



**BlueCross BlueShield  
of Kansas City**

An Independent Licensee of the  
Blue Cross and Blue Shield Association

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August 6, 2010

Carolyn Kerr  
Senior Counsel, Market Conduct Section  
301 West High Street, Room 530  
P.O. Box 690  
Jefferson City, MO 65102-0690

RE: Missouri Market Conduct Examination #0903-04-TGT,  
Blue Cross Blue Shield of Kansas City (NAIC #47171)

Dear Ms. Kerr:

We appreciate the opportunity to meet with the Missouri Department of Insurance, Financial Institutions and Professional Registration ("DIFP") on July 15, 2010, to discuss the examiner's comments regarding payment of First Steps claims at the applicable Medicaid rate.

The Market Conduct Examination draft report received by the Company on June 9, 2010, included comments by examiners regarding payment of First Steps claims at the applicable Medicaid rate (i.e., items II.A.2.A, II.A.2.B). Attached please find the Company's response to those items, which supplements the Company's previous response sent to DIFP on July 7, 2010.

As requested in your correspondence dated June 4, 2010, you will receive an electronic copy of the Company's response via e-mail, as well as a hard copy. We look forward to working with the Department to resolve any outstanding questions and to concluding this exam.

Sincerely,

Brian R. Schatz  
Director of Audit Services and Compliance Officer

Enclosure: Company Response

Section 376.1218.5, RSMo, states: *“A health benefit plan shall be billed at the applicable Medicaid rate at the time the covered benefit is delivered, and the health benefit plan shall pay the Part C early intervention system at such rate for benefits covered by this section.”*

The Company based its payment to DESE / Covansys for First Steps services on the Medicaid rates published by MO HealthNet, which it believed in good faith to be correct.

Section 13.11.A of the The MO HealthNet Therapy Manual indicates claims for services provided in a child's natural environment may be billed with Place of Service (POS) codes 12 (home) or 99 (other). As noted by examiners in their initial criticism dated October 8, 2009, *“The Mo HealthNet Therapy Manual indicates that POS codes may ‘have a higher...maximum allowable amount’. The MO HealthNet Division has advised DESE / Covansys and DIFP examiners that the reimbursement amount for the POS code is not published.”*

Prior to responding to the criticism in October, 2009, the Company contacted MO HealthNet and received confirmation that the \$10-per-unit reimbursement rate (i.e., allowable amount) used by the Company to process the claims in question was correct. Discussion with DIFP examiners at that time indicated they had received conflicting information from Mo HealthNet that these services had a higher reimbursement rate; however, they had been unable to obtain specific documentation supporting that rate.

Following a meeting with DIFP on July 15, 2010, the Company contacted MO HealthNet to re-verify the correct reimbursement rate. MO HealthNet re-confirmed that the reimbursement rate for speech therapy, occupational therapy, and physical therapy (i.e., First Steps covered services) performed in the natural environment (i.e., POS codes 12 or 99) is not published. Per our request, MO HealthNet processed test claims through their adjudication system and advised the Company on August 5, 2010, that the applicable Medicaid rate for those services is \$12.50-per-unit.

Upon receipt of this information, the Company initiated a project to reconfigure its adjudication system to process claims for First Steps covered services performed in the natural environment at the \$12.50-per-unit reimbursement rate. In addition, the Company will review prior claims for related underpayments and re-adjudicate them, including applicable interest.