

**Martin Matson**  
Comptroller

**John M. Egan, CPA**  
Deputy Comptroller



**Glenn Steinbrecher, CPA**  
Special Deputy Comptroller

**Toni Biscobing**  
Special Deputy Comptroller

**Office of the Comptroller**

October 5, 2012

To the Honorable Common Council  
City of Milwaukee

Dear Council Members:

As a component of the Comptroller's comprehensive audit work plan, Jacobson and McNabb Consulting, Inc. were engaged to complete the medical bill review portion of the Workers' Compensation audit. The Comptroller's Office recently received the enclosed final report detailing the results of the medical bill testing performed by Jacobson and McNabb in August 2012. The report contains findings and recommendations for the Workers Compensation function to improve the timeliness of adjusters approving medical bills, to timeliness of transmitting medical bills to the third party vendor and to the date the vendor was able to get the medical bill paid at reduced costs.

The consultant who performed this audit has extensive experience and subject matter expertise in best practices and industry standards for all aspects of Workers Compensation activities. The testing for medical bill review included examining timeliness of adjusters approving bills and timeliness of transporting medical bills to the third party. The consultant also examined the third party vendor's application of proper coding and discounts for medical fees and examined that all medical records were properly retained with the medical bills.

The testing performed indicated that the Workers' Compensation function is processing the medical bills properly. However, there are opportunities for improvement with the timeliness of this process. The following recommendations from the consultant will expedite the medical bill review process.

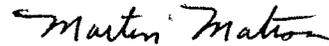
1. The City needs to establish guidelines for the timeliness of the processing of the payment by requiring the authorization of the bill by the adjuster to 14 days.
2. The transmission of the bill to CorVel needs to be completed within 3 days. A review of this process within the department will identify procedures that can be streamlined.
3. The City should work with CorVel Corporation to identify other efficiencies that will reduce the amount of time it takes to provide payment of the bill.



Management of the Workers' Compensation function of the Department of Employee Relations has responded to each recommendation. The response follows the consultant's detailed report.

Appreciation is expressed for the cooperation extended to the auditors by the staff of the Department of Employee Relations.

Sincerely,

A handwritten signature in black ink that reads "Martin Matson". The signature is written in a cursive style with a prominent flourish at the end of the name.

Martin Matson  
Comptroller

CC: Maria Monteagudo

MM:as



**JACOBSON & McNABB**  
CONSULTING, INC.

**Jeffrey J. Moerschel, CPCU, SCLA**  
Vice President

jmoerschel@jandmconsulting.net  
262-754-5227

August 16, 2012

Ms Aycha Sirvanci, CPA  
Audit Manager  
City of Milwaukee  
200 E. Wells Street  
Milwaukee, WI 53202

RE: Medical Bill Audit

Dear Aycha,

The audit of the medical bill payment process for the City of Milwaukee took place from August 6<sup>th</sup> through August 9<sup>th</sup> at the Workers Compensation Department. The City outsources this process to CorVel Corporation, which is common in the industry. The Workers Compensation Statutes allow medical bills to be paid at a rate that is usual and customary for the area and any Preferred Provider Networks that are available. Self Administered entities such as the City of Milwaukee do not have the data base or the networks to maximize these savings, therefore, they outsource this process to a third party. CorVel Corporation is one of the leading providers of this service.

The goal for the City of Milwaukee is to pay the amount owed through the use of CorVel's services in a prompt and well documented manner. I reviewed 200 medical bills that were paid over the past three years to determine the timeliness of the payment and the compliance with the contract the City has with CorVel. The timeliness of the payment was measured by documenting the date of the bill, the date it was received by the City, the date the adjuster approved the bill, the date it was transmitted to CorVel and the date it was paid. All of these dates are time stamped on the medical bill and medical records.

I am attaching the spreadsheet which lists all of the bills reviewed, the days it took to complete each phase of the process, proper coding of the bill, whether medical records were attached, was documentation of the reduction provided to the payee, the amount of the original bill, the amount of the reduction and the cost of the service.

The result for timeliness of the payment of the bill is as follows: the average number of days that it took for the adjuster to approve the bill from the date the City received it was 33.2 days. The industry average for this type of program is 14 days. The average number of days it took for the transmission of the bill electronically to CorVel was 5.6 days. The industry average for this type of program is 3 days. The number of days it took for CorVel to process the bill and make payment was 17.02 days (there were two bills that required additional documentation, without these the average is 15.4 days). The industry average for this type of program is 10 days.

CorVel applied the proper coding and discounts for usual and customary fees and Preferred Provider discounts 100% of the time. The medical records were attached to the medical bill 92% of the time, which is acceptable. When the records were not attached they would be sent separately. The documentation of the reductions to the provider was completed 100% of the time.

CorVel has been providing these services for the City of Milwaukee since January, 2000 and renewed at the end of each contract. The contract includes the cost of providing these services. The cost of both usual and customary re-pricing and Preferred Provider Organization discounts is set at 23% of the savings. This is common in the industry. The average amount of the medical bills reviewed was \$1,666.43. The average amount of the savings was \$363.43, which is a 21.8% reduction. These are good results for the industry. The cost of the reductions was 13.9%, which is well within the contract pricing.

### **Conclusions and Recommendations**

CorVel Corporation is providing bill reduction services as per their contractual obligations. The City of Milwaukee Workers Compensation Department is processing the medical bills properly, however, the timeliness of this process needs improving. The following recommendations will help to improve these results.

- The City needs to establish guidelines for the timeliness of the processing of the payment by requiring the authorization of the bill by the adjuster to 14 days.
- The transmission of the bill to CorVel needs to be completed within 3 days. A review of this process within the department will identify procedures that can be streamlined.
- The City should work with CorVel Corporation to identify other efficiencies that will reduce the amount of time it takes to provide payment of the bill.

Thank you for the opportunity to assist you with this audit. If there are any questions, please let me know.

Sincerely,



JEFFREY MOERSCHEL, CPCU, SCLA  
Vice President

### ATTACHMENTS

Spreadsheet



Department of Employee Relations

October 4, 2012

Tom Barrett  
Mayor

Maria Monteagudo  
Director

Michael Brady  
Employee Benefits Director

Martin Matson  
Comptroller  
City Hall, Room 404  
Milwaukee, WI 53202

Dear Mr. Matson:

The Department of Employee Relations appreciates the auditor's recommendations for improving the timeliness of processes related to Worker's Compensation medical bill review. To follow is DER's response to each of the recommendations offered in the audit report.

**Recommendation 1: The City needs to establish guidelines for the timeliness of the processing of payment by requiring authorization of the bill by the Adjuster to 14 days.**

DER agrees with this recommendation and will comply with the following exception: Medical bills that are HELD pending investigation of compensability, the receipt of additional medical documentation or the claim is in litigation. Medical bills that are HELD or in litigation will be sent to be scanned along with other bills. When the new medical bills are received in the Workers Compensation Section, bills that are received without medical notes are immediately returned to the Medical Provider requesting the notes. All other medical bills are date stamped, indexed using the iVOS system to determine the assigned Adjuster, batched into special batches by adjuster, and sent to MPR to be scanned. There is a three day turnaround time for this process. When the scanned batches are returned from MPR, the batches are distributed to the assigned Adjuster. Letters are sent on the bills that are HELD, and litigated bills are given to the assigned Adjuster to be handled based on litigation procedures. For all other bills, the Adjuster will check the bill for the receipt date and process the bills on a first-in first-out basis (seven days). After the Adjuster has determined if the bill is payable, the ICD 9 and payment information is added to the claim information within the iVOS system. The Adjuster then authorizes the bill to be paid, indicating his/her initials and the date. The bill is then mailed to the CorVel Corporation for re-pricing and payment within the State required deadline of 30 days.

**Recommendation 2: The transmission of the bill to CorVel needs to be completed within 3 days. A review of this process within the department will identify procedures that can be streamlined.**

DER agrees with this recommendation. The CorVel Corporation has committed to scanning all properly formatted documents and adding them to their system within 48 hours of receipt, after the medical bill is authorized, placed in the mail and sent to CorVel. The DER staff will work closely with the CorVel to monitor this process. The exception to this process is the un-formatted bills that may require CorVel to contact the Medical Provider for the proper bill before the document is actually placed into processing. However, this is a rare occurrence, and the Worker's Compensation management team will monitor the bills being sent to CorVel to minimize the number of unformatted bills that are sent. The approved bills are mailed to CorVel twice per day to improve the flow of work sent to CorVel.

**Recommendation 3: The City should work with CorVel Corporation to identify other efficiencies that will reduce the amount of time it takes to provide payment of the bill.**

DER agrees with this recommendation and has identified efficiencies that will improve the time it takes to provide the payment of medical bills. Worker's Compensation Management staff will meet with CorVel during the month of November to discuss and outline these efficiencies.

Thank you for the opportunity to respond to this audit. Please let me know if you have any additional questions.

Sincerely,

A handwritten signature in cursive script that reads "Maria L. Monteagudo".

Maria Monteagudo  
Employee Relations Director