in our capacity as consultants under the terms of our engagement with you with knowledge and experience in the industry and not as legal advice. This information is exclusively for the State of Delaware's State Employee Benefits Committee to use in the management, oversight and administration of your state employee group health program. It may not be suitable for use in any other context or for any other purpose and we accept no responsibility for any such use.

Willis Towers Watson is not a law firm and therefore cannot provide legal or tax advice. This document was prepared for information purposes only and it should not be considered a substitute for specific professional advice. As such, we recommend that you discuss this document with your legal counsel and other relevant professional advisers before adopting or implementing its contents. This document is based on information available to Willis Towers Watson as of the date of delivery and does not account for subsequent developments after that date.

Willis Towers Watson shares available medical and pharmacy research and the views of our health management practitioners in our capacity as a benefits consultant. We do not practice medicine or provide medical, drug, or legal advice, and encourage our clients to consult with both their legal counsel and qualified health advisors as they consider implementing various health improvement and wellness initiatives.

This material was not prepared for use by any other party and may not address their needs, concerns or objectives. This document may not be reproduced, disclosed or distributed to any other party, whether in whole or in part, other than as agreed with you in writing, except as may be required by law.

We do not assume any responsibility or accept any duty of care or liability to any other party who may obtain a copy of this material and any reliance placed by such party on it is entirely at their own risk.

Context for today's discussion

- Due to significant increases in the State Group Health Program (GHIP) costs in FY2014 and FY2015, the Health Plan Task Force was established in FY2016 to identify cost savings and efficiencies in the GHIP
  - The Task Force found a lack of transparency around provider costs as compared to charges submitted to the medical/prescription drug insurance carriers for payment
  - Recommended conducting claims audits periodically as a best practice
- To gain insight into provider costs, the SEBC issued an RFP for an auditor to review the GHIP's health plan payments to providers in FY2015
- From this process, the SEBC awarded a contract for medical and prescription drug audits to Brown & Brown of Massachusetts (fna Claim Technologies, Inc., or "CTI"), which expired at the end of FY2020
- Subsequently, the Audit Services RFP conducted in 2020 concluded in the SEBC awarding another contract to Brown & Brown, which expires at the end of FY2025
- Over the course of its business relationship with the State, Brown & Brown will have audited the GHIP's medical and prescription drug claims from FY2014 to FY2023 and has conducted audits on a biannual basis
- The State has yet to exercise its option to renew the current contract for one final year, which would audit medical and prescription drug claims for FY2024 and FY2025

Context for today's discussion (continued)

- The SBO's target timeline for the next Audit Services RFP:
  - Release the RFP – October 2024
  - Present award recommendation from the Proposal Review Committee to the SEBC – April 2025
- There is an opportunity for the SEBC to consider expanding the scope of services requested in this RFP based on emerging capabilities in the audit vendor marketplace
- Today's discussion will focus on the scope of work for the current audit services contract with an overview of emerging vendor capabilities in this space
  - Feedback from Subcommittee members is requested and will be shared with the SEBC at an upcoming meeting

Scope of work for the current audit services contract

Medical contract compliance review

- **Electronic Review of All Claims (100%)** processed within the contract compliance review period to explore claims system capabilities and the accuracy of plan set-up
- **Target Claims Selection** using a sample of 250 claims for review onsite at TPA[1] office to validate the electronic query results
- **Operational Review** of administrative policies, procedures, and internal quality control measures critical to minimizing financial loss and maintaining participant satisfaction levels. Includes review of the SOC-1 report[2] supplemented with a State-specific administration questionnaire. Takes place onsite at TPA office
- **Eligibility Screening of All Claims (100%)** against the State's source eligibility file to ensure true retroactive date of eligibility has been used, rather than date that the TPA received the eligibility file
- **Financial Comparison** of amount paid on the data file to amounts invoiced and paid by the State
- **Written report** of findings
- **Post-audit Support** for resolving open issues with the TPAs (8 hrs)

PBM contract compliance review[3]

- **Electronic Review of All Claims (100%)**
- **Operational Review**
- **Financial Comparison**
- **Rebate Review**
  - Involves the analysis of the contractual rebate agreements that exist between the PBM and drug manufacturers compared to the actual rebates processed
- **MAC[4] List Review** of top 50 drugs utilized
  - "Maximum Allowable Cost" defines the maximum amount that a PBM will reimburse for the cost of a drug
- **Written report** of findings
- **Post-audit Support** for resolving open issues with the PBM (4 hrs)

1. TPA = Third Party Administrator, i.e., Highmark Delaware and Aetna.
2. SOC-1 Report = System and Organization Controls Report; a report on entities' internal control over financial reporting.
3. Description of scope of services for PBM contract compliance review is consistent with the medical review unless otherwise noted above.
4. MAC = Maximum Allowable Cost.

Emerging capabilities among audit vendors

- Traditionally, medical and prescription drug claim audit services have focused on **retrospective** reviews of plan experience
  - Often have been challenges in obtaining more real-time access to claims data for various reasons including technology limitations, data sharing agreements and usual claim processing timelines
  - Allows for typical claim processing activities to take place before claims are audited, such as claim resubmissions, coordination of benefits and overpayment recoveries
  - Current audit services contract based on retrospective claim reviews
- Recently, a limited number of vendors have entered the market claiming the capability to provide **ongoing and real time** administrative claims and fee reviews for medical and pharmacy benefit programs

Emerging capabilities among audit vendors (continued)

- Vendor marketplace for ongoing and real-time administrative claims and fee reviews is very small
- No overlap with the “traditional” audit vendors conducting retrospective claim reviews
- WTW has few clients who have partnered with these types of audit vendors; limited data on client outcomes
- WTW’s point of view is that these types of claim reviews would not replace the traditional, retrospective audits procured through past Audit RFPs
  - Real-time claim reviews wouldn’t necessarily account for typical claim processing activities that may skew audit results when viewed on an ongoing basis vs. retrospectively

For Subcommittee member discussion and feedback:

- Is there value in expanding the scope of services requested in the next Audit RFP to include a request for real-time audit services?
- Can this be accomplished in the same RFP as “traditional” audit services, given that there is not currently any overlap between the “traditional” and “emerging” vendors in this space?