



COST CONTAINMENT FEES AUDIT

NOVEMBER 19, 2021

Board of Education of Baltimore County Public Schools
Office of Internal Audit

The purpose of the audit is to determine if the cost containment services provided by BCPS' Workers' Compensation third party administrator are properly charged in accordance with the contract and to assess the controls BCPS has in place to monitor the SISCO contract.

Refer to Exhibit A for the report distribution list.

BACKGROUND

SISCO is the BCPS third party administrator (TPA) for workers' compensation claims administration services. As a result of the SISCO overbilling in FY 21, Internal Audit identified other matters that required further attention. Consequently, the Office of Internal Audit planned to complete an audit to assess the cost containment services provided by SISCO. See **Exhibit B** for the memo issued by Internal Audit regarding the overbilling matter.

The current contract period with SISCO is from July 10, 2018 through July 31, 2023. BCPS pays SISCO a flat fee of \$418,000 per year for claim administration services. SISCO negotiates and pays all workers' compensation claim costs and then bills BCPS monthly. SISCO also charges BCPS for the following cost containment fees associated with workers' compensation claims:

Cost Containment Fee Type	Fee Explanation
Bill Review – PPO Fee	SISCO charges 30% of the savings obtained by running the invoices eligible through their PPO network for repricing.
Bill Review Fee	SISCO charges \$8 for each medical bill received and approved by an adjuster.
Early Intervention	SISCO charges \$90 for each lost time claim.
Enhanced Bill Review	SISCO charges 33% of the savings obtained for bill reductions for hospital, surgical, durable medical equipment, or any bill over \$5,000.
IME Cost Containment Service	SISCO charges \$225 for an independent medical examination (IME) and \$75 for any addendums required. Per the contract, IME fees will not exceed \$25,000 per year ¹ .
ISO Claim Search	SISCO charges \$10 per ISO search ² ; all lost time claims are subject to an initial search and opened and reopened claims that have not been searched in 6 months are subject to research. The search is done on a database of property/casualty claims.
Medical Management (Nurse Case Manager)	SISCO charges \$90 per hour for nurse case manager services.

AUDIT OBJECTIVE

The purpose of the audit is to determine if the cost containment services provided by SISCO are properly charged in accordance with the contract and to assess the controls BCPS has in place to monitor the SISCO contract.

¹ IME fees did not exceed \$25,000 per year.

² ISO Claim Search is the vendor used for this service. ISO stands for Insurance Services Office.

AUDIT PERIOD

Internal Audit reviewed cost containment fees for the period January 1, 2018 through August 31, 2021.

METHOD

We completed our review through:

- a. *Inquiry of BCPS personnel:*** Manager – Office of Employee Absence and Risk Management (OEARM), BCPS Workers' Compensation Specialist, Risk Management Representative, and Fiscal Assistant II.
- b. *Inquiry of SISCO personnel:*** Director, Origami Risk Trainer³, Business Applications Manager.
- c. *Review of documentation:***
 - Data analysis of SISCO's cost containment fees.
 - A review of sampled Origami transactions:
 - Medical invoices for workers' compensation claims,
 - explanations of reduction, and
 - nurse case management fees detail

SUMMARY OF RESULTS

Internal Audit determined that:

1. Cost containment fees, with one exception, were charged in accordance with the contract. However, the reasonableness of nurse case management fees and enhanced bill review fees are questionable.
2. BCPS is in the beginning phases of developing controls to monitor the SISCO contract.

See pages 3-6 for detailed information regarding these results.

SUMMARY OF RISKS

We identified potential risks related to the lack of proper controls over the management of the SISCO contract:

- Insurance fraud
- Erroneous under/over payments
- Increased exposure/liability/unnecessary costs to BCPS

FOLLOW-UP

Internal Audit will review management's action plan submitted in response to this audit to determine if it mitigates or reduces the potential risks identified.

³ Origami Risk is the software application SISCO uses to document all Workers' Comp claim information.

Results

Result # 1: Cost containment fees, with one exception, were charged in accordance with the contract. However, the reasonableness of nurse case management fees and enhanced bill review fees are questionable.

The total cost containment fees charged to BCPS for the period under review was \$1,482,044.93:

Cost Containment Fee Type	Number of Fees Charged	Total Amount of Cost Containment Charges	Percent of Total
Bill Review – PPO Fee	17,002	\$ 112,111.09	7.6%
Bill Review Fee	25,600	\$ 204,800.00	13.8%
Early Intervention	494	\$ 44,460.00	3.0%
Enhanced Bill Review	425	\$ 695,069.85	46.9%
IME Cost Containment Service	278	\$ 57,450.00	3.9%
ISO Claim Search	2,282	\$ 22,820.00	1.5%
Medical Management (Nurse Case Manager)	803	\$ 345,318.84	23.3%
Miscellaneous Expense ⁴	1	\$ 15.15	0.0%
Grand Total:		\$ 1,482,044.93	

The following cost containment fee types were charged in accordance with the contract:

- Bill review fees
- PPO fees
- IME fees
- Early intervention fees

ISO Claim Searches Not Charged in Accordance with Contract

ISO claim searches are performed on a claimant's name in a national database of property and casualty claims and are charged at \$10 each. The contract indicates that all lost time claims are subject to an initial search and open and reopened claims that have not been searched in six months are subject to research. Of the ten claimants reviewed, Internal Audit found that four of them had excess ISO fees totaling \$60.

⁴ The miscellaneous expense was for overnight mailing of a workers' compensation document. It was likely miscoded as a cost containment fee.

Cost Containment Fee Reasonableness

While we have found that the fees for nurse case management and enhanced bill review follow the costs stipulated in the contract, the reasonableness of some of the fees is questionable. As noted in the chart above, the nurse case management and enhanced bill review fees are the largest percentage of cost containment fees charged to BCPS.

Nurse Case Management Fees

- Although the contract provides for nurse case management fees, it is unclear if there is any specification of how or when they are to be used, i.e., accompany workers to appointments, etc. The SISCO Director informed us that nurse case managers are typically assigned to attempt to dissuade the injured workers from obtaining legal counsel.
- Nurse case managers charge travel time and mileage when accompanying injured workers to appointments.
 - In one instance, a nurse case manager charged five hours of travel time and mileage for 180 miles totaling \$558 and there was no apparent appointment with an injured worker to correspond with this travel.
 - In another instance, a nurse case manager charged six hours of travel time and mileage for 220 miles totaling \$672 for a 12-minute appointment with an injured worker.

Enhanced Bill Review Fees

- For the enhanced bill review fee, SISCO charges BCPS 33% of the savings they realize for reductions in bills for hospitalizations, surgery, durable medical equipment, or any bill over \$5,000.
- SISCO was able to reduce the bills by large amounts, but in all the sampled transactions, BCPS paid SISCO more for the enhanced bill review fee than the cost of the discounted invoice.
- Internal Audit reviewed the ten highest enhanced bill review fees during the audit period. See **Exhibit C** for a detailed chart of these fees. Again, while the fee calculations reviewed are in accordance with the contract, the reasonableness is questioned:

Original Total of Ten Highest Invoices	Total Final Bill Amount after SISCO Reductions	Enhanced Bill Review Fee Charged to BCPS	% of Original Bill Paid by BCPS ⁵
\$670,737.24	\$60,557.90	\$201,359.17	39.0%

⁵ The final bill amount was added to the enhanced bill review fees and divided by the original invoice amount to obtain this percentage.

Result 2: BCPS is in the beginning phases to develop control over monitoring the SISCO contract.

Prior to BCPS Manager - Office of Employee Absence and Risk Management's appointment in June 2020, there was high turnover in the manager position. As a result, clear and consistent procedures were not adopted or followed, including a monitoring process for the SISCO contract.

BCPS hired a Fiscal Assistant II, in June 2021 to assist with monitoring financial activities, including the review of contract invoices and monitoring contract charges. The Manager and Fiscal Assistant II are in the beginning stages to develop the contract monitoring processes.

Since this audit began, the BCPS Manager informed us that she requested that SISCO:

- identify a new BCPS liaison, instead of the SISCO Director, because BCPS staff find her difficult to work with, and
- immediately stop charging BCPS for the enhanced bill review fee.

RECOMMENDATIONS:

To improve controls over the monitoring of the SISCO contract, Internal Audit suggests that the BCPS OEARM:

- hold regular meetings with SISCO to discuss the progress of the contract and invoices.
- request that SISCO provide more detailed reports about cost containment charges.
- use tracking tools to monitor contract costs to ensure that the contract is executed as intended.
- review and reconcile financial records.
- review invoices for accuracy.
- compare invoice charges against the fee schedule in the contract.

Internal Audit also suggests that:

- OEARM determine if there are alternative pricing models that can be used until the contract ends. For example, perhaps a price cap could be applied to the enhanced bill review fee instead of eliminating it entirely.
- OEARM should work with the Office of Purchasing to determine what changes can be made to contract pricing terms.
- OEARM should consider the feasibility of performing cost containment activities.

MANAGEMENT'S ACTION PLAN:

The Office of Employee Absence and Risk Management has worked to understand and develop procedures for invoice and billing matters pertaining to SISCO. On September 22, 2021, the BCPS Risk Manager and Fiscal Assistant II met with the SISCO Assistant Director, and Director, regarding the cost containment fees related to ISO, Enhanced bill review, Bill review, and Nurse case management fees. During our meeting, the following issues were discussed, and action was requested:

ISO (Insurance Services Office, Inc.) Fee – The BCPS Risk Manager has informed SISCO that BCPS will only pay for the initial \$10 fee and that any additional reviews and charges need to be requested and prior approval received before initiating the additional services.

Bill Review Fee – SISCO explained that the bill review is performed by an adjuster who verifies the accuracy of the billing and coding after it is uploaded into the Origami software to be reviewed from queue. The BCPS Risk Manager does not have an issue with this process, but it remains unclear as to why the billing would need to go through an enhanced bill review process when there is an initial bill review stage, in addition to the Origami software being the preliminary phase for the process.

Enhanced Bill Review Fee – The BCPS Risk Manager has requested that all enhanced bill review services be stopped and that the service needed to be requested on a case by case basis with prior approval received before initiating the additional services.

Nurse Case Management Fee – SISCO indicated that the involvement of the nurse case manager at the beginning of the claims process had the effect of employees not feeling the need to hire an attorney. However, the historical data presented by SISCO did not support the assertions that the inception of nurse case management services reduced the number of employees who hired attorneys. The BCPS Risk Manager has requested that all nurse case management services be stopped and that the service needed to be requested on a case by case basis with prior approval received before initiating the additional services.

Additionally, regarding the recommendation that "OEARM should consider the feasibility of performing cost containment activities", the BCPS Risk Manager indicated that this recommendation would be a great challenge for OEARM for a few reasons: (1) they currently do not have a nurse case manager; (2) even if they had a nurse case manager, there are concerns that OEARM still would not have the manpower to cover this additional responsibility; and (3) OEARM is not equipped with medical billing software, so additional resources may be needed to effectively address billing matters. The currently vacant and posted nurse case manager position can certainly serve certain nurse case management needs for BCPS employees, but given the volume of our claims, she is concerned that OEARM isn't fully equipped to handle those functions.

The BCPS Risk Manager also indicated:

- The Fiscal Assistant II:
 - Conducts invoice review meetings with the manager or designated specialist to review invoices submitted by vendors to review invoices for accuracy.
 - Develops standard operating procedures (SOPs) for all fiscal matters.
 - Reviews and reconciles financial records.
 - Meets with other OEARM team members to understand the fiscal matters of the office and what is required of them regarding invoices and other fiscal matters.
- She requested to work with someone other than the SISCO Director to foster a better relationship with the vendor and to have a team that is prepared to move forward with

new processes. (On October 18, 2021, the SISCO President & CEO met with OEARM to introduce the team and a new lead point of contact.)

- The BCPS Risk Manager asked SISCO to provide all supporting data regarding cost containment fees so that all information is available when invoices are received.
- OEARM holds regular meetings with SISCO to discuss cases, goals, projects, and invoices. The last meeting was on November 5, 2021.

EXHIBIT A

COST CONTAINMENT FEES AUDIT REPORT DISTRIBUTION LIST

Name	Title	Location
Manager		OEARM
Chief Human Resources Officer		HR
Superintendent		BCPS
General Counsel		Office of Law
Executive Director		Department of Fiscal Services
Chief Auditor		Office of Internal Audit

EXHIBIT B

5/21/21 MEMO REGARDING SISCO OVERBILLING

BALTIMORE COUNTY PUBLIC SCHOOLS

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Memorandum

TO: Acting Chief Human Resource Officer
Manager

FROM: Ms. Andrea Barr, Chief Auditor

DATE: May 12, 2021

SUBJECT: SISCO Overbilling

Why did we conduct a review?

On April 8, 2021, the Acting Human Resource Officer reported a concern to me that RCM&D/SISCO, BCPS Third Party Administrator for Workers' Compensation (SISCO), overbilled BCPS approximately \$850,000.

On April 12, 2021 BCPS General Counsel, informed SISCO that the Office of Internal Audit would conduct an audit of SISCO records.

What did we find?

Our review results indicate that:

- BCPS was overbilled in the amount of \$1,839,054.63 for the period February 1, 2017 through February 28, 2021.
- SISCO representatives agree with this amount.
- SISCO has not yet invoiced BCPS for March 2021.
- A "target balance," that functions as escrow to cover projected worker's comp invoices was originally established in the amount of \$850,000 and was later increased to \$1.25 million.
- As of February 28, 2021, the actual bank account balance¹ was \$2,333,743.25, creating an excess of \$1,083,743.25 above the target balance.
- It is unknown who established the target balance or who approved the increased target balance. There is nothing in the contract that addresses target balances.

¹ SISCO holds a bank account for BCPS that is used to pay BCPS worker's comp claims.

Why did this happen?

Our review results indicate that:

- Overbilling began in February 2017 when SISCO migrated to their new claim system, Origami.
- Origami was supposed to have a “tracking flag” on workers’ compensation payroll payments that BCPS paid to the employee directly, known as “J time” and exclude them from the BCPS invoices.
- The flag was not properly configured and caused the “J time” payments to result in incorrect overbilling to BCPS.
- SISCO corrected this error on April 12, 2021 to be reflected on the March 2021 BCPS invoice.
- SISCO also identified other billing errors related to duplicate credits and underpaid invoices that were not previously disclosed to BCPS.²
- In general, there appears to be a lack of internal controls, i.e., monitoring, review, reconciliation, and approval related to SISCO worker’s comp billing:

How did we determine what happened?

We completed our review through:

- Inquiry of BCPS personnel: Acting Chief Human Resource Officer, Manager, Office of Employee Absence and Risk Management, BCPS Workers’ Compensation Specialist, and BCPS Risk Management Representative.
- Inquiry of SISCO personnel: Director; President; and Business Applications Manager.

For the period February 1, 2017 through February 28, 2021, we completed:

- A review of SISCO billing details
- A review of SISCO invoices and reconciliations
- A calculation of all “J time” payments overbilled by SISCO
- A reconciliation of all billing errors

What can you do to correct the identified matters?

Immediate corrective action to be taken:

- Determine how you would like to have the overbilled amount returned to BCPS, i.e., payment in full, applied against future billings.
- Determine the need for a “target balance.”
- If a “target balance” is needed, determine an appropriate balance, monitor fluctuations, and adjust accordingly.
- Implement monitoring, review, reconciliation, and approval controls over worker’s comp billing.
- Determine if this error violates any portion of SISCO’s contract.

² These billing errors are reflected in the total overbilling amount.

What happens if this is not corrected?

We identified potential risks related to the lack of proper internal controls over worker's comp billing, if not corrected:

- Insurance fraud
- Continued erroneous under/over payments
- Increased exposure/liability to the BCPS

Our next steps

Other matters came to our attention during this review that will cause our office to take further action:

- Identify the specific break down in internal controls and assess the processes in place over worker's comp billing that allowed SISCO to overbill BCPS for four years.
- Determine the cost benefits of SISCO cost containment services.

Please note that some of this work will continue in this fiscal year but will also carry over into FY22. We will need the continued cooperation of your staff to complete this additional work.

As always, please feel free to contact me to discuss or if you have any questions.

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EXHIBIT C

COST CONTAINMENT FEES AUDIT

Chart of Ten Highest Enhanced Bill Review Fee Charges

Item	Claim Number	Original Amount of Invoice	Enhanced Bill Review Fee	Final Bill Amount	% of Original Invoice Paid by BCPS	Explanation
1	ending 733	\$84,096.95	\$25,270.61	\$ 7,519.35	38.9%	Bill was reduced to \$7,519.35. The enhanced bill reduction amount was \$76,577.60 x .33 = \$25,270.61.
2	ending 010	\$73,400.79	\$21,940.88	\$ 6,913.28	39.3%	Bill was reduced to \$6,913.28. The enhanced bill reduction amount was \$66487.51 x .33 = \$21,940.88
3	ending 224	\$67,685.04	\$21,211.84	\$ 3,406.74	36.3%	Bill was reduced to \$3,406.74. The enhanced bill reduction amount was \$64278.30 x .33 = \$21,211.84
4	ending 226	\$68,000.00	\$20,516.61	\$ 5,828.45	38.7%	Bill was reduced to \$5,828.45. The enhanced bill reduction amount was \$62,171.55 x .33 = \$20,516.61
5	ending 126	\$73,097.20	\$20,171.95	\$11,970.07	43.9%	Bill was reduced to \$61,127.13. The enhanced bill reduction amount was \$61,127.13 x .33 = \$20,171.95
6	ending 563	\$63,576.32	\$19,793.07	\$ 3,597.32	36.7%	Bill was reduced to \$3,597.32. The enhanced bill reduction amount was \$59,979 x .33 = \$19,793.07

Item	Claim Number	Original Amount of Invoice	Enhanced Bill Review Fee	Final Bill Amount	% of Original Invoice Paid by BCPS	Explanation
7	ending 366	\$66,143.67	\$19,541.54	\$ 6,926.87	40.0%	Bill was reduced to \$6,926.87. The enhanced bill reduction amount was \$59,216.80 x .33 = \$19,541.54
8	ending 749	\$62,765.61	\$19,377.02	\$ 4,047.36	37.3%	Bill was reduced to \$4,047.36. The enhanced bill reduction amount was \$58,718.25 x .33 = \$19,377.02
9	ending 544	\$57,403.83	\$17,174.88	\$ 5,358.73	39.2%	Bill was reduced to \$5,358.73. The enhanced bill reduction amount was \$52,045.10 x .33 = \$17,174.88
10	ending 806	\$54,567.83	\$16,360.77	\$ 4,989.73	39.1%	Bill was reduced to \$4,989.73. The enhanced bill reduction amount was \$49,578.10 x .33 = \$16,360.77
	TOTALS:	\$670,737.24	\$201,359.17	\$60,557.90		