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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 12, 2013

George Babitsch
Senior Vice President
Emblem Health
55 Water Street
New York, NY 10041

Re: Payments for Scaling and Root Planing
Procedures (Report 2013-F-20)

Dear Mr. Babitsch:

According 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 Group Health Incorporated to implement the recommendations contained in our audit report, *New York State Dental Program - Payments for Scaling and Root Planing Procedures* (Report 2009-S-95) issued July 28, 2010.

Background, Scope and Objective

New York State provides dental insurance benefits to certain State employees and their dependents. The New York State Department of Civil Service contracts with Group Health Incorporated (GHI) to process dental claims on behalf of the State. Emblem Health is the parent company of GHI and HIP Health Plan of New York, formed when the two companies affiliated in 2006. At that time, existing GHI contracts such as the New York State dental contract were continued under the same terms and conditions.

GHI processes and pays approximately \$57 million per year for dental services provided to eligible members. Services covered by GHI include periodontal scaling and root planing for the treatment of periodontal disease. Scaling involves the removal of tartar, plaque and toxins from above and below the gum line. Root planing involves a smoothing of the rough spots on root surfaces. Scaling and root planing are covered by GHI for the treatment of periodontal disease, and according to GHI's policies, they are not intended to be prophylactic in nature. Instead, they are used when periodontal disease is indicated. The objective of the treatment is to help shrink periodontal pockets, heal gum tissue and thereby prevent tooth loss.

Our initial audit report examined whether GHI established adequate controls over the

payment for scaling and root planing procedures and determined if GHI overpaid for these services. Our audit covered the period January 1, 2005 through December 31, 2008. We found that there was considerable risk that certain providers performed scaling and root planing more often than necessary, or they billed for scaling and root planing when less intensive (and less costly) dental services were provided. Further, we found there was considerable risk that material amounts of payments had been made for claims having inadequate supporting documentation. We concluded that GHI's controls over the payments for scaling and root planing procedures were not functioning as designed. High risk payments, such as those made to the dentists we visited, were not questioned because management had not developed and implemented a system of internal controls to ensure claims for scaling and root planing were paid in accordance with prescribed policies and industry standards. The objective of our follow-up was to assess the extent of implementation, as of October 9, 2013, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

GHI officials made significant progress in addressing the problems we identified in the initial audit. This included the return of overpayments totaling almost \$44,000. Of the three prior audit recommendations, two recommendations have been implemented and one is no longer applicable.

Follow-up Observations

Recommendation 1

Review claim payments made to the two dentists we visited and, as appropriate, recover overpayments made for improper and insufficiently documented claims for scaling and root planning procedures.

Status - Implemented

Agency Action - GHI officials reviewed claim payments made to the two dentists we visited. Their review found instances where the dentists did not conform to the standards upon which our findings of overpayment were based. The first dentist had some claims for visits where he treated more than two quadrants in a single visit, which did not comply with the standard applied by our auditors. However, this practice was within the standard GHI used at the time of the claim. Since our initial report, GHI has reviewed its practices and procedures. On January 1, 2011, GHI adopted the standard of treating only two quadrants per visit, which our auditors applied during our initial audit. This dentist was counseled on the use of the new standard, which he said he would apply in the future.

Until we initiated our follow-up review, GHI had not taken any action to recover any overpayments reported in our initial audit. However, based on our review, GHI re-evaluated its position and agreed to make recoveries for the inadequate charting done by the second dentist cited in our recommendation. GHI's review of the second dentist

found that 89 percent of his claim submissions did not have current charting. GHI officials agreed to reimburse the State \$43,850 (89 percent) of the \$49,270 in claims paid to this provider for scaling and root planing procedures during the audit period. GHI officials plan to return the amount as an itemized line item in the 2013 Annual Statement of Experience, which is a reconciliation of service activity for the year.

Recommendation 2

Develop and implement a system of internal controls to ensure claims for scaling and root planing procedures are paid in accordance with GHI's policies and industry standards. At a minimum, this should include:

- *Identifying and investigating questionable billing patterns;*
- *Taking appropriate follow-up action to recover overpayments and correct provider billing practices on future claims; and*
- *Ensuring GHI's policies are followed.*

Status - Implemented

Agency Action - New policies were distributed to the participating dentists as a result of our audit and edits were developed to implement checks on frequency of visits and the number of sites that can be treated in a visit. GHI officials have also expanded their clinical reviews as a result of some of the additional edits implemented due to our audit. These preventative measures identify and provide the basis to investigate questionable billing patterns and prevent over billing. GHI also relies on a contractor, Dentistat, to find dentists who bill outside of established norms. This contractor has industry's largest independent claims utilization database in the nation, with over 85 million records representing 80,000 dentists. These dentists' claims are analyzed and modeled by geographic region. The contractor compares the claims of GHI participating dentists to those in our region to determine if any appear to be billing excessively or outside the norm for other dentists in the region. If a dentist is found to be billing excessively or treating patients in a pattern of treatment that is unusual for the region, they are counseled by the contractor to change their billing practices to conform to the model. GHI is informed of any non-conforming dentists and can assess whether these dentists have adjusted their pattern of treatment and billing to meet GHI's and the State's requirements. In 2011, Dentistat reported to GHI that it counseled 27 dentists for not being in compliance with billing practices. In both 2012 and 2013, Dentistat reported six additional practitioners identified in each year.

Recommendation 3

Assess the processes used by the contractor to identify questionable claims and provide the contractor with guidance to help efforts to minimize improper payments.

Status - Not Applicable

Agency Action – GHI is aware of the method used by the contractor to assess conformance to general practice within a geographic area as described above. However, GHI officials explained that they cannot require the contractor to test for specific requirements, such as billing frequency or timing. Therefore, GHI is unable to directly fulfill the recommendation. Alternatively, GHI has increased the volume of claims it supplies to the contractor to more significantly influence the model of general practices used for this geographic area. The goal of submitting more data is to influence the average used by the contractor to better reflect the policies of GHI and the New York State program.

Major contributors to this report were Todd Seeberger, Donald Collins and Dylan Spring.

We thank the management and staff of Group Health Incorporated for the courtesies and cooperation extended to our auditors during this review.

Yours truly,

Brian Reilly
Audit Manager

cc: Robert Dubois, Department of Civil Service
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