New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Empire BlueCross BlueShield Coordination of Benefits With Medicare Part A Payments

New York State Health Insurance Program
Department of Civil Service

Report 2011-S-31 November 2012

Executive Summary

Purpose

To determine if Empire BlueCross BlueShield (Empire) made inappropriate payments to hospitals on behalf of Empire Plan (Plan) members who were also eligible for Medicare Part A. The audit covered the period from January through December 2009.

Background

The New York State Health Insurance Program (NYSHIP) provides health coverage to active and retired State, participating local government and school district employees and their dependents. The Department of Civil Service (Civil Service) contracts with Empire to administer the hospitalization portion of the Plan, which includes coverage for inpatient and outpatient hospital services.

Empire processes some claims as Coordination of Benefits (COB), meaning the benefits provided for a member under the Plan are coordinated with the benefits provided for the same member under another health care program. Some claims that Empire processes and pays are coordinated with Medicare. In 2009, Empire paid 957,965 claims totaling over $1.6 billion. Currently, the Empire Plan has nearly 230,000 members who are Medicare eligible.

Key Findings

- We found Empire generally processed claims correctly when Empire paid as the primary payer for patients with both Empire Plan and Medicare coverage. However, we found Empire paid incorrectly as the primary payer on 13 claims totaling $254,141, when Medicare should have paid as the primary payer.
- The largest claim payment in question ($55,098) was for a 71 year old member whose employment status was listed as "active." Therefore, Empire paid this claim as the primary payer. However, we followed up on this member and determined that he was "inactive." Consequently, Medicare should have been the primary payer, and Empire was responsible only for the deductible ($1,068). Because Empire was improperly designated as the primary payer, Empire overpaid the claim by $54,030 ($55,098 - $1,068).

Key Recommendations

- Develop and implement controls to help ensure Empire pays correctly (as the secondary payer) when Medicare should be the primary payer.
- Periodically confirm with Civil Service the employment status of members who appear to be Medicare-eligible and have active employment status.

Other Related Audits/Reports of Interest

Empire Blue Cross and Blue Shield: Payments for Selected Items to Selected Hospitals (2010-S-74)

State of New York
Office of the State Comptroller

Division of State Government Accountability

November 14, 2012

Mr. Jason O'Malley
Director, New York State Empire Plan
Empire BlueCross BlueShield
11 Corporate Woods Boulevard
Albany, NY 12211

Dear Mr. O'Malley:

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 entitled *Empire BlueCross BlueShield – Coordination of Benefits with Medicare Part A Payments*. This 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

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Background

The New York State Health Insurance Program (NYSHIP) provides health insurance coverage to more than 1.2 million active and retired State, participating local government and school district employees and their dependents. NYSHIP includes several health plan options, of which the Empire Plan (Plan) is by far the largest. Nearly 1.1 million of the more than 1.2 million individuals covered by NYSHIP are members of the Plan. The Plan covers inpatient and outpatient hospital coverage, medical/surgical coverage, Centers of Excellence (for transplants, infertility and cancer treatments), home care services, equipment and supplies, mental health and substance abuse services, and prescription drugs.

The Department of Civil Service (Civil Service) contracts with Empire BlueCross BlueShield (Empire) to administer the hospitalization portion of the Plan, which includes coverage for inpatient and outpatient services provided by a hospital, skilled nursing facility, and hospice. When a member is covered by multiple health insurance plans, the claims processing requires a Coordination of Benefits (COB). Hence, Empire must coordinate benefits (including payments) under the Plan with the benefits under a member's other health care program. In these instances, one program is the primary payer, and the other program is the secondary payer. The purpose of COB is to avoid duplicate payments and overpayments.

Some claims that Empire processes and pays must be coordinated with Medicare. Medicare is the federal health insurance program created in 1965 to provide medical coverage for people who are 65 years of age or older. In 1973, Congress passed legislation to extend Medicare coverage to those who are disabled or suffer from chronic renal failure. For eligible persons, Medicare hospital insurance (Part A) is premium-free and pays most costs of inpatient hospital care and medically necessary care in a skilled nursing facility, hospice, or home health care setting. Generally, Medicare should be the primary payer for Medicare-eligible Plan members who are retired, and Empire should only pay the remaining balance (generally a deductible) after Medicare's payment.

Civil Service is primarily responsible for maintaining the Plan's enrollment system, including updates to the system that reflect current Medicare eligibility information. Insurance carriers also have a role in coordinating claims with Medicare (i.e., by maintaining edits that flag potential Medicare-eligible claims and by obtaining Medicare eligibility data and sharing it with Civil Service). Therefore, Civil Service and its carriers need to work together to provide reasonable assurance that Medicare-reimbursable claims are processed properly.

In 2009, Empire paid 957,965 claims totaling over $1.6 billion. Currently, the Plan has nearly 230,000 members who are Medicare eligible. In 2009, Empire made 3,216 payments totaling $33.5 million as the primary payer for Medicare-eligible Plan members.

Audit Findings and Recommendations

Empire Incorrectly Paid as the Primary Payer

With some exceptions, Empire correctly paid claims as the primary payer for Medicare-eligible members. We identified 13 claims (totaling $254,141) that Empire paid incorrectly as the primary payer. Empire should have paid these claims as the secondary payer. Empire paid these 13 claims on behalf of 11 Plan members who were Medicare-eligible and retired. Therefore, Medicare should have been the primary payer, and Empire should have paid only the balance remaining after Medicare processed and paid the claim.

Generally, when Medicare is the primary payer, Empire is only liable for the Medicare deductible, which was $1,068 during our audit period. Therefore, we estimate that Empire overpaid $240,257 ($254,141 - $13,884) on the 13 claims, as detailed in the following table.

Admission Date	Discharge Date	Empire Payment	Medicare Deductible	Estimated Overpayment
2/26/2009	3/20/2009	$55,098	$1,068	$54,030
1/7/2009	1/14/2009	$37,729	$1,068	$36,661
9/8/2009	9/11/2009	$32,906	$1,068	$31,838
8/5/2009	8/7/2009	$26,456	$1,068	$25,388
10/1/2009	10/17/2009	$20,577	$1,068	$19,509
6/17/2009	6/30/2009	$15,319	$1,068	$14,251
11/10/2009	11/12/2009	$13,615	$1,068	$12,547
10/23/2009	10/24/2009	$12,111	$1,068	$11,043
2/24/2009	2/28/2009	$9,609	$1,068	$8,541
9/24/2009	9/26/2009	$8,624	$1,068	$7,556
2/18/2009	2/20/2009	$8,286	$1,068	$7,218
1/28/2009	2/4/2009	$7,553	$1,068	$6,485
9/2/2009	9/5/2009	$6,258	$1,068	$5,190
	Totals	$254,141	$13,884	$240,257

Empire relies on employment status data provided by Civil Service to determine whether Medicare should be the primary payer for Medicare-eligible Plan members. We found the employment status was incorrect for the 11 members for whom Empire overpaid the 13 claims in question. Some of these claims and the corresponding overpayments were large. As the table indicates, 8 of the 13 claims exceeded $12,000, including one particular claim for $55,098. All 11 members were beyond the Medicare eligibility age of 65 years old. In addition, five of the members were at least 70 years old (including two members who were over 80 years old), indicating the members' employment status (of "active" or employed) could be wrong.

We noted, for example, that the largest claim payment in question ($55,098) was for a 71 year old member whose employment status was listed as "active." However, when we followed up on this member, we determined that he was "inactive" (or not employed) at the time of the services for which the claim was submitted. Consequently, Medicare should have been the primary payer of this claim, and Empire should have been the secondary payer (responsible only for the deductible [or $1,068]). Because Empire was improperly designated as the primary payer, Empire overpaid the claim by $54,030 ($55,098 - $1,068). For another claim, Empire paid $15,319 for services for an 86 year old member whose employment status was listed as "active." Again, however, this member's employment status was actually inactive, and thus, Empire should have been the secondary payer. Because Empire was improperly designated as the primary payer, Empire overpaid the claim by $14,251 ($15,319 - $1,068).

As previously noted, Empire receives members' employment status information from Civil Service. On balance, this information is accurate, and consequently, Empire did not question the employment status for the 11 members whose claims were overpaid. However, given the ages of these members, there was considerable risk that they were no longer "active" employees under the Plan and, as such, Empire could overpay their claims. Further, due to the age of the overpayments in question, it is unlikely that Empire can recover them. We believe that Empire should confirm the "active" status of Medicare-eligible members beyond certain ages, particularly when large claims are submitted for services provided to them. Such procedures should help prevent the types of overpayments we identified.

Recommendations

1. Develop and implement controls to help ensure Empire pays correctly (as the secondary payer) when Medicare should be the primary payer. Such controls could include: verifications of employment status for employees at or beyond a certain age; and/or flagging high dollar claims for "active" members who are also Medicare-eligible.

2. Periodically confirm with Civil Service the employment status of members who appear to be Medicare-eligible and have active employment status.

Audit Scope and Methodology

Our audit objective was to determine if Empire made inappropriate payments to hospitals on behalf of Plan members who were also eligible for Medicare Part A. Our audit covered the period from January 2009 through December 2009.

To accomplish our objective, we compared Empire's 2009 claim file to claims processed by Medicare during the same year. We compared claims paid by Empire to Medicare payments based on patients' identities and the dates of their hospital admissions and discharges. We identified 42,580 records (with payments totaling $75.2 million) wherein Empire and Medicare processed claims for the same admissions. We eliminated 39,364 records totaling about $41.7 million because Empire processed the claim as a secondary payer, and therefore, paid only the

applicable Medicare deductible. For the remaining 3,216 (42,580 - 39,364) claims processed by Empire and Medicare, we determined that Empire was the primary payer. We then matched data from those claims to New York State retirement system information to determine if the members were receiving a pension (and therefore, were no longer "active.")

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 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. 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 preliminary copies of the matters contained in this report to Empire officials for their review and formal comments. Their comments have been taken into consideration in preparing this report.

Within 90 days after final release of this report, we request Empire officials to report to the State Comptroller advising what steps were taken to implement the recommendations included in this report.

Contributors to This Report

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