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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

UNITED HEALTHCARE

**NEW YORK STATE
HEALTH INSURANCE
PROGRAM PAYMENT OF
FACILITY FEES FOR
MOBILE SERVICE
PROVIDERS**

Report 2006-S-85

AUDIT OBJECTIVE

Our objective was to identify inappropriate facility fee payments made by United HealthCare (United) to certain mobile service providers. Our audit covered the period May 1, 2003 through December 31, 2006.

AUDIT RESULTS - SUMMARY

We found United did not have adequate controls in place to prevent the payment of facility fees to mobile service providers for Extracorporeal Shock Wave Therapy (ESWT). As a result, United made inappropriate facility fee payments totaling \$2.1 million for services rendered by mobile service providers who did not own or rent the offices where the services were provided. Therefore these mobile service providers should not have received a facility fee.

Our report contains a recommendation to improve controls over facility fee payments and a recommendation to recover overpayments.

This report, dated December 28, 2007, is available on our website 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

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 dependants. The Empire Plan is the primary health benefits plan for the Program. The Department of

Civil Service (Department) contracts with United HealthCare (United) to process medical claims for the Empire Plan.

Facility fees are payments made for the use of a facility, its personnel and equipment. Facility fee payments are generally made for the use of specialized facilities, such as ambulatory surgery centers. Mobile service providers who deliver portable devices for use in doctors' offices are not eligible for facility fees. The mobile service providers should charge the doctors who are, in effect, renting the ESWT devices from the mobile service providers.

AUDIT FINDINGS AND RECOMMENDATIONS

Payments Made For Office-Based ESWT Procedures

Extracorporeal Shock Wave Therapy (ESWT) is a non-invasive treatment that involves delivery of shock waves via a device to a specific site within the body. This treatment is often delivered in a doctor's office using a portable device that is brought in by a mobile service provider at the request of the doctor. The device can be transported in a van or large automobile. This device does not qualify for reimbursement of a facility fee.

We found United paid facility fees to two companies for the use of portable devices to perform ESWT at various doctor's offices. These companies transported the ESWT devices, and technicians to operate the devices, to practitioners' offices. United paid these companies about \$2.1 million for services provided in this manner. These portable devices do not qualify for payment under the facility fee umbrella. The payment United makes to the practitioners for this service is an all encompassing fee. United officials told us they incorrectly assumed

these services were provided in mobile surgical suites.

Recommendations

1. Immediately implement procedures to prevent further facility fee payments to mobile service providers.
2. Recover the \$2.1 million in facility fees paid to the two mobile ESWT providers identified by this audit.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. Our audit primarily focused on identifying facility fee payments made to mobile service providers during the period May 1, 2003 through December 31, 2006.

We used data analysis techniques to identify and analyze facility fee payments made for ESWT services. We also interviewed Department and United officials to obtain an understanding of the controls in place. In addition, we conducted site visits to interview health care providers and their administrative staff, and review records supporting claims submitted.

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 to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for

purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

The audit was performed according 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.

REPORTING REQUIREMENTS

We provided a preliminary copy of this report to United officials for their review and comment. We considered United's comments in preparing this report. United officials agree that they should not have paid the facilities fee for office-based procedures.

Within 90 days of the final release of this report, we request that United HealthCare report to the State Comptroller advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

CONTRIBUTORS TO THE REPORT

Major contributors to this report were Kenneth Shulman, Robert Wolf, David Fleming, Jacqueline Keeys-Holston, and Kathleen Garceau.