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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 5, 2013

Mr. Carl Mattson
Vice President, Empire Plan
United HealthCare
22 Corporate Woods - 5th Floor
Albany, NY 12211

Re: New York State Health Insurance
Program - Upcoding of Selected
Evaluation and Management Services
Report 2013-F-13

Dear Mr. Mattson:

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, we have followed up on the actions taken by officials of United HealthCare (United) to implement the recommendation contained in our audit report entitled *New York State Health Insurance Program: Upcoding of Selected Evaluation and Management Services* (Report 2006-S-11) and a follow-up to this audit (Report 2007-F-41).

Background, Scope and Objectives

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 dependents. The Empire Plan is the primary health benefits plan for the Program. The New York State Department of Civil Service (Department) contracts with United to process and pay medical claims for services provided to Empire Plan members.

Medical practitioners bill United for their services using Current Procedural Terminology (CPT) codes established by the American Medical Association. Evaluation and Management (E/M) CPT codes, which include broad categories (such as office visits, hospital visits and consultations) are used by most physicians to submit claims for significant portions of their services. Within each CPT category, there are levels of unique CPT codes. The amounts of United's reimbursements depend on the CPT codes applied to claims. Billing for a higher paying

service than is actually provided, by applying an improper CPT code, is commonly referred to as “upcoding.”

Our initial audit report, issued on November 30, 2006, examined selected payments made by United for E/M services for the year ended December 31, 2005. Our objective was to determine whether selected providers billed United for higher paying E/M services than those actually performed. From a random sample of 295 claimed services, we determined UHC overpaid for 74 (25 percent) of the services. Based on the population of \$38 million in E/M claim payments, we estimated (with 90 percent confidence) that United overpaid providers \$5 million to \$6.5 million for higher-paying E/M services than were actually performed. On December 20, 2007, we issued a follow up report (2007-F-41) to our audit. At that time, we determined United partially implemented the initial audit’s one recommendation. In particular, United had analyzed E/M claims and identified practitioners with aberrant billing patterns. However, United had not recovered overpayments and needed to better educate practitioners on the circumstances under which claims for E/M service are appropriate.

The objective of this follow-up was to assess the current implementation status of the recommendation from our initial report, including actions taken by United since we issued our follow-up report in December 2007.

Summary Conclusions and Status of Audit Recommendation

United implemented the recommendation we made in our initial report. This included the recovery of overpayments totaling \$1,067,715.

Follow-up Observations

Recommendation 1

Improve controls for monitoring claims submitted for E/M services to ensure payments reflect the services actually performed. At a minimum, this should include analyzing all E/M claims to identify practitioners with aberrant billing patterns, educating practitioners about correct coding and recovering overpayments as appropriate.

Status - Implemented

Agency Action - Subsequent to our initial follow-up, United completed a review of claim payments for E/M services and identified upcoded claims. Specifically, United contracted with three consultants to design data algorithms to identify providers with aberrant billing patterns. Based on data derived from the algorithms, United conducted audits of 50 providers. Using statistical sampling techniques, United projected the overpayments to each of the audited providers. As a result of this effort, United recovered overpayments totaling \$1,067,715 through settlement agreements and legal arbitration. In addition, to help prevent future instances of E/M upcoding, United trained the providers that were audited on the proper procedures for coding and submitting their E/M claims.

Major contributors to this report were Ed Durocher, Laura Brown, and Christian Butler.

We thank the management and staff of United HealthCare for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

David Fleming
Audit Manager

cc. Mr. Robert DuBois, Department of Civil Service
Ms. Stephanie Zoufaly, Department of Civil Service
Mr. Thomas Lukacs, Division of the Budget