
**Thomas P. DiNapoli
COMPTROLLER**



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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

UNITED HEALTHCARE

**NEW YORK STATE
HEALTH INSURANCE
PROGRAM
INAPPROPRIATE BILLING
FOR OUTPATIENT
CONSULTATION SERVICES**

Report 2007-S-20

AUDIT OBJECTIVE

Our objective was to determine whether United HealthCare's (United) payments for outpatient consultations were supported by medical records documentation. Our audit scope covered the three year period January 1, 2004 through December 31, 2006.

AUDIT RESULTS - SUMMARY

We statistically sampled 284 consultation claims paid during our audit period and requested that United provide us with practitioner medical records documentation supporting the claims. For 77 of these claims, medical records documentation either did not exist or supported a less costly service than the claimed consultation service. As a result, we statistically project with a 90 percent confidence that United overpaid between \$10.5 million and \$17.5 million for consultation services claimed during our audit period.

Our report recommends that officials of United further review consultation service claims paid during our audit period and seek recovery for overpayments determined to have resulted based on criteria such as was utilized for this audit. We also recommend improved controls to prevent inappropriate claims for consultation services.

This report, dated December 28, 2007, 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
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

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

On occasion a healthcare provider may request the assistance of another healthcare provider to diagnose an illness or confirm the appropriateness of a treatment. In such cases the second healthcare provider will be providing a consultation service. Such services are generally paid by United at a rate that would exceed the normal office visit rate. To be eligible for payment, a medical practitioners' claims for outpatient consultations must meet the requirements set forth in the American Medical Association's Current Procedural Terminology manual (CPT).⁽¹⁾

The CPT defines a consultation as a "service provided by a physician whose opinion or advice regarding evaluation and/or management of a specific problem is requested by another physician or other appropriate source." The CPT states the request for a consultation must be documented in the patient's medical record. In addition, the "consultant's opinion and any services that were ordered must also be documented in the patient's medical record and communicated by written report to the requesting physician."

⁽¹⁾ The (CPT) is a listing of descriptive terms and identifying codes for reporting medical services and procedures performed by physicians. The purpose of the terminology is to provide a uniform language that will accurately describe medical, surgical, and diagnostic services, and will therefore provide an effective means for reliable nationwide communication among physicians, patients, third parties, and insurance companies.

AUDIT FINDINGS AND RECOMMENDATIONS

We analyzed United's Empire Plan claim payment data for the audit period January 2004 through December 2006. We identified that 769,996 claims totaling \$102.5 million were paid for outpatient consultations. (We did not include claims paid by United as the secondary insurance.) From the population of 769,996 claims totaling \$102.5 million, we selected a random sample of 284 claims and requested United to obtain the medical records from the practitioner for each sampled claim.

We reviewed the medical records and determined that, for 77 of the 284 claims, records did not support payment for an outpatient consultation service:

- We found 50 of the services allowed as consultation did not meet the CPT definition of a consultation. Based on our review, we concluded that these services were lower-paying office visits. We calculated the overpayment as the difference between United's payment for the consultation and the amount United would have paid for the lower-paying office visit.
- For 26 of the claimed consultation services, documented medical records were not provided despite our repeated requests. We calculated United's entire payment for these services as an overpayment.
- We found one of the services allowed as a consultation was neither a consultation nor an office visit. The service provided appeared to be routine pre-operative screening, payment for which would have been included in United's payment for the

surgical procedure. We included United's entire payment for this consultation as an overpayment.

We projected the 77 overpayments in the random sample to the 769,996 claims totaling \$102.5 million in the population. Based on this projection, we estimate, with a 90 percent confidence level, that United overpaid between \$10.5 million and \$17.5 million.

We found that United's system does not have controls designed to analyze consultation claims to identify aberrant billing patterns, such as where a majority of provider claims are for consultation services. United has made some efforts to educate network providers by publishing articles on billing for consultations in their network provider newsletters. However, based on the results of our audit, we conclude that these efforts have not been effective. For example, the administrative staffs for the three physicians we visited were not familiar with those articles, and acknowledged they did not have a clear understanding of when to bill for a consultation as opposed to an office visit.

Recommendations

1. Improve controls for claims submitted for consultation services. At a minimum, these controls should include:
 - Analyzing claims to identify practitioners with aberrant billing patterns;
 - Educating providers about correctly billing for consultations; and
 - Recovering overpayments as appropriate.
2. As appropriate, further review consultation service claims paid during our audit period and seek

recovery for payments determined to have resulted based on criteria such as was utilized for this audit.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. Our audit primarily focused on determining whether claims for consultation services provided by physicians during the period January 1, 2004 through December 31, 2006 were supported by medical records documentation.

To accomplish our objective, we used data analysis techniques to identify and analyze consultation payments made to physicians. We selected a random sample of consultation payments and requested medical records to determine whether a consultation service was provided. We used statistical methods to project the overpayment in the sample to the population of consultation payments. We also interviewed Department and United officials to obtain an understanding of the controls in place. In addition, we conducted site visits to interview health care practitioners and their administrative staff, and review records supporting claims submitted.

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 preliminary copies of the matters contained in this report to United officials for their review and comments. United officials generally agree with our audit findings and conclusions.

Within 90 days of the final release of this report, we request that the President of United HealthCare 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 were Kenneth Shulman, Robert Wolf, David Fleming, Jacqueline Keeyes-Holston, Judith McEleney, and Maura Davis.