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February 12, 1998

Ms. Carmen Maldonado
Audit Director
New York State
Office of the State Comptroller
A. E. Smith State Office Building
Albany, New York 12236

RE: Report 97-F-36: Coordination of Medicare Coverage

Dear Ms. Maldonado:

Thank you for the opportunity to respond to your recommendations originally outlined in audit report 95-S-92. We have concluded our review and our response is indicated below.

AUDIT RECOMMENDATIONS:

1. *Investigate questionable claims identified by our audit. Recover costs for Medicare-eligible claims from the appropriate parties and remit recoveries to the Plan.*

The MSP settlement was specifically intended to address and forever resolve the precise situation raised in Recommendation 1 of your audit report. Here, the claims you have identified were paid on behalf of individuals who were Medicare eligible and therefore Medicare should have made a primary payment. The individuals were, however, mis-enrolled on the Plan and therefore Empire made primary payment. Pursuant to Section G of the MSP Settlement Agreement ("Agreement"), the U.S., on behalf of HCFA, and the settling Blue Cross Plans, including Empire, and all of their respective group contract holders who elected to opt-in to the settlement, such as the State of New York, have released Medicare from any and all claims for reimbursement of these claims. In return, Medicare released the settling Plans and their groups who opt-in to the Agreement, from any liability arising from other MSP claims. The settlement covers any and all claims incurred between January 1, 1983 and July 18, 1995.

Every effort was made to recover any overpayments prior to entering into the Agreement. As noted in your report, $213,641 was recovered and credited to the Plan prior to the decision made by the Department of Civil Service (Department) to opt-in to the Agreement. The overall savings associated with the decision made by the Department to opt-in to the Agreement was notable, thereby offsetting any recoveries which are prohibited by Agreement guidelines.

By entering into the Agreement, we are prohibited from recovering any funds which fall under the Agreement. Therefore, it is our position that we have fully implemented this recommendation given the Agreement guidelines.

2. *Continue efforts to develop a comprehensive system of procedures and internal controls to ensure all Medicare-eligible claims are processed appropriately.*

Empire Blue Cross Blue Shield remains committed to doing everything possible in order to assist the Department in their responsibility to maintain the eligibility file. We also have several in-house manual procedures as well as systematic edits geared to the detection and adjudication of eligibility issues.

Following increased efforts on the part of the Health Care Financing Administration (HCFA) to adhere more strictly to confidentiality guidelines in the federal Freedom of Information Act, Empire Blue Cross Blue Shield has been notified that our ability to perform periodic eligibility matches with the HCFA Common Working File (CWF) has been discontinued. The Department has reapplied for approval on our behalf. The data match with HCFA is intended to act as a supplement to the Department's role in maintaining the Plan's eligibility file and is a regional match. The logistics and costs associated with matching the Plan's immense enrollment file with multiple Medicare intermediaries throughout the country would have to be examined further.

Additionally, by opting in to the Agreement, we have agreed to participate in the transmission of essential beneficiary information to HCFA on a quarterly basis so that HCFA can supplement its files in order to better detect dual coverage situations. This process makes good business sense for us since it will assist HCFA in properly processing claims initially, thereby eliminating the need for postpayment recovery efforts by Medicare.

Therefore, it remains our position that the *"...comprehensive system of procedures and internal controls to ensure all Medicare-eligible claims are processed appropriately"* has been fully implemented.

I want to thank you and your staff for the courtesy provided during the course of this audit.

Sincerely,

(Ms.) Jeannette G. Conte

JGC:ch

cc: Robert V. Barnes, Division of the Budget
Robert DuBois, Department of Civil Service
Michael A. Stocker, M.D., Empire Blue Cross Blue Shield
Patricia A. Woodworth, Division of the Budget