



An Anthem Company

11 Corporate Woods Boulevard  
Albany, NY 12211  
[www.empireblue.com](http://www.empireblue.com)

January 25, 2016

Mr. David Fleming  
Audit Manager  
Office of the New York State Comptroller  
110 State Street  
Albany, NY 12236

Re: OSC Audit 2015-F-22

Dear Mr. Fleming:

We have reviewed the information in the final report for the follow up audit titled *"Empire BlueCross BlueShield Selected Payments for Special Items for the Period July 1, 2012 Through December 31, 2012"* (Report 2013-S-28), and appreciate the opportunity to respond to your summary conclusions and follow-up observations. For the remainder of this response, we will refer to Empire BlueCross BlueShield as "Empire" and the New York State Office of the State Comptroller as "OSC".

**Follow-Up Observations:**

**Recommendation 1:** *"Recover the net overpayment of \$898,541 for the improperly paid claims."*

**Status:** Partially Implemented

We respectfully disagree with OSC's assessment of this recommendation.

After the release of the final report for Audit 2013-S-28, your office made a correction to the total findings which reduced the amount from \$898,541 to \$847,320.

OSC closed this audit on January 16, 2014. Audit activities continued following the close of the audit for most of 2014, with certain hospitals disputing findings and requesting review of additional documentation. Ultimately, after extensive discussions and analysis of hospital records, Empire was able to reduce the audit findings, with agreement from most of the hospitals, to \$633,485. Your office reviewed a sample of Empire's findings and found the rationale and documentation that supported the finding reductions to be satisfactory.

A large hospital system in this audit elected to refund their audit findings in a settlement with Empire. The amount paid to Empire represented the net overpayment identified for that system, which was paid in full. The net overpayment equals the total overpayments less the total underpayments.

Your audit report states that there is an additional \$16,609 to be recovered, which is the reason for the “Partially Implemented” status of this recommendation. This dollar amount was not collected from the hospital system in order to give them credit for the claims that were identified as underpayments in their audit sample.

The recommendation was to recover the net audit overpayment. Our calculation of the net overpayment for this audit was \$633,485. The total recovered for this audit was \$639,896, as Empire recovered the majority of the overpayments via claim adjustment. The only action Empire takes on underpayments is to inform the hospital of them when the audit findings are shared. Hospitals are advised at the commencement of the audit that they must submit a corrected claim in order to recover any identified underpayments, which in many cases does not occur and results in the scenario we have in this case where recoveries exceed net overpayments.

We respectfully contend that this recommendation was fully implemented.

**Recommendation 2:** *“Ensure that the future agreements with hospitals contain language which: specifies the basis of reimbursement for the purchase and acquisition (including transportation, handling and other processing costs) of special items, and requires hospitals to provide appropriate support documentation (including invoices for special items) upon request.”*

**Status:** Partially Implemented

We agree with this assessment. Empire received a “Partially Implemented” status on this recommendation because not all of our hospital agreements contained limiting language around reimbursement for special items at the time this audit was completed. As we have previously communicated, typically, hospital agreements renew on a three-year cycle. It is during the renewal process that Empire attempts to incorporate this language.

In response to the final report of Audit 2013-S-28 dated May 9, 2014, we reported that almost 75% of our hospitals eligible for separate reimbursement of special items had some form of limiting language specific to special items. Today, nearly 80% of our hospitals have limiting language. We hope you will agree that this gradual but steady progress demonstrates our commitment to the State of New York and our intent to fully implement this recommendation.

**Recommendation 3:** *"Complete the development and implementation of internal controls (including the proposed computer-assisted techniques) to ensure that payments for special items are made in according to hospital agreements and are supported by appropriate documentation."*

**Status:** Implemented

We agree with this assessment and appreciate your recognition that our enhancements satisfy the stringent auditing standards exemplified by your office. We will continue to monitor and enhance our internal controls and utilize the results of these activities to strengthen our partnerships with our hospitals and the State of New York.

Thank you for the courtesy extended throughout the audit process.

Sincerely,



Jason O'Malley  
Director, NYS Account  
Empire BlueCross BlueShield

Cc: Mr. David Boland, Department of Civil Service  
Mr. Ronald Kuiken, Department of Civil Service  
Mr. Jeffrey Stein, Department of Civil Service  
Ms. Ethel Graber, Empire BlueCross BlueShield  
Ms. Angela Blessing, Empire BlueCross BlueShield

---