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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

June 25, 1997

Dr. Michael A. Stocker  
President and Chief Executive Officer  
Empire Blue Cross Blue Shield  
622 Third Avenue  
New York, NY 10017-6758

Re: Report 97-F-15

Dear Dr. Stocker:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we reviewed the actions taken by officials of Empire Blue Cross and Blue Shield (Empire Blue Cross), as of May 19, 1997 to implement the recommendations included in our prior audit report 95-S-124. This report, issued on December 15, 1995, focused on the New York State Health Insurance Program's Empire Plan (Plan) coordination of Workers' Compensation coverage.

**Background**

The New York State Health Insurance Program (Program) provides coverage for hospitalization, surgical services and other medical expenses for more than 752,000 active and retired State employees and dependents. The Program also covers almost 336,000 active and retired employees and dependents of local governmental units and school districts that elect to participate. These entities are referred to as Participating Agencies (PAs). The Department of Civil Service (Department) contracts with insurance carriers to provide all aspects of health insurance coverage, and is responsible for managing and administering the Program. The Plan is the Program's primary health benefit plan, providing services exceeding \$1.5 billion annually. The MetraHealth Service Corporation (MetraHealth), administers the Plan's medical/surgical and major medical coverage and processes all Plan claims at its facility in Kingston, New York. Empire Blue Cross administers the Plan's hospitalization coverage and processes all Plan claims at its facility in Albany, New York. The Plan's insurance carriers are contractually obligated to coordinate health insurance benefits with third party insurers.

The State's Workers' Compensation Law requires that employers provide medical coverage for work-related injuries or illnesses. State employers (excluding authorities) in the Executive, Legislative and Judicial branches provide coverage through a contract with the State Insurance Fund (Fund). Authorities and local government employers provide coverage through self-insurance or separate contracts with workers' compensation insurance carriers. The Plan's contracts with MetraHealth and Empire Blue Cross specifically exclude payment for claims that are the result of work-related accidents or illnesses. To ensure that claims are paid appropriately, coordination with insurance carriers providing workers' compensation coverage is required.

Section 13 of the Workers' Compensation Law was amended effective 1990 to create the Health Insurance Matching Program (match program) which provides a voluntary means for health insurers and health benefit plans to identify claims they paid which may be the responsibility of the Fund or another workers' compensation insurance carrier. A function of the Workers' Compensation Board (Board) is to receive and maintain reports of all work-related injuries. For a fee, the Board conducts computer searches for the health insurers and health benefit plans to assist them in identifying and obtaining reimbursement for claims that may have resulted from work-related accidents or illnesses. However, the Board imposes a three-year "window" on the computer searches (i.e., claim payment dates must be within three years of the date claims are submitted to the Board for matching). The "window" does not apply to the recovery of payments. To minimize the fees for matching, the Plan's insurance carriers only submit claims they deem have a potential to be identified as workers' compensation claims.

In 1991, the Department authorized the Plan's carriers to participate in the Board's match program and, since May 1992, has been actively seeking the Board's approval for the sharing of workers' compensation information among carriers. Also, in 1994, the Department initiated a project to provide the Plan's insurance carriers with Fund computerized data on a monthly basis. The purpose of this initiative is to allow the carriers to identify potential workers' compensation cases before claims are paid or soon thereafter to facilitate cost recovery. However, because the Department's contract with the Fund includes only State employees, the data provided to the Department and the carriers is not comprehensive (i.e., employees of PAs are excluded).

Empire Blue Cross has been an active participant in the match program.

### **Summary Conclusions**

In our prior audit report, we found that Empire Blue Cross had not returned to the State recoveries made as a result of identifying work-related claims through participation in the Board's match program. We also determined that Empire Blue Cross should improve coordination among the Plan's insurance carriers by exchanging work-related claims information and developing common criteria for identifying work-related claims.

In our follow-up review, we found that Empire Blue Cross officials returned recoveries obtained from the match program to the State for 1994, 1995 and 1996. In addition, since November 1995 they have sent a monthly report to MetraHealth of all Workers' Compensation positive matches from their claims processing system. They have also added additional work related diagnosis codes to their matching program as a result of a meeting held with other Plan providers.

## **Summary of Status of Implementation**

Empire Blue Cross officials have fully implemented the three prior audit recommendations.

### **Recommendation 1**

*Implement procedures to ensure Plan-related recoveries are promptly returned to the State.*

Status - Fully Implemented

Agency Action - Recoveries from matches with the Workers' Compensation Board are reflected in the annual financial settlement with the State. For 1994, Empire Blue Cross recovered \$547,015.58 of the \$565,000 we identified in our prior audit report. They also recovered \$206,155.88 in 1995 and \$252,140.27 in 1996.

### **Recommendation 2**

*Continue to pursue methods for exchanging work-related claims information with the Plan's other insurance carriers.*

Status - Fully Implemented

Agency Action - Since November 1995, Empire Blue Cross officials have sent a monthly report of all Workers' Compensation positive matches from their claims processing system to MetraHealth. They have not received a return file from MetraHealth since implementation of the information sharing process. MetraHealth indicated to Empire Blue Cross that they have no specific file of stored Workers' Compensation information, and therefore no available mechanism to extract Workers' Compensation information systematically.

### **Recommendation 3**

*Work with the Plan's other carriers to develop claim selection criteria that provides a comprehensive and coordinated method to ensure Plan claims are properly coordinated with workers' compensation coverage.*

Status - Fully Implemented

Agency Action - On January 13, 1995, Empire Blue Cross added edits to its claims processing system. These edits were additional work-related diagnosis codes to be used in identifying potential work-related claims. These edits were identified as a result of a meeting on September 30, 1994 with other Plan carriers.

Major contributors to this report were Carmen Maldonado, Frank Russo, Aaron Fruchter and Thomas M. Kulzer.

We would appreciate your response to this report within 30 days. We also thank the management and staff of Empire Blue Cross for the courtesies and cooperation extended to our auditors during this review.

Yours truly,

David R. Hancox  
Audit Director

cc: P. Woodworth  
G. Sinnott  
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