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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 25, 1997

Mr. William W. McGuire
President, Chairman & CEO
United Health Care Corporation
9900 Bren Road East
Minnetonka, MN 55343

Re: Report 97-F-26

Dear Mr. McGuire:

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 the MetraHealth Service Corporation (MetraHealth), as of August 6, 1997 to implement the recommendations included in our prior audit report 94-S-68. 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 over 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 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 at a total annual cost exceeding \$1.5 billion. The Plan's medical/surgical and major medical coverage is administered by MetraHealth Service Corporation (MetraHealth - formerly Metropolitan Life Insurance Company), which processes all Plan claims at its facility in Kingston, New York. The Plan's hospitalization coverage is administered by Empire Blue Cross, which 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 help 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 of Civil Service (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 afterwards 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).

At the beginning of our prior audit, MetraHealth had conducted a pilot match of claims with Board records for the first quarter of 1990 and recovered about \$24,000. MetraHealth had no plans to match additional claims. At the direction of the Department, MetraHealth officials agreed to refine their procedures and match claims for 1992 and 1993. At the conclusion of our prior audit, MetraHealth's analysis of the match results, and related recovery efforts, were just beginning.

Summary Conclusions

In our prior audit report, we found that MetraHealth officials needed to improve their ability to coordinate claims with insurance carriers providing workers' compensation coverage. We identified over \$1 million in claims paid by MetraHealth that potentially should have been paid by other carriers. We also determined that the criteria used by MetraHealth in conducting its match with the Board should be improved.

In our follow-up review we found MetraHealth officials still needed to improve their ability to coordinate claims with insurance carriers providing workers' compensation coverage. MetraHealth officials did not adequately investigate the over \$1 million in claims we identified in our prior audit. In addition, while MetraHealth officials did improve the criteria used in selecting claims for matching with the Board, subsequent Board matches have not been performed.

Summary of Status of Implementation

MetraHealth officials have partially implemented one recommendation and have not implemented three of our prior audit recommendations.

Recommendation 1

Review history files for the enrollees and spouses we identified with claims that were not properly coordinated with the Fund or other workers' compensation issuance carriers. Recover amounts for work-related claims and remit recoveries to the State.

Status - Not Implemented

Agency Action - MetraHealth officials indicated that they investigated 60 cases and recovered \$12,774 to date and credited this to the Plan.

Auditors' Comments - In our prior audit, we identified 1,748 enrollees and spouses with claims that were not properly coordinated with the Fund or other workers' compensation insurance carriers. For the period ended March 31, 1994, we identified over 15,069 potential work-related claims totaling over \$1 million for these 1,748 enrollees and spouses. A computer tape of these enrollees and spouses was provided to MetraHealth officials. The 60 cases investigated by MetraHealth were a sample from this population.

MetraHealth officials could not recall receiving a computer tape and indicated they could not locate such a tape. As a result, MetraHealth officials had not followed up on the other 1,688 cases. We confirmed that tapes containing the names of the employees and spouses were sent to MetraHealth on April 21, 1995 and subsequently received by a MetraHealth official. MetraHealth officials should attempt to locate these tapes, follow-up on these cases and return any money recovered to the State.

Recommendation 2

Perform routine matches with the Board to ensure claims are not excluded by the three-year "window."

Status - Not Implemented

Agency Action - MetraHealth officials have not conducted any additional matches with the Board since the one performed at the direction of the Department for 1992 and 1993. MetraHealth officials indicated that retrospective matches are not necessary because they have implemented a prospective/preventive approach to identify claims before they are paid. Officials indicated that the following procedures and enhancements in place are:

- associates have been trained to identify claims that have the potential to be work related,
- they receive reports from some Plan vendors of cases that have been identified as potentially workers' compensation claims,
- system edits identify diagnosis of Carpal Tunnel Syndrome and highlight "Accident Indicator field" when specific accident related diagnoses are input,
- data received from State Insurance Fund and Empire Blue Cross, and
- eligibility files from State agencies identifying employees with on-leave status as a result of a work related injury.

MetraHealth officials also indicated that they had been told by the Department that retrospective matches with the Board were not necessary.

Auditors' Comments - In response to the preliminary audit findings issued for the prior audit, MetraHealth officials indicated that it was not cost effective to perform retrospective matches with the Board because a pilot match they performed for a period in 1991 cost over \$19,000 and only \$17,000 had been recovered. We found that the criteria used in conducting the match was not as comprehensive as it should have been.

The Department instructed MetraHealth officials to perform a match with the Board for 1992 and 1993. At the time of this match, the criteria (diagnoses and procedures) used for selecting claims in conducting the match were improved. This match identified over \$1.175 million in potential overpayments. MetraHealth officials reported they have recovered over \$200,000 to date.

MetraHealth officials said they had not conducted any retrospective matches since then because of the prospective procedures employed. MetraHealth officials provided the Department's response to our prior audit as support for their statement that the Department had told them they did not have to perform Board matches. We spoke to a Department official regarding the

Department's response. This official was not aware that MetraHealth had not performed any other Board matches. The Department official also said that while their response indicates that the Plan will continue to make best use of its resources by investing in prospective cost avoidance programs, matches with the Board are still necessary.

Since the prospective matching procedures are limited to State employees and may be adversely affected by timing differences between claims filing and notification the claim is for a work related event, MetraHealth officials should continue to perform retrospective matches with the Board. Matches should be done for those periods since the last match.

Recommendation 3

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

Status - Not Implemented

Agency Action - MetraHealth officials indicated that they receive information from the Department of Civil Service, Empire Blue Cross (EBC) and the State Insurance Fund. MetraHealth officials indicated that they do not share information with EBC because EBC has more exposure with these cases, and claims received by MetraHealth are from multiple sources for which EBC would not have any liability. Officials also indicated that it would not be cost effective for EBC to receive and research all these claims, and a definite decision to share information with EBC was never made by the Department of Civil Service or agreed upon by all parties.

Auditors' Comments - MetraHealth officials should be sharing information on claims it identifies as work related with the Plan's other insurance carriers to ensure claims payments are properly coordinated. While the claims processed by MetraHealth are for professional services/fees, those claims identified as workers' compensation related could eventually result in a hospital claim. EBC officials indicated that it would be beneficial if these individuals were identified in advance.

Recommendation 4

Develop claim selection criteria that provides a comprehensive and consistent method to ensure Plan claims are properly coordinated with workers' compensation coverage.

Status - Partially Implemented

Agency Action - MetraHealth officials have made improvements in their prospective procedures since our last audit. In addition, in conducting their second retrospective match with the Board (match done for 1992 and 1993), MetraHealth officials improved the criteria used to select claims to match with the Board.

Auditors' Comment - While MetraHealth officials have improved their prospective procedures, they have not conducted subsequent matches with the Board. As noted above, it is still necessary that retrospective matches be performed. MetraHealth officials should continue to conduct retrospective matches with the Board until such procedures are no longer cost effective.

Contributors to this report were William Challice, David R. Hancox, Frank Russo, Aaron Fruchter, and Tom Kulzer.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report.

We also thank the management and staff of MetraHealth for the courtesies and cooperation extended to our auditors during this review.

Yours truly,

Carmen Maldonado
Audit Director

cc: P. Woodworth
M. Kelley