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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**GROUP HEALTH  
INCORPORATED**

**NEW YORK STATE  
HEALTH INSURANCE  
PROGRAM - PAYMENTS  
FOR MENTAL HEALTH  
AND SUBSTANCE ABUSE  
SERVICES**

**Report 2007-S-12**

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## AUDIT OBJECTIVE

Our objective was to determine whether inappropriate payments were made under the Empire Plan for mental health and substance abuse services for the four years ended December 31, 2006.

## AUDIT RESULTS - SUMMARY

The New York State Health Insurance Program (NYSHIP) provides health insurance coverage to active and retired public employees and their dependents. A private contractor, Group Health Incorporated (GHI), is responsible for mental health and substance abuse-related coverage under NYSHIP's Empire Plan. GHI pays medical service providers for the mental health and substance abuse services provided under the Plan, and the State reimburses GHI for these payments.

We reviewed about \$1.4 million in payments that had reportedly been made by GHI and reimbursed by the State. We determined that \$96,178 of this amount should be refunded to the State, either because the payments were inappropriate (i.e., duplicates) and should not have been made in the first place (\$52,931) or because the payments were either voided or recovered by GHI and thus should not have been reimbursed by the State (\$43,247).

We recommend GHI refund the \$96,178 to the State and make certain improvements in its procedures. GHI officials state they will review our recommendations to determine potential system or procedural changes that can be made to prevent future findings.

This report, dated November 6, 2007, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller

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## BACKGROUND

In the New York State Health Insurance Program, the Department of Civil Service oversees health insurance programs for active and retired State, local government and school district employees and their dependents. The primary such program is the Empire Plan, which provides services costing about \$4 billion a year.

The Empire Plan is administered by private contractors. Group Health Incorporated (GHI) is responsible for the Plan's mental health and substance abuse-related coverage. GHI pays medical service providers for services provided under the Plan, and the State reimburses GHI for these payments. During the four years ended December 31, 2006, these payments reportedly totaled more than \$272 million. The State also pays GHI an administrative fee.

The medical service providers are paid on the basis of the claims they submit to GHI. These claims are processed by GHI's subcontractor, Value Options. Value Options is to review the claims for compliance with various requirements and approve payment of those claims that meet the requirements. GHI then pays those claims.

## AUDIT FINDINGS AND RECOMMENDATIONS

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### *Inappropriate Payments and Reimbursements*

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We analyzed the mental health and substance abuse-related claims reportedly paid by GHI for the four years ended December 31, 2006 to identify potentially duplicate claims that

warranted further review (such as multiple claims for the same patient on the same day). We identified 25,414 such claims totaling \$1.4 million, and we reviewed these claims.

We found that most of these claims were not duplicate claims. However, we determined that some of the claims were duplicates, because more than one claim had been submitted by the same provider for the same services to the same patient on the same day.

We reviewed supporting documentation for these duplicate claims and determined that a total of \$52,931 had been overpaid as a result of the duplication. GHI and Value Options officials agree with our determination and indicate they have already begun to recover and return to the State these overpayments. The officials also noted that many of the overpayments were the result of staff errors, as the duplicate claims were reviewed manually, in addition to being processed electronically, as is sometimes the case, and the claims processing staff did not follow the proper procedures. The officials noted that actions had been taken to prevent such errors in the future.

We also identified an additional \$43,247 in apparent overpayments on other duplicate claims. However, after further review, we found GHI had either voided the erroneous checks or recovered the erroneous payments from the providers.

These adjustments should have been included in the payment data that is provided to the State by GHI. The data is used to determine the State's reimbursements to GHI. However, we found the adjustments were not included in the payment data, and as a result, GHI was inappropriately reimbursed for the \$43,247 in voided and recovered payments. We recommend GHI refund the \$43,247 to the State and ensure all payment adjustments are

included in the data that is provided to the State.

We further recommend that GHI determine whether it was reimbursed for any other voided or recovered payments during our four-year audit period, and if so, refund these reimbursements to the State. We detected the \$43,247 in inappropriate reimbursements because the related claims appeared to duplicate other claims and thus met our criteria for review. Payments may also have been voided or recovered on claims that did not meet our criteria, and as a result, GHI may have inappropriately been reimbursed for other non-payments, as well.

We also note that, when a check is voided, GHI re-uses the check number. We recommend GHI not re-use voided check numbers, because it is more difficult to maintain accountability for transactions when this is done. GHI and Value Options officials indicate they will review the criteria for this issue and determine if changes in the process are warranted.

### **Recommendations**

1. Refund \$96,178 to the State.
2. Ensure that all voided and recovered payments are reflected in the payment data that is provided to the State for reimbursement purposes.
3. Determine whether GHI was reimbursed for any other voided or recovered payments during our four-year audit period, and if so, refund these reimbursements to the State.
4. Do not re-use voided check numbers.

## **AUDIT SCOPE AND METHODOLOGY**

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited GHI's payment of claims for mental health and substance abuse services under the Empire Plan. Our audit covered the period January 1, 2003 through December 31, 2006.

To accomplish our objective, we met with representatives of the Department of Civil Service, GHI and Value Options to enhance and confirm our understanding of GHI's claims processing system and the requirements relating to the payment of mental health and substance abuse claims in the Empire Plan. We also met with claims processing specialists and observed the electronic claims processing system on multiple occasions.

In addition, we analyzed data relating to the claims reportedly paid by GHI for mental health and substances abuse services for our four-year audit period (nearly 3.4 million claims for more than \$272 million). The purpose of our analysis was to identify potentially duplicate claims that warranted further review, such as multiple service claims for the same patient on the same date. As part of our analysis, we made site visits to three judgmentally selected mental health providers to review documentation supporting a judgmentally selected sample of 189 paid claims.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members

to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

## **AUTHORITY**

The audit was performed 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.

## **REPORTING REQUIREMENTS**

We provided a draft copy of this report to GHI officials for their review and comments. We considered GHI's comments in preparing this report.

Within 90 days of the final release of this report, we request that the President of GHI report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

## **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include Steven Sossei, Sheila Emminger, Andrea Inman, Laura Brown, Wendy Matson, Judith McEleney, and Dana Newhouse.