



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 9, 2007

Mr. Tracy Bahl
Chief Executive Officer
United HealthCare
1114 Avenue of the Americas - Floor 35
New York, NY 10036

Re: Report 2007-F-14

Dear Mr. Bahl:

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, we have followed up on the actions taken by officials of United HealthCare to implement the recommendations contained in our audit report, *New York State Health Insurance Program - Duplicate Payments for ESWT Services* (Report 2006-S-54).

Background, Scope and Objective

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 dependents. The Empire Plan is the primary health benefits plan for NYSHIP. The Department of Civil Service (Department) contracts with United HealthCare (United) to process medical claims for the Empire Plan.

One of the medical services covered by United is Extracorporeal Shock Wave Therapy (ESWT). ESWT is a non-invasive treatment that involves delivery of shock waves, via a device, to a specific site on the body. The federal Food and Drug Administration approved ESWT for two conditions: lateral epicondylitis (tennis elbow) and plantar fasciitis. Plantar fasciitis involves inflammation of the plantar fascia, which connects the heel to the toes.

Our initial audit report, which was issued on August 22, 2006, examined payments United made to Dr. Anders Cohen for providing Extracorporeal Shock Wave Therapy (ESWT) for the period January 2005 through March 2006. Our objective was to determine whether the payments to this practitioner for these procedures were appropriate.

During the period January 2005 through March 2006, United paid Dr. Cohen nearly \$1.8 million for ESWT services that he did not perform. We determined that Dr. Cohen (a neurosurgeon) was submitting claims for ESWT services to treat plantar fasciitis that duplicated the claims submitted by other practitioners (generally podiatrists) for ESWT services provided to

the same patients on the same day. Upon further investigation, we found that a company called Rapid Recovery Health Services, Inc. (Rapid) was submitting these claims to United using Dr. Cohen's name. Rapid operates a mobile ESWT program, and leases ESWT devices for use in this treatment. Rapid delivers ESWT devices to practitioner's (typically podiatrists) offices, along with a technician to operate the devices. The practitioner pays Rapid a fee for the use of the device and the technician's time. Rapid's Chief Executive Officer and owner of the company informed us that his company was submitting claims in Dr. Cohen's name, and Dr. Cohen was a medical consultant to the company.

Further, Dr. Cohen's business consultant informed us that Dr. Cohen was not performing the ESWT procedures, but was billing for the use of the ESWT device. We found this was inappropriate because the payment made by United to the actual servicing provider is a global payment for the entire procedure, covering the cost of the device and the individual providing the treatment. Accordingly, it was inappropriate for Rapid to be submitting separate claims in the name of Dr. Cohen and it was inappropriate for Dr. Cohen to be obtaining reimbursement for these claims.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation, since March 2006, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that United still has not recovered all payments made to Dr. Cohen for ESWT. However, United officials have stopped payments to all doctors for ESWT. Of the two prior audit recommendations, one has been partially implemented, and one has been implemented.

Follow-up Observations

Recommendation 1

Recover and remit to the State all payments to Dr. Anders Cohen for Extracorporeal Shock Wave Therapy.

Status - Partially Implemented

Agency Action - United has been in negotiations for several months with Dr. Cohen regarding repayment, however no funds have been recovered or remitted to the State as of yet. In addition, as we suggested in our initial audit report, we understand from Department officials that the Department and United have been working with investigative and prosecutorial agencies in evaluating this matter. United notes this work has prevented it from presently recovering any funds from Dr. Cohen.

Recommendation 2

Immediately stop all payments to Dr. Anders Cohen for Extracorporeal Shock Wave Therapy.

Status - Implemented

Agency Action - In January 2006, United stopped all ESWT payments to Dr. Cohen. Additionally, as a result of our initial audit, United reviewed the medical evidence for the treatment of plantar fasciitis with ESWT and found it to be unproven as a treatment of plantar fasciitis. Therefore, effective October 21, 2006, United no longer covers this treatment. As a result of this change, United denied 42 ESWT claims, totaling \$132,287 submitted by other providers.

During 2005, the last full year United covered ESWT, United paid \$4.3 million for ESWT procedures. Of this amount, \$1.7 was paid to Dr. Cohen, and \$2.6 million was paid to other providers. Since United no longer covers ESWT, we calculate that the \$2.6 million is an additional amount saved in subsequent years after our original audit.

Major contributors to this report were Nadine Morrell, Melissa Little, and Jessica Turner.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of United for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Kenneth I. Shulman
Audit Manager

cc. Mr. Carl Mattson, United HealthCare
Ms. Nancy G. Groenwegen, Department of Civil Service
Ms. Lisa Ng, Division of the Budget