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COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

February 1, 2013

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

Re: Selected Payments for Special Items  
Made to St Peter's Hospital from  
January 1, 2011 through March 31, 2011  
Report 2012-S-62

Dear Mr. O'Malley:

We audited selected claim payments made by Empire BlueCross BlueShield (Empire) to St. Peter's Hospital (St. Peter's) on behalf of the New York State Health Insurance Program (NYSHIP). This report is part of a series of audits of Empire's payments to selected hospitals for "special items" during the three months ended March 31, 2011. This audit was performed in accordance with 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.

**Background**

NYSHIP provides health insurance coverage to active and retired State, participating local government and school district employees and their dependents. The Empire Plan (Plan) is the primary health benefits plan for NYSHIP. The Department of Civil Service contracts with Empire to administer the hospitalization portion of the Plan. Empire processes Plan claims for hospital services in accordance with agreements they negotiate with member hospitals, including St. Peter's. These agreements generally provide for payment of specific rates for covered services. The agreements may also provide a different payment basis for certain special items (such as implants, drugs and blood) related to such services. Empire's contract with St. Peter's establishes that claims for special items should be related to the costs to acquire them.

**Results of Audit**

We reviewed six claim payments (totaling \$1,712,501) to St. Peter's for special items

and determined Empire overpaid one claim by \$4,836 because St. Peter's billed for items that were not administered to the patient. The overpayment resulted because Empire did not have adequate controls to ensure that the facility's billed charges reflected the contractual agreement. We provided specific information for each audited claim payment to Empire.

### **Recommendations**

1. Recover the \$4,836 from St. Peter's for the overpayment we identified in this audit.
2. Develop and implement the controls necessary to ensure that payments for special items comply with the terms of Empire's contract with St. Peter's.

### **Audit Scope, Objective and Methodology**

Our objective was to determine if Empire's payments to St. Peter's for special items were made according to the provisions of the agreement between Empire and St. Peter's. We audited six claim payments for rate exception items that Empire paid to St. Peter's during the period from January 1, 2011 through March 31, 2011.

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 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.

We provided a preliminary copy of the matters addressed in this report to Empire officials for their review and comments. Their comments were considered in preparing this report.

Within 90 days of the 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.

Major contributors to this report include David Fleming, Edward Durocher, Kathleen Hotaling, Laura Brown, Andrea Dagastine and Christian Butler.

Sincerely,

Brian E. Mason  
Audit Director

cc: Doug Austin, St. Peter's Hospital  
Robert DuBois, Department of Civil Service  
Stephanie Zoufaly, Department of Civil Service  
Thomas Lukacs, Division of the Budget