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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

September 15, 1999

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

Re: Report 98-F-61

Dear Dr. Stocker:

Pursuant to the State Comptroller's authority as set forth Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of Empire Blue Cross Blue Shield (Empire Blue Cross) as of August 12, 1999 to implement the recommendations contained in our prior audit report, *New York State Health Insurance Program Coordination of Benefits - Secondary Payer Calculations* (Report 97-S-1). Our report, which was issued on November 4, 1997, reviewed the effectiveness of Empire Blue Cross' system for coordinating benefits with other insurance carriers.

Background

The New York State Health Insurance Program (Program) provides coverage for hospitalization, surgical services and other medical expenses for over 758,000 active and retired State employees and dependents. The Program also covers over 287,000 active and retired employees and dependents of local governmental units and school districts that elect to participate. 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 Empire Plan (Plan) is the Program's primary health benefit plan, providing services at a total annual cost exceeding \$1.6 billion.

When individuals are eligible for medical benefits from more than one insurance carrier, the insurance carrier should coordinate to ensure that only the benefits that the carrier is responsible for are paid. Generally, insurance plans contain provisions for determining which carrier will provide primary benefits. Under no circumstances should more than one plan pay the same benefits as the primary carrier. Empire Blue Cross is responsible for coordinating the Plan's hospitalization benefits with other insurance carriers to ensure that only proper benefits are paid.

Summary Conclusions

In our prior audit, we identified several deficiencies in Empire Blue Cross' claim processing system. Empire Blue Cross' management maintains a claim processing system, which includes computerized and manual edits, to ensure that claims are properly coordinated. However, these edits do not always work as intended. As a result, during our audit period, we found that Empire Blue Cross overpaid \$510,763 in claims. These claims were overpaid because Empire Blue Cross duplicated payments made by other insurance carriers. For these claims, Empire Blue Cross paid as the primary carrier when only secondary benefits were due.

In our follow-up review, we found that Empire Blue Cross officials recovered \$469,129 of the \$510,763 in overpayments we identified in the prior audit report. In addition, Empire Blue Cross officials enhanced computerized edits to ensure more accurate payment of claims requiring coordination with other insurance carriers. Also, Empire Blue Cross officials provided additional training specifically designed to improve the claims processors' ability to accurately pay claims requiring coordination.

Summary of Status of Prior Audit Recommendations

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

Follow-up Observations

Recommendation 1

Remit the \$510,763 overpaid as a result of improper coordination.

Status - Implemented

Agency Action - Of the \$510,763 of claims we reported as overpaid, Empire Blue Cross officials indicated that \$469,129 was recovered and credited to the Plan through individual claim adjustments. Further, during our follow-up review, Empire Blue Cross officials provided us with new documentation which indicated that the unremitted amount (\$41,634) was paid correctly during our prior audit period. Since this amount should not have been included in our original audit finding, we consider this recommendation to be fully implemented.

Recommendation 2

Implement system edits to identify potential payment errors.

Status - Implemented

Agency Action - Empire Blue Cross officials indicated that enhancements were made to the computerized claims processing edit system to ensure the proper payment of claims requiring coordination with other insurance carriers.

Recommendation 3

Provide training for claims approvers to further prevent improper payments from recurring.

Status - Implemented

Agency Action - Empire Blue Cross officials indicated that additional training was provided to staff to further ensure the proper payment of claims requiring coordination.

Major contributors to this report were Lee Eggleston, Ronald Pisani, Dennis Buckley and Douglas Abbott.

We thank the management and staff of Empire Blue Cross for the courtesies and cooperation extended to our auditors during this review.

Yours truly,

Kevin M. McClune
Audit Director

cc: Charles Conaway, Division of the Budget
George Sinnott, Department of Civil Service
Josephine Hargis, Empire Blue Cross Blue Shield
Ethel Graber, Empire Blue Cross Blue Shield