

# Using Claim Audits to Address Health Plan Costs

With health care costs rising steadily, self-funded health plans are under increasing pressure to find effective ways to manage expenses. While the fees for conducting medical claim and **pharmacy benefit manager audits** are not insignificant, the return on investment can be substantial. Comprehensive audits of medical and Rx claims frequently yield savings that are several times greater than the auditing cost—sometimes as much as fourfold or more. The complexity of a plan's benefit structure can increase the risk of payment errors, but regardless of the specific setup or plan size, frequent audits are wise.

Today, most self-funded plans rely on third-party administrators (TPAs) to handle claims processing. While TPA agreements typically include performance guarantees, and TPAs often provide reassuring reports, counting solely on these reports can be misleading. Routine audits can reveal errors and discrepancies that would otherwise go undetected. The advantage of conducting these audits is the ability to recover overpayments and correct mistakes. Over time, regular auditing also drives systemic improvements, helping to identify and correct root causes that lead to recurring errors.

As the need to control costs and eliminate waste grows, frequent and thorough auditing is becoming more prevalent. In the past, some plans conducted audits only to meet legal requirements, many now recognize the considerable financial benefits of more regular reviews. Accurate and fair claim payments not only save money but also improve the quality and equity of member service. While most TPAs strive to provide high-quality service, audits ought not to be seen as criticism but as a way to ensure accountability. Permitting administrators to operate without oversight exposes plans to risk.

A complete claims review also provides important information for future negotiations with TPAs and pharmacy benefit managers. These entities have a vital role in controlling costs, and having detailed audit findings can strengthen a plan sponsor's position. The independence of auditing firms is another important factor. Specialist auditing firms, whose sole focus is claims review, bring a depth of expertise that is difficult for broader consultancies to replicate. Their immersion in the

field allows them to identify issues that could otherwise go unnoticed, providing plan sponsors with an essential advantage.