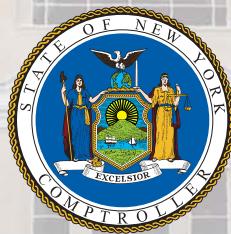




# United HealthCare

## New York State Health Insurance Program Overpayments for Claims Submitted by Nanuet Medical Services

Report 2009-S-1



Thomas P. DiNapoli



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# State of New York Office of the State Comptroller

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## Division of State Government Accountability

July 28, 2009

Mr. Carl A. Mattson  
Vice President, Empire Plan  
United HealthCare National Accounts  
900 Watervliet-Shaker Road - Suite 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.

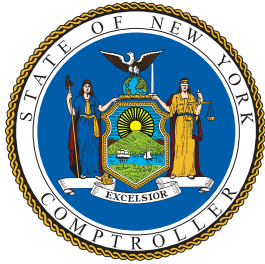
Following is a report of our audit of United HealthCare, entitled New York State Health Insurance Program – Overpayments for Claims Submitted by Nanuet Medical Services. This audit was performed pursuant to the State Comptroller’s authority under Article V, Section 1 of the State Constitution and Article 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





## State of New York Office of the State Comptroller

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### EXECUTIVE SUMMARY

#### **Audit Objective**

Our objective was to determine whether Nanuet Medical Services appropriately billed United HealthCare for Transcutaneous Electrical Nerve Stimulation services and if United HealthCare properly paid these claims.

#### **Audit Results - Summary**

We found that Nanuet Medical Services (Nanuet) inappropriately billed United HealthCare (United) for Transcutaneous Electrical Nerve Stimulation (TENS) sessions from January 1, 2004 through November 30, 2008. Specifically, Nanuet provided certain patients with routine physical therapy services, but billed United for TENS (a higher cost service), which is not a form of physical therapy. As an out-of-network provider, Nanuet's claims for physical therapy services are normally subject to benefit rate limitations. However, because Nanuet miscoded its claims, United did not apply the appropriate benefit rates and rate limitations, and overpayments were made. In certain instances, United paid \$260 for physical therapy services that otherwise should have cost \$8.50. As a result, United overpaid Nanuet \$601,604 for 4,110 miscoded claims during the period.

We recommend that United recover the \$601,604 in overpayments from Nanuet and return the recovered funds to the State. In addition, United should take the actions necessary to prevent similar overpayments from occurring in the future.

This report, dated July 28, 2009, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller

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Albany, NY 12236



# Introduction

## 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 Empire Plan is the primary health benefits plan for NYSHIP. The Department of Civil Service contracts with United to administer the medical/surgical and major medical portion of the Empire Plan, which includes physical medicine services such as chiropractic and physical therapy.

Medical practitioners bill United for their services using Current Procedural Terminology (CPT) codes established by the American Medical Association (AMA). The CPT manual is a listing of descriptive terms and identifying codes for reporting medical services. The AMA developed the CPT to provide a uniform language to accurately describe medical services. Health service providers use the CPT codes to submit claims to health program administrators, such as United.

TENS involves the application of electrical current through the skin to provide patients with pain control, and it is a service covered by United. According to guidance published by the AMA, CPT code 64550 should be used on claims for the initial application of a TENS unit. In this instance, a physician places electrodes from a TENS unit on the skin of the patient and instructs the patient on the proper use of the unit. The patient then takes the TENS unit home and operates it pursuant to the physician's instructions. Code 64550 corresponds with the initial application (use) of the TENS unit at the physician's office. Generally, a patient receives one service session on the use of a TENS unit.

Nanuet is a group medical practice, located in Nanuet (Rockland County), specializing in physical medicine services. Nanuet is not a participating provider in the NYSHIP health service network. As a non-participating provider, Nanuet is subject to benefit rate reductions for certain services, including physical therapy. During the 59-month period covered by our audit, United paid \$1,889,714 for claims submitted by Nanuet, including \$637,091 for TENS services.

## Audit Scope and Methodology

Our audit focused on made by United on claims for TENS services submitted by Nanuet during the period January 1, 2004 through November 30, 2008. To accomplish our objective, we used data analysis techniques to identify questionable claims for TENS services. We conducted a site visit to Nanuet to interview officials and review pertinent records. In addition, we interviewed United officials to gain an understanding of the processing

controls over claims for TENS services, and we sought input from United’s clinical review staff on the proper use of CPT code 64550. We also obtained technical guidance from the American Academy of Physical Medicine and Rehabilitation and advice from the NYS Department of Civil Service.

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 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 functions do not affect our ability to conduct independent audits of program performance.

<b>Authority</b>	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.
<b>Reporting Requirements</b>	Within 90 days after the issuance of this report, we would appreciate a response from United HealthCare to the recommendations in the report, indicating any actions planned or taken to implement them.
<b>Contributors to the Report</b>	Major contributors to this report were David Fleming, Wendy Matson, Judith McEleney, and Brian Mason.

## Audit Findings and Recommendations

### **Improper Coding of Claims**

We identified inappropriate claims for TENS services submitted by Nanuet with CPT code 64550. We referred these claims to United for review by its medical policy staff. Based on this review, United officials concluded that Nanuet performed regular, recurrent physical therapy services in an office setting. However, claims for these services were often submitted under code 64550 (the code normally used for TENS services). United further determined that Nanuet should have submitted such claims with a CPT code for physical therapy procedures, which generally correspond to payment rates that are considerably lower than the rates for TENS services (code 64550). This is consistent with information provided by the American Academy of Physical Medicine and Rehabilitation, which concluded that recurrent therapy, provided in an office setting, should not be billed with the CPT code for TENS (code 64550).

As noted previously, CPT code 64550 is intended for the initial application of the TENS unit, and therefore, it generally should not be billed multiple times for the same patient. However, we found many instances where Nanuet billed code 64550 multiple times for individual patients without explanation of the need for the additional TENS sessions. In one instance, Nanuet billed that code 142 times for a patient within one year, with the payments totaling \$9,065. In addition, we determined that United paid these claims because it did not have sufficient claims processing controls (for example, claims payment system edits) to limit the number of times code 64550 is allowed per patient.

As a non-participating provider in United's Empire Plan provider network, Nanuet's claims for physical therapy services are subject to considerable benefit rate reductions. However, United did not apply these rate reductions because code 64550 does not correspond to physical therapy. If Nanuet billed appropriately for physical therapy services, United would have paid Nanuet up to \$8.50 for each service claimed. Instead, United paid up to \$260 for each service. As a result, United overpaid Nanuet \$601,604 for 4,110 inappropriate claims for TENS services during our audit period.

United officials agreed with our audit findings, and they indicated that they have initiated actions to recover the overpayments made to Nanuet. In addition, United has taken steps to prevent such overpayments from occurring in the future. We also discussed our findings with the Department of Civil of Service (Department). Department officials likewise agreed with our findings and stated that United should have procedures to identify and deny multiple claims for TENS services (code 64550).

- Recommendations**
1. Recover the \$601,604 in overpayments identified in this report from Nanuet, and refund the amounts recovered to New York State.
  2. Establish appropriate payment system edits and other procedures, as necessary, to limit payments for TENS services to only legitimate claims for such services.