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COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**UNITED HEALTH CARE**

**NEW YORK STATE  
HEALTH INSURANCE  
PROGRAM - ACCURACY OF  
THE INTEREST CREDIT  
FOR 2006**

**Report 2007-S-114**

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## AUDIT OBJECTIVE

The objective of this attestation engagement was to determine if United HealthCare (United) credited the appropriate amount of interest to the Department of Civil Service (Department) based upon the Empire Plan contract for the year ended December 31, 2006.

## AUDIT RESULTS - SUMMARY

In our opinion, the \$10,408,816 in interest credited to the Department for the year ended December 31, 2006 by United was computed in conformity with the terms of the Empire Plan contract.

This report, dated January 18, 2008, 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  
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Albany, NY 12236

## BACKGROUND

The New York State Health Insurance Program (NYSHIP) 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 benefit plan for NYSHIP. The Department contracts with United to process and pay medical claims for services provided to Empire Plan members. The Department reimburses United for claim payments it makes under the Empire Plan and also pays United an administrative fee. For the year ended December 31, 2006, the Department reimbursed United more than

\$1.6 billion for its claim and administrative costs.

To cover claim expenses, the Department periodically pays United a premium. At the end of each year, United compares its actual expenses to the premium payments from the Department. The Empire Plan contract stipulates that for any positive cash balance, United is to pay the Department interest which is calculated on the daily cash balance using the six-month Treasury Bill rate. This interest is credited to the Department. The Empire Plan contract also stipulates what the Department is required to pay United in the event of a negative cash balance. United's financial statement for the year ended December 31, 2006, reported \$10.4 million interest income that United credited to the Department based on a positive cash balance.

United deposits the premiums paid by the Department in a cash management account. This short-term investment account yields earnings until the funds are needed and transferred into checking accounts to pay the Empire Plan medical claims and the administrative expenses.

## AUDIT FINDING

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### *Interest Credited to the Department*

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We determined for the year ended December 31, 2006, United credited an appropriate amount of interest to the Department based upon the terms of the Empire Plan contract.

## AUDIT SCOPE AND METHODOLOGY

We have examined the accuracy of the interest credited by United to the Department for the period January 1, 2006 through December 31, 2006. United is responsible for calculating the proper amount of interest, in accordance with the terms of the Empire Plan

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contract, and crediting this amount to the Department each month. Our responsibility is to express an opinion based upon our examination.

Our examination was conducted in accordance with attestation standards included in generally accepted government auditing standards issued by the United States Government Accountability Office. This examination included examining, on a test basis, evidence as to whether United had correctly calculated the interest due on positive cash balances and had correctly credited this interest to the Department. We believe our examination provides a reasonable basis for our opinion.

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.

In our opinion, the amount of interest credited to the Department's cash management account for the year ended December 31, 2006 was appropriately calculated and credited in accordance with the terms of the contract.

### **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 this report to United officials for their review and comments. United officials concur with our conclusions.

### **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include Kenneth Shulman, Dennis Buckley, Wendy Matson, Dennis Graves and Arnold Blanck.