

ALAN G. HEVESI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

April 6, 2006

Ms. Tracy Bahl  
Chief Executive Officer  
United HealthCare  
1114 Avenue of the Americas, Floor 35  
New York, NY 10036

Re: Report 2005-F-36

Dear Ms. Bahl:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by United HealthCare (UHC) to implement the recommendations contained in our audit report, *New York State Health Insurance Program, Coordination of Medicare Coverage* (Report 2003-S-12).

**Background, Scope, and Objective**

The New York State Health Insurance Program (Program) provides hospital services, surgical services, and other medical and drug coverage to more than 821,000 active and retired State employees and their dependents. It also provides coverage for more than 421,000 active and retired employees of participating local government units and school districts, as well as the dependents of such employees.

The Program's Empire Plan (Plan) is the primary health benefits plan, providing services to over one million individuals in the Program at an annual cost of more than \$3.7 billion. The Department of Civil Service (Department) contracts with UHC to administer the hospitalization portion of the Plan. During the calendar year ended December 31, 2004, UHC approved about 17.9 million claims totaling more than \$1.2 billion and charged the State over \$141 million for administrative and other related expenses.

Medicare is a federal health insurance program that provides medical coverage for people aged 65 or older, and those who are disabled or suffer from end stage renal disease. For eligible persons, Medicare hospital insurance (Part A) is premium-free, and pays most costs of inpatient hospital care and medically necessary care in a skilled nursing facility, hospice, or home health care setting. Medicare medical insurance (Part B), which helps pay for doctor and outpatient hospital services and other products and services not covered by Part A, is optional and requires eligible

persons to enroll and pay monthly premiums. Medicare requires individuals and providers of care to submit claims for payment timely (within 15 to 27 months, depending on the date of service).

When Plan members, including covered spouses and dependents, become eligible for Medicare coverage, Medicare becomes the primary payer of their medical expenses. By identifying Medicare-eligible Plan members and coordinating payment of their claims with Medicare, the Plan can reduce its expenditures. The Department is primarily responsible for maintaining the Plan's enrollment system, including updating this system to reflect current Medicare eligibility information. Insurance carriers also have a role in the coordination of claims with Medicare (i.e., by maintaining edits to flag potential Medicare-eligible claims and by obtaining Medicare eligibility data and sharing it with the Department, etc.). Therefore, the Department and its carriers need to work together to provide reasonable assurance that Medicare reimbursable claims are properly processed.

Our initial audit report, issued on October 20, 2003, examined the Plan's Medicare-related claims for the year ended December 31, 2002. The objective of our audit was to determine whether the Plan identified Medicare eligibility when it processed medical claims for Medicare-eligible Plan enrollees and their spouses and dependents. Our audit showed that neither the Department nor the Plan's insurance carriers tracked Medicare eligibility information on a comprehensive basis and identified claims that were not properly coordinated with Medicare. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of February 6, 2006 of the five recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that UHC officials have made substantial progress in implementing the recommendations. Of the five initial audit recommendations, all five have been implemented.

### **Follow-Up Observations**

#### **Recommendation 1**

*Review the population of questionable claims from which we estimated that \$627,497 was overpaid. Recover costs for Medicare-eligible claims from the appropriate parties and remit the recoveries to the Plan.*

Status - Implemented

Agency Action - After reviewing the population of questionable claims, UHC officials determined that the value of the questionable claims was \$355,424. To date, they have recovered \$212,351 and are actively pursuing the remaining balance through first and second requests, bulk reduction of benefits from members and providers, and through established payment plans with members.

### **Recommendation 2**

*For the \$649,619 in claims attributed to members eligible for, but not enrolled in, Medicare Part B, work with the Department to pursue the recovery of claims, where appropriate, and remit the recoveries to the Plan.*

Status - Implemented

Agency Action - After reviewing the claims identified in the population of members and/or their dependents that were not enrolled for Medicare Part B, UHC officials determined that the value of those claims was \$155,055. To date, they have recovered \$63,725 and are actively pursuing the remaining balance through first and second requests, bulk reduction of benefits from members, and through established payment plans with members.

### **Recommendation 3**

*Continue working with the Department to develop a comprehensive system of procedures and internal controls to improve the processing of Medicare-eligible claims for the entire Plan. Address areas such as:*

- *assisting the Department in obtaining Federal Medicare eligibility data so that the Plan's enrollment system reflects accurate Medicare information;*
- *enrolling in Part B the Medicare-eligible members identified in our audit; and*
- *updating the Plan's enrollment system with the Medicare eligibility information identified in our audit.*

Status - Implemented

Agency Action - UHC assists the Department in obtaining Federal Medicare eligibility data through ongoing matches with the Federal Centers for Medicare and Medicaid Services (CMS) that are updated electronically on their system. In addition, UHC personnel have contacted members who are eligible for Medicare Part B. Furthermore, they have updated their Consolidated Eligibility System with the information obtained in our audit and forwarded the information to the Employee Benefit Division to facilitate the updates to the New York Benefits Eligibility Accounting System. Finally, as copies of Medicare cards are provided to UHC, officials provide copies to the Department for their records.

### **Recommendation 4**

*Continue efforts to recover the estimated \$908,000 in overpayments identified through the UHC match with CMS and through prior OSC audits; and remit the recoveries to the Plan.*

Status - Implemented

Agency Action - UHC has recovered over \$89,000 in 2005, and more than \$3 million to date, because of their match with CMS and through prior OSC audits. These funds have been remitted to the Plan.

**Recommendation 5**

*Continue to improve procedures for exchanging Medicare eligibility data with CMS.*

Status - Implemented

Agency Action - UHC continues to improve the processes in place for exchanging Medicare eligibility data with CMS. In 2004, the inactive report that UHC receives from CMS was enhanced for transmittal to United Healthcare on a quarterly basis rather than every six months; this improved the timeliness of identification of Medicare information.

Major contributors to this report were Bill Clynes and Andrew Fischler.

We thank the management and staff of United HealthCare for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Kenneth I. Shulman  
Audit Manager

cc: George Sinnott, Department of Civil Service  
Robert Barnes, Division of the Budget  
Carl A. Mattson, United HealthCare