

The Case for Flawless Claim Auditing



Regularly scheduled claim audits are essential for the benefit plans offered by large employers, whether in the corporate or nonprofit sector. With vast employee populations, claim errors can result in losses reaching hundreds of thousands or even millions of dollars. Fortunately, medical claims and **pharmacy benefit manager audits** are cost-effective and often recover costs many times over, sometimes up to 4 times the audit cost. An advantage is having audit team members with firsthand experience in claim payments from major health carriers, who can uncover issues others might miss.

While large audit firms primarily focus on tax and may offer claim auditing capabilities, these are not their core strengths. In recent years, smaller firms have revolutionized this space, particularly through software innovations that enable a review of 100 percent of claims. This advancement has replaced the traditional random sampling approach, which often missed errors and consumed significant staff time. Now, comprehensive claim audits are possible, greatly increasing the likelihood of identifying every mistake and reducing administrative burden.

Effective audits are thorough, flagging all errors, but their focus can depend on who sponsors the review. For payers, the emphasis is on uncovering mistakes, overbilling, duplicate charges, and recurring error patterns. Providers, on the other hand, prioritize ensuring correct coding and comprehensive service billing. Accurate claims payments benefit all parties—members, providers, and plan sponsors—by ensuring fairness and compliance. Some organizations now opt for continuous claim payment monitoring, enabling immediate reporting and correction of errors as they occur.

Self-funded benefit plans have relied on audits since processing and payments shifted to third-party administrators. Although administrator agreements often include performance guarantees, only oversight can verify that standards are met. With the high costs involved, plan sponsors must monitor payment activity to maintain accuracy. Each claim should be subject to hundreds of checkpoints, and identifying error patterns early can prevent minor issues from

becoming million-dollar problems. As a result, auditing remains an effective strategy for managing plan costs and safeguarding resources.