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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

December 20, 2007

Mr. Michael C. Matteo  
Chief Executive Officer  
Uniprise  
450 Columbus Boulevard  
Hartford, CT 06103

Re: Report 2007-F-41

Dear Mr. Matteo:

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 officials of United HealthCare (United) to implement the recommendation contained in our audit report, *New York State Health Insurance Program: Upcoding of Selected Evaluation and Management Services* (Report 2006-S-11).

**Background, Scope and Objective**

The New York State Health Insurance Program (Program) provides health insurance coverage to active and retired State, participating local government and school district employees and their dependents. The Empire Plan is the primary health benefits plan for the Program. The New York State Department of Civil Service (Department) contracts with United HealthCare (United) to process and pay medical claims for services provided to Empire Plan members.

Medical practitioners bill United for their services using Current Procedural Terminology (CPT) codes established by the American Medical Association. Evaluation and Management (E/M) CPT codes, which are divided into broad categories such as office visits, hospital visits and consultations, are used by most physicians to report a significant portion of their services. Within each CPT category, there are levels of unique CPT codes. The amount of United's reimbursement depends on the CPT code level billed. Billing for a higher paying service than is actually provided, at a higher CPT code level, is a practice termed upcoding.

Our initial audit report, which was issued on November 30, 2006, examined selected payments made by United for E/M services during the period January 1, 2005 through December 31, 2005. Our objective was to determine whether selected providers billed United for higher paying E/M services than those that were actually performed. From the population of \$38 million in E/M services we examined, we estimate, with a 90 percent confidence that United overpaid between \$4,999,636 and \$6,487,932 to providers who billed at a higher paying CPT

code for an E/M service than the service actually performed. From the random sample of 295 services, we determined that 74 services were overpaid in various manners. We recognized that there may have been a number of causes for these overpayments. However, United had not established adequate controls to prevent and identify physicians with aberrant coding patterns. United did not have adequate procedures to identify providers with billing patterns that significantly differed from their peers.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation of the recommendation included in our initial report.

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

We found that while United has made progress in addressing the audit recommendation, it is only partially implemented. United indicates that it does not have the capability to monitor upcoded claims. It has requested Department approval of a proposal to contract with a software vendor to develop this control. Further, it has not recovered overpayments from practitioners who have upcoded their E/M claims.

### **Follow-up Observations**

#### **Recommendation**

*Improve controls for monitoring claims submitted for E/M services to ensure payments reflect the services actually performed. At a minimum, this should include analyzing all E/M claims to identify practitioners with aberrant billing patterns, educating practitioners about correct coding and recovering overpayments as appropriate.*

Status - Partially Implemented

Agency Action - United has not improved its monitoring of claims submitted for E/M services to ensure payments reflect the services actually performed. However, we found that United has screened vendors to provide a product that will help it analyze E/M claims to identify practitioners with aberrant billing patterns. According to United officials, they have reached out to Department officials to present different options to analyze E/M claims to identify practitioners with aberrant billing patterns. Also, we found that while United provided some outreach in its provider newsletter, they have not educated the providers with suspected aberrant billing patterns. Additionally, United has not recovered overpayments from practitioners who have upcoded their E/M claims.

Major contributors to this report were David Fleming, Laura Brown, and Kathleen Garceau.

We would appreciate your response to this report within 30 days, indicating any action planned to address the unresolved issues discussed in this report. We also 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: Mr. Carl Mattson, United HealthCare  
Mr. Robert Dubois, Department of Civil Service  
Ms. Lisa Ng, Division of the Budget