



United HealthCare

New York State Health Insurance Program Payments for Services Provided by Weill Cornell Medical College

Report 2009-S-98



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

February 10, 2010

Carl Mattson
Vice President, Empire Plan
United HealthCare
900 Watervliet-Shaker Road, #105
Albany, NY 12205

Dear Mr. Mattson:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for 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 - Payments for services provided by Weill Cornell Medical College. The audit was performed pursuant to the State Comptroller's authority under 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,

*Office of the State Comptroller
Division of State Government Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objectives

Our objectives were to determine whether Weill Cornell Medical College routinely waived Empire Plan members' out-of-pocket costs, and if so, to quantify the overpayments made by United HealthCare resulting from this practice. Our audit covered the period January 1, 2004 through September 30, 2009.

Audit Results - Summary

Weill Cornell Medical College (Cornell), a physician organization, located in New York, NY is a non-participating provider in the Empire Plan. During the period January 1, 2004 through September 30, 2009, United paid out-of-network claims related to services Cornell provided in the amount totaling \$9.8 million for Empire Plan members. We found that Cornell did not routinely waive Empire Plan members' required out-of-pocket costs for the services it provided. Therefore our report does not recommend any further action regarding payments made to Cornell.

This report, dated February 10, 2010, is available on our web site 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

Introduction

Background

The New York State Health Insurance Program (Program) 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 New York State Department of Civil Service contracts with United HealthCare (United) to process and pay medical claims for services provided to Empire Plan members. The State reimburses United for the payments it makes under the Empire Plan, and it pays United an administrative fee.

United contracts with certain providers who agree to accept payments, at rates established by United, to furnish medical services to Empire Plan members. United pays these “participating providers” directly based on claims they submit for the services rendered. Members pay a nominal co-payment to the participating provider for the services rendered.

Members may also choose to receive services from “non-participating providers.” The claims submitted to United by non-participating providers usually include service fee rates that are higher than the fee rates that participating providers agree to accept for the same services. To limit its costs (and those of the State), United pays non-participating provider claims the lesser of “reasonable and customary” rates for the services provided or the actual amount claimed by the provider. In most instances, payments to non-participating providers are based on reasonable and customary rates. However, reasonable and customary rates are generally more than the rates paid to participating providers for similar services. Often, the difference is significant. Generally, when United pays a claim from a non-participating provider, the payment is made to the member. The member is then expected to use the funds to compensate the non-participating provider.

To encourage members to use participating providers, the Empire Plan requires members to pay higher out-of-pocket costs (including deductibles and co-insurance) when they use non-participating providers. After the member meets an annual deductible, United pays the member 80 percent of the reasonable and customary cost of the service. The member is responsible for the remaining 20 percent of the charge (or co-insurance) for the service. The member is responsible for settling any unpaid balance with the non-participating provider, including any out-of-pocket amounts owed.

Participating providers agree to accept service fee rates that are generally lower than the fee rates for non-participating providers because service payments are made directly to the provider (instead of the member, as is the

case for the payment of claims from non-participating providers). Therefore, participating providers avoid the problems related to the collection of large unpaid balances from patients.

Our audit focused on claims submitted by Weill Cornell Medical College (Cornell), a physician organization, located in New York, NY. With respect to the Empire Plan, Cornell is a non-participating provider. During the period January 1, 2004 through September 30, 2009, United paid Cornell out-of-network claims totaling \$9.8 million for Empire Plan members.

Audit Scope and Methodology

Our audit primarily focused on whether Cornell routinely waived Empire Plan members' out-of-pocket costs, and if so, to quantify the overpayments made by United during the period January 1, 2004 through September 30, 2009. To accomplish our objectives, we reviewed a random sample of 90 claims submitted by Cornell. We reviewed Cornell's medical and financial records, and billing policies to determine if Cornell routinely waived the out-of-pocket costs for Empire Plan members, and consequently, submitted improper claims to United.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 systems; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members (some of whom have minority voting rights) to certain boards, commissions, and public authorities. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management 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 a preliminary copy of the matters contained in the report to United officials for their review and comment. United officials agreed with our conclusion.

Contributors to the Report Major contributors to this report were Brian Mason, David Fleming, Gail Gorski, Laura Brown, Jessica Turner, Lauren Bizzaro, and Frank Commisso.

Audit Finding

Under the New York Penal Law, submitting an insurance claim with false information, such as an inflated charge for service, may constitute insurance fraud. The waiver of members' out-of-pocket costs improperly benefits non-participating providers because payments are not based on the amounts that such providers actually intend to accept as full payment for services provided. Further, such waivers tend to drive up costs for the Empire Plan, because it increases the likelihood that members will use non-participating providers.

When United processes Cornell's claims for services to Empire Plan members, it is with the understanding and belief that members are liable for a portion of the claimed amount representing the member's out-of-pocket costs. We analyzed the claims submitted by Cornell and paid by United to isolate the claims for which United was the primary payer and the amounts of members' out-of-pocket costs were included on the claims. For the period January 1, 2004 through September 30, 2009, we identified 10,155 claims totaling \$9.8 million as meeting the criteria. We selected a sample of 90 randomly-selected claims from this population of claims. We reviewed Cornell's medical and financial records in support of the 90 claims to determine if Cornell routinely waived Empire Plan members' out-of-pocket costs.

Based upon our interviews with Cornell officials and our review of Cornell's records, we concluded that Cornell did not routinely waive the Empire Plan member's out-of-pocket costs. Therefore, we have accepted the claims submitted by Cornell for the period audited as accurate and no adjustments to the claims are required.