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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE SERVICES**

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**UNITED HEALTHCARE**

**DUPLICATE PAYMENTS  
FOR EVALUATION AND  
MANAGEMENT  
PROCEDURES**

**Report 2005-S-59**

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## AUDIT OBJECTIVE

Our objective was to determine if United HealthCare's system for processing evaluation and management payments prevented improper duplicate payments and if not, how many duplicate payments occurred and what was the cause of the duplicate payments.

## AUDIT RESULTS - SUMMARY

Our audit found that during the period October 2003 through March 2004, United HealthCare paid some evaluation and management services more than once, amounting to an overpayment of at least \$334,000. The reasons for the overpayments include the following:

- Software changes to United HealthCare's claims processing system implemented in late September 2003 caused some evaluation and management charges to be duplicated.

- Also, other charges were paid more than once because United HealthCare employees incorrectly bypassed computer edits designed to detect and prevent duplicate payments.
- Additionally, other charges were incorrectly paid because of existing flaws in United HealthCare's computer controls.

Our report contains four recommendations, which, if implemented, will provide stronger controls to prevent inappropriate duplicate payments. Officials generally agreed with our recommendations and have taken steps to implement changes and recover overpayments.

This report, dated March 8, 2006, 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  
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## BACKGROUND

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

## AUDIT FINDINGS AND RECOMMENDATIONS

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### *Duplicate Payments*

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For the six-month period, October 2003 through March 2004, we identified 6,808 potentially duplicate evaluation and management payments processed by United Health Care's system. From these charges, we selected a random sample of 224 charges and reviewed them with United HealthCare officials. Our audit found that 119 of the 224 were inappropriate duplicate payments. We evaluated the results using statistical methods and estimate, with 95 percent confidence, that United HealthCare overpaid about \$334,000 in duplicate payments to providers.

In late September 2003, United HealthCare installed new computer software to improve payment accuracy in the payment processing system. Approximately three weeks later, United HealthCare officials realized the new software was causing certain charges to be duplicated. Our audit showed that even though United HealthCare officials were aware of the problem, they allowed the claims processing system to make duplicate payments until March 2004. According to officials from United HealthCare and the Department, United HealthCare failed to

inform the Department of the duplicate payments. In fact, the Department did not become aware of the duplicate payments until the State Comptroller's auditors informed them in June 2005. Further, United HealthCare officials told us even though they knew duplicate payments were made, they did not pursue recovery and did not quantify the amount of the duplicate payments. Of the 119 duplicate charges, we found 60 were caused by this software change. The Department considers United HealthCare's failure to inform them of the duplicated payments to be unacceptable.

United HealthCare's claims processing system includes an edit check for duplicate charges. However, not all charges identified by the software as a duplicate are actually duplicates. Therefore, United HealthCare employees manually review charges identified as duplicates. The employees either deny the duplicate charge, or bypass the edit allowing the charges to be paid. However, we found that United HealthCare's management does not adequately review or monitor the actions of employees to ensure control bypasses are appropriate. Of the 119 duplicate charges, we found 45 were caused by inappropriate control bypasses.

United HealthCare's claims processing system checks for duplicate charges by comparing charges in process to charges already processed. However, United HealthCare does not check for duplicate charges submitted on the same claim. For example, we found one claim included the same medical procedure nine times. Since United HealthCare's claims processing system does not look for duplicate charges on the same claim, the charge was paid nine times. Of the 119 duplicate charges, we found 14 were caused by this logic flaw.

## **Recommendations**

1. Identify and recover to the State overpayments to health care providers for evaluation and management procedures.
2. Correct the duplicate checking software controls to prevent payment of inappropriate duplicate charges on the same claim.
3. Implement controls to review and monitor employees' action to bypass software.
4. Report all issues affecting the Empire Plan to the Department in a timely manner.

## **AUDIT SCOPE AND METHODOLOGY**

We did our audit according to generally accepted government auditing standards. We audited United HealthCare's payment of duplicate charges for evaluation and management services during the six-month period October 2003 through March 2004. To accomplish our objective, we interviewed Department and United HealthCare officials about controls over duplicate payments. We analyzed a stratified sample of 224 duplicate charges and reviewed the accuracy of these charges with United HealthCare officials.

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, several of which are performed by the Division of State Services. 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 of 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 management 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**

The Department agrees with our findings and has already instructed United HealthCare to recover the duplicate payments. United HealthCare developed a project plan for the recovery and provided the Department with details of the plan.

We would appreciate receiving the United HealthCare response to the recommendations made in this report within 90 days, indicating any action planned or taken to implement them.

## **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include: David Hancox, Ken Shulman, Robert Wolf, Laura Brown, David Fleming, Dennis Graves, Andrea Inman and Matricia Madory.