



Realizing the ROI for Medical Claims Auditing

For the majority of businesses, benefits are the second largest expense behind salaries. Employers and plan sponsors often utilize a variety of available strategies to mitigate healthcare spend like wellness initiatives or modifications to plan design and contribution strategies. But these strategies can expose companies to errors in benefits administration if claims administrators aren't properly managing the plan.

A comprehensive, objective medical claims audit is an important tool for employers and plan sponsors of self-funded benefits plans to manage rising healthcare costs.

A claims audit is a comprehensive and detailed review of a claims administrator's financial accuracy and claims processing accuracy to verify that it is properly managing and administering the plan as it was designed and intended.

For employers and plan sponsors of self-funded plans, conducting routine claims audits is important to ensure the accuracy of claim payments that are paid for with their own funds – it's also their fiduciary responsibility to regularly monitor the plan's performance.

Claims audits offer a significant return on investment (ROI) for employers and plan sponsors. An in-depth review from an objective auditor can uncover errors or overpayments that are causing dollars to leak out of the plan unnecessarily. A basic claims audit will pinpoint errors and calculate the results, often yielding a return in dollars recovered. A more advanced, in-depth audit will go further to amend errors and prevent them from occurring again by determining the causes and providing recommendations for correction and overall quality improvement.

A claims audit can often pay for itself in overpayments recovered, but the greatest impact to ROI for plan sponsors is savings from errors averted going forward. Findings from a recent AIM-conducted medical claims audit helped a regional public transportation system avoid more than \$500,000 in inappropriate claims payments every year.

In AIM's medical claims audit activity since 2017, employers and plan sponsors have realized an overall ROI approaching 2:1. AIM measures ROI as the total amounts recovered as the result of medical claims audit activity divided by the total audit fees charged. In some cases, unusually high ROIs can be achieved, like 5:1 or more.

While the potential ROI is certainly a benefit of conducting medical claims audits, there is no guarantee that an audit will lead to discovery and recovery of overpayments, though it is rare to not uncover any financial errors. Employers and plan sponsors should not conduct an audit solely to recover overpayments unless there is evidence to suggest that the claims administrator has been mis-paying a specific type of claim.

The goals of any medical claims audit should be to ensure the plan is being operated as designed and to prevent errors on future claims, as the mismanagement of a plan not only affects the employer or plan sponsor but ultimately the plan participants.

