New York State Health Insurance Program

Anthem Blue Cross: Coordination of Benefits With Medicare

Report 2023-S-30 | August 2024

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller
Division of State Government Accountability

Audit Highlights

Objective

To determine whether Anthem Blue Cross coordinated benefits to properly pay claims for NYSHIP Empire Plan members with Medicare coverage. The audit covered the period from January 2020 through June 2023.

About the Program

The New York State Health Insurance Program (NYSHIP), administered by the Department of Civil Service (Civil Service), is one of the nation's largest public sector health insurance programs. NYSHIP covers about 1.2 million 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, serving about 1.1 million of the members.

Civil Service contracts with Anthem Blue Cross (Anthem) to administer the Hospital Program of the Empire Plan. The Hospital Program includes coverage for inpatient and outpatient services provided by a hospital, skilled nursing facility, or hospice. Many enrollees and their dependents have other insurance coverage in addition to the Empire Plan such as Medicare, the federal health insurance program for people aged 65 and older and for those under age 65 with certain disabilities.

Civil Service maintains eligibility and enrollment records for NYSHIP members, which include Medicare enrollment information, and provides daily update files of changes to Anthem. The Centers for Medicare & Medicaid Services (CMS) maintains eligibility and enrollment records for Medicare-enrolled individuals and also provides monthly update files to Anthem.

Coordination of benefits is a process health insurance companies use for paying health care claims when people are covered by more than one insurance plan. This process determines which insurance plan pays first as primary and which insurance plan pays secondary. Because the insurance company that pays primary typically pays the majority of the claim, it is important to ensure that the proper coordination of benefits occurs.

Key Findings

For the audit period, we found Anthem improperly paid 241 claims totaling $5,259,416 because proper coordination of benefits did not occur. Anthem's eligibility system was not always updated timely with members' Medicare-related information. Additionally, weaknesses in Anthem's and Civil Service's reconciliation of member enrollment data prevented opportunities for recovery.

Key Recommendations

- Review the $5,259,416 in claims identified in this report as improperly paid and recover overpayments, as warranted.
- Work with Civil Service to enhance the current eligibility data reconciliation process to include reconciliation of members' Medicare eligibility and enrollment status, including retirement dates, held harmless status, and Medicare-primacy dates.

Office of the New York State Comptroller
Division of State Government Accountability

August 19, 2024

Jason O'Malley
Regional Vice President, Sales
Anthem Blue Cross
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Dear Mr. O'Malley:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the New York State Health Insurance Program entitled *Anthem Blue Cross: Coordination of Benefits With Medicare*. This 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.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
Anthem	Anthem Blue Cross	*Auditee*
Civil Service	Department of Civil Service	*Agency*
CMS	Centers for Medicare & Medicaid Services	*Agency*
Empire Plan	Primary health insurance plan for NYSHIP	*Key Term*
Held harmless	Civil Service approval of the Empire Plan to pay primary on claims that would have been paid primary by Medicare had the member been enrolled in Medicare	*Key Term*
Medicare	Federal health insurance plan for people age 65 or older or for those with certain disabilities	*Program*
Medicare-primacy date	The date when Medicare becomes the primary payer for a Medicare-enrolled member	*Key Term*
NYBEAS	New York Benefits Eligibility and Accounting System	*System*
NYSHIP	New York State Health Insurance Program	*Program*

Background

The New York State Health Insurance Program (NYSHIP), administered by the Department of Civil Service (Civil Service), is one of the nation's largest public sector health insurance programs. NYSHIP covers about 1.2 million 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, serving about 1.1 million members. The Empire Plan provides its members with four types of health insurance coverage: hospital, prescription drug, mental health and substance use, and medical/surgical coverage.

Anthem Blue Cross (Anthem) administers the Hospital Program of the Empire Plan, which includes coverage for inpatient and outpatient services provided by a hospital, skilled nursing facility, or hospice. Many enrollees and their dependents have other insurance coverage in addition to the Empire Plan such as Medicare, the federal health insurance program for people age 65 and older and for those under age 65 with certain disabilities. The different parts of Medicare are designed to cover specific services. Medicare Part A, for example, covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care. Medicare Part B covers medical services including, but not limited to, physician services, outpatient care, and durable medical equipment. The Centers for Medicare & Medicaid Services (CMS) maintains eligibility and enrollment records for people who are enrolled in Medicare and provides monthly update files to Anthem to ensure it has the most current Medicare eligibility and enrollment information.

Civil Service maintains eligibility and enrollment records for NYSHIP members in the New York Benefits Eligibility and Accounting System (NYBEAS), which includes Medicare enrollment information. Civil Service provides daily update files of NYBEAS changes to Anthem, and Anthem has access to NYBEAS to confirm eligibility information against its claims and eligibility system. In addition, Civil Service and Anthem perform a quarterly reconciliation of member eligibility data to detect inconsistencies in this data between NYBEAS and Anthem's claim and eligibility system (Anthem's system).

Coordination of benefits is a process health insurance companies use for paying health care claims when people are covered by more than one insurance plan. This process determines which insurance plan pays first (primary) and which insurance plan pays second (secondary). Because the insurance company that pays primary typically pays the majority of the claim, it is important to ensure that the proper coordination of benefits occurs. Some factors considered when coordinating benefits with Medicare include whether the person is actively employed, their age, and whether they applied timely for Medicare benefits. Medicare typically pays claims as primary for enrollees who are age 65 and older and retired and, in most cases, the Empire Plan pays secondary.

In some cases, however, Empire Plan members who are eligible for Medicare but do not enroll timely may be approved by Civil Service to be "held harmless," meaning the Empire Plan pays primary on claims that would have been paid primary by Medicare had the member been enrolled in Medicare. Additionally, because Medicare primacy is contingent on retirement, when a Medicare-eligible member's

retirement date is entered into NYBEAS after the effective date of their retirement, it causes a Medicare-primacy retroactive update. For example, if a Medicare-eligible Empire Plan member retired on August 31, 2023 but their retirement date was not entered into NYBEAS until December 31, 2023 (a 4-month delay), their Medicare-primacy date (the date when Medicare becomes the primary payer) would be retroactive to August 31, 2023.

During the audit period, January 2020 through June 2023, Anthem paid almost $526.5 million for nearly 1.2 million claims for services provided to Empire Plan members who met the criteria for Medicare-primacy.

Audit Findings and Recommendations

Under the Empire Plan, claims for services for retired members and their dependents who also are enrolled in Medicare are submitted for payment to Medicare first (Medicare-primary). Any unpaid portion of a claim is then typically submitted to Anthem for payment (secondary). Anthem has processes in place designed to identify and deny claims submitted to Anthem that should have been submitted to Medicare first.

To determine whether Anthem overpaid claims for Medicare-primary members, we analyzed eligibility records for retired members age 65 or older where Anthem appeared to pay claims as primary. We identified 788 claims, totaling $16,369,214, at risk of being overpaid for Medicare-primary members due to incorrect coordination of benefits. We sent these claims to Anthem and requested that it provide us with information supporting why the claims were paid by Anthem as primary. We identified 241 claims of the 788, totaling $5,259,416, that were overpaid, as follows:

Issues Found	Amount Paid	Number of Claims
Failure to identify claims for reprocessing	$2,732,129	125
Timeliness of retroactive NYBEAS updates	1,553,431	78
Incorrect member data	559,154	25
Inconsistencies between Anthem's claim and eligibility systems	364,705	7
Incorrect held harmless status	49,997	6
Totals	**$5,259,416**	**241**

Incorrect Coordination of Benefits

Accurate enrollment information is required to correctly coordinate benefit payments between Medicare and Anthem. Anthem receives enrollment information updates from NYBEAS daily and from CMS monthly. In addition, Anthem has access to NYBEAS and performs a quarterly reconciliation of its member eligibility data to NYBEAS data to verify select enrollment information. At the time of the audit, this process did not include reconciliation of retirement dates, held harmless status, or Medicare-primacy dates.

For the audit period, we identified 241 claims, totaling $5,259,416, that lacked proper coordination of benefits, causing Anthem to make improper payments. We found Anthem's systems were not always updated timely with members' Medicare-related information. In response to our findings, Anthem officials acknowledged most of the claims were improperly paid and stated they will take steps to make recoveries, as warranted.

Failure to Identify Claims for Reprocessing

Anthem runs a monthly query to identify payment recovery opportunities based on recent eligibility updates. If a member is newly identified as Medicare-primary, associated claims will be placed in Anthem's recovery system to be reviewed for validity. A payment adjustment is generated for claims found to be within the contractual and regulatory time frames for recovery, and a refund request letter is sent to whoever received the original payment.

We found, despite updates to eligibility information, Anthem failed to identify 125 claims, totaling $2,732,129, for reprocessing. Specifically, 81 of these claims, totaling $1,860,597, were improperly paid due to inaccurate member eligibility information in Anthem's system at the time the claim was originally paid. For example, we identified a December 2020 claim, totaling $42,542, paid as primary by Anthem for a member whose NYBEAS record indicated they were Medicare-primary since July 2017. While Anthem officials stated that the member's record was updated after the claim was initially processed, they failed to submit a recovery request for the improperly paid claim until it was brought to their attention by our auditors.

For the remaining 44 claims, totaling $871,532, Anthem officials confirmed that these claims should have been Medicare-primary and were paid by Anthem as primary in error but did not explain why.

At the time of the audit, the quarterly reconciliation process did not include reviews of retirement dates, held harmless status, or Medicare-primacy dates. If this information was included, some of the identified overpayments may have been prevented.

Timeliness of Retroactive NYBEAS Updates

Eligibility updates typically result from qualifying life events, such as marriage, the birth of a child, divorce, or retirement. The timeliness and accuracy of entering eligibility changes in NYBEAS are crucial to ensuring correct claim payment and, in the case of retirement, coordination of benefits with Medicare to avoid overpayments.

We identified 78 claims, totaling $1,553,431, for members whose eligibility records were retroactively updated in NYBEAS, that were not recovered by Anthem. Sixty-two claims, totaling $1,360,394, were paid for members whose information was not timely updated in NYBEAS. According to Anthem officials, these claims are not recoverable because the contractual and regulatory recovery time frames have lapsed. For example, one member's retirement date was not entered into NYBEAS until 9 years after the member had become eligible for Medicare, thereby causing Anthem to remain as the primary payer on claims totaling $550,365. This illustrates the importance of timely updates in NYBEAS.

Anthem officials confirmed eligibility information was updated in their system after the remaining 16 claims, totaling $193,037, were processed, and will attempt to recover the payments.

Incorrect Member Data

In some cases, we found Anthem's system did not have accurate enrollment information, such as incorrect retirement information or Medicare-primary status. We identified 25 claims, totaling $559,154, that were improperly paid due to these inaccuracies. For example, when we asked Anthem officials about a particular claim, they incorrectly told us that the member was actively employed so Anthem paid the claim as primary. When a Medicare-eligible member is actively employed, the Empire Plan typically remains primary for their claims. However, eligibility information in NYBEAS indicated the member was retired and Medicare-primary before the date of service on the claim. We followed up with the hospital that submitted the claim, and it agreed the claim should have been submitted to Medicare first. Hospital officials told us they rebilled the claim, totaling $92,561, to Medicare in December 2023.

Inconsistencies Between Anthem's Claim and Eligibility Systems

In January 2022, Anthem began using a new processing system, and transferred its claim and eligibility data to the new system. According to Anthem officials, when transferring the data between the systems, not all information successfully transferred, and manual review of the data was required to complete the process. This review process led to examiner errors when the records were manually entered into Anthem's new system. For example, Anthem's old system had correctly identified one member as not enrolled in Medicare Part B and not approved for held harmless (meaning Anthem would not pay as primary). However, this status did not correctly transfer into Anthem's new system, causing Anthem to improperly pay $87,602. Anthem officials attributed this to examiner error during the system conversion process and have agreed to attempt to recover this payment. We found seven claims, totaling $364,705, that were paid improperly by Anthem due to inconsistencies between Anthem's systems.

Incorrect Held Harmless Status

NYSHIP requires members to enroll in Medicare Parts A and B when first eligible due to age (turning age 65) for Medicare-primary coverage. Civil Service provides notification to these members to enroll about 5 months prior to their Medicare-primacy dates. Members who become eligible for Medicare for reasons other than age (e.g., disability), however, do not receive the same notifications and, in some cases, do not enroll in Medicare Part A and/or Part B.

In general, members might not enroll in Medicare because, for example, they are unaware of the requirement, misinformed, or living outside the United States. Empire Plan members who do not enroll in Medicare timely may be approved by Civil Service to be held harmless and Anthem will pay primary on claims that would have been paid primary by Medicare had the member been enrolled in Medicare. When Civil Service approves held harmless status for an individual, it notifies and instructs

Anthem to pay primary on claims throughout the held harmless period. We identified six claims, totaling $49,997, where Anthem incorrectly identified the member as held harmless and paid the claims as primary.

Recommendations

1. Review the $5,259,416 in claims identified in this report as improperly paid and recover overpayments, as warranted.
2. Work with Civil Service to enhance the current eligibility data reconciliation process to include reconciliation of members' Medicare eligibility and enrollment status, including retirement dates, held harmless status, and Medicare-primacy dates.
3. Review existing controls, including the monthly query, to ensure all payment adjustments are identified and refund requests are made and pursued timely.
4. Take steps to ensure Anthem claim examiners are thoroughly trained on the proper processing of claims for Medicare-primary members.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether Anthem coordinated benefits to properly pay claims for NYSHIP Empire Plan members with Medicare coverage. The audit covered the period from January 2020 through June 2023.

To accomplish our objective and assess internal controls related to our objective, we interviewed Anthem officials and reviewed Anthem guidelines. We also reviewed NYSHIP and CMS coordination of benefits policies and procedures. We analyzed Hospital Program claims for the audit period and compared the dates of service to the members' eligibility records in NYBEAS. We identified members who were both age 65 and older and retired on the date they received services that were paid for by Anthem as the primary payer.

To select claims for review, we matched the Hospital Program claims data to NYBEAS eligibility data extracts. We compared dates of service on the claim to the member's Medicare eligibility information and removed claims for members who were not Medicare-enrolled on the date of service. From the remaining claims, we selected those greater than or equal to $5,000 that appeared to be paid by Anthem as primary for Medicare-enrolled members. We determined that the data used is sufficiently reliable for the purposes of this audit. Because we selected a judgmental sample, the results cannot be projected to the population as a whole.

Statutory Requirements

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.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. These duties could be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of Anthem's coordination of benefits for members with Medicare coverage.

Reporting Requirements

We provided a preliminary report of our audit observations to Anthem officials for their review and comment. Their comments were considered in preparing this report.

Within 180 days after the final release of this report, we request that Anthem officials report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons why.

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