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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**GROUP HEALTH
INCORPORATED**

**NEW YORK STATE
HEALTH INSURANCE
PROGRAM - DUPLICATE
PAYMENTS FOR
INPATIENT PROFESSIONAL
FEES**

Report 2007-S-93

AUDIT OBJECTIVE

Our objective was to determine whether Group Health Insurance made duplicate payments for professional physician fees for mental health and substance abuse services during inpatient stays for the four years ended December 31, 2006.

AUDIT RESULTS – SUMMARY

The New York State Health Insurance Program (NYSHIP) provides health insurance coverage for active and retired public employees and their dependents. A private contractor, Group Health Incorporated (GHI), is responsible for the mental health and substance abuse coverage under NYSHIP's Empire Plan.

We reviewed about \$872,000 in payments reportedly made by GHI and reimbursed by the State for professional physician services rendered during inpatient stays for mental health and substance abuse services. We determined that approximately \$101,700 in duplicate payments for professional fees were made. Separate payments for these services should not have been made because the all-inclusive inpatient facility rates already included reimbursement for these professional services.

We recommend GHI refund the approximate \$101,700 to the State and make certain improvements in its procedures for processing claims for professional fees rendered during inpatient stays. GHI officials agreed to recover the inappropriate payments we identified and are taking steps to improve processes.

This report, dated March 4, 2008, 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 for active and retired State, local government and school district employees and their dependents. The primary insurance 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.

Mental health and substance abuse 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.

AUDIT FINDINGS AND RECOMMENDATIONS

Duplicate Payments of Professional Fees

We analyzed 13,998 mental health and substance abuse claims totaling \$872,207 reportedly paid by GHI for the four years ended December 31, 2006. The purpose of our review was to identify potentially duplicate payments for professional physician services billed during inpatient stays (professional fees).

GHI's subcontractor, Value Options is responsible for negotiating and setting reimbursement rates for inpatient mental health and substance abuse services. Depending on a facility's contract, inpatient rates are either inclusive or exclusive of professional fees. Physician services provided at a facility whose rate includes reimbursement for professional fees may not be billed separately to the Empire Plan. Rather, physicians are to be reimbursed by the facility out of the inpatient rate.

During our four year audit period ending December 31, 2006, we identified approximately \$101,700 in separately billed professional fees for services rendered at facilities whose paid rate already included reimbursement for professional fees.

As a part of our audit we made onsite visits to two mental health facilities and reviewed 39 claims supporting professional fees totaling \$2,908 and determined all 39 claims were inappropriately billed to the Empire Plan. These claims should have been billed directly to the facility because the facility rates already included the costs of such services.

The Chief Medical Director at one of the facilities we visited explained that psychiatrists there do not know which

insurance company rates paid to the hospital include the professional fee component, and which do not. The physicians bill separately for their professional fees and if claims are denied, they seek payment from the hospital. The physicians are relying on Value Options to deny such payments.

In response to the duplicate payments we identified, GHI officials indicated they are aggressively pursuing overpayments and will return all recoveries to New York State. For a portion of the \$101,700, approximately \$7,500, GHI indicated the claim was voided and never paid, or they concluded the claim was paid appropriately but GHI did not provide a basis for this conclusion. When we reconciled reimbursements made by New York State to GHI, we determined GHI did not refund the voided payments to New York State.

During our review of a sample of contracts for ten facilities, we observed that modifications to the reimbursement terms of facility contracts are made by way of hand written notes, edits, cross outs and effective dates. Value Options' informal practice of relying on and deciphering hand-written changes to contracts can be confusing for contract users, as we observed was the case during our onsite reviews. It is important that contract reimbursement rates be interpreted accurately so that reimbursement terms are loaded into the claims processing system correctly and system edits and manual claim reviews function properly.

Our audit confirmed instances of overpayments for professional fees billed during inpatient stays for mental health and substance abuse services. As such, GHI should recover inappropriate payments we identified, ensure proper payment of future claims and educate providers on the proper way to bill professional fees. In response to

our observations, GHI and Value Options officials stated they will take actions to recoup the improper payments, will work on system issues that caused claims to pay incorrectly, will provide training and counseling to staff that made processing errors, and will educate providers to help prevent future erroneous payments to be made.

Recommendations

1. Recover and remit to the State the approximate \$101,700 in overpayments for duplicate payments of professional fees.
2. Take steps to ensure appropriate payment of claims for professional fees on behalf of facilities whose inpatient rates include these fees.
3. Consider adopting more formal processes for amending contract reimbursement terms.
4. Instruct providers on the proper way to obtain payment for services to patients in facilities whose inpatient rates already include payment for professional services.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited payments GHI made for professional physician fees billed during inpatient stays for mental health and substance abuse services for the period January 1, 2003 through December 31, 2006.

To accomplish our objective, we met with representatives of GHI and Value Options to understand the claims processing system and requirements relating to the payment of mental health and substance abuse claims in the Empire Plan. We extracted questionable claims for professional fees reportedly paid by the Empire Plan for mental health and substance abuse services for our four-year audit period and verified the accuracy of such payments. GHI provided a list of facilities whose inpatient rates included professional fees and we reviewed provider contract reimbursement schedules for 10 of 323 judgmentally selected facilities to understand payments for professional fees during inpatient stays. Facility contracts were selected on the basis of those with the highest paid professional fees.

We judgmentally selected and visited two mental health facilities that had among the highest paid professional fees. While onsite at the providers, we reviewed medical records and other documentation supporting a judgmentally selected sample of 39 paid professional fee claims that captured of a variety of physicians per facility.

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, Wendy Matson and Judy McEleney.