

New York State Health Insurance Program

Empire BlueCross: Improper Payments for Intraocular Lens Claims Billed by Hospitals

Report 2019-S-31 | December 2019

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether Empire BlueCross properly paid hospital claims for intraocular procedures. The audit covered the period January 1, 2014 through June 30, 2019.

About the Program

The New York State Health Insurance Program (NYSHIP) provides health insurance coverage to over 1.2 million active and retired State, local government and school district employees, and their dependents. The Empire Plan is the primary health benefits plan for NYSHIP, covering nearly 1.1 million members. Empire BlueCross (Empire) administers the hospital portion of the Empire Plan.

Empire processes claims for hospital services according to contracts it negotiates with hospitals. The hospital contracts include reimbursement fee schedules for inpatient and outpatient hospital services. Hospitals may be entitled to additional payments for special items, such as implants, which are not covered by fee schedules.

Intraocular lenses are used in the treatment of cataracts – the clouding of the lens in the eye – which cause vision problems. A cataract is corrected with surgery, which frequently involves removing the clouded lens and replacing it with an intraocular lens (such as a plastic lens). Empire generally reimburses the intraocular lens as a special item implant, meaning the hospital receives an additional fee for the lens itself. If a provider corrects or adjusts the intraocular lens, the additional implant fee should not be paid. When hospitals send claims for reimbursement, in addition to general service codes, they typically include specific service codes, which helps Empire make appropriate payments. From January 1, 2014 through June 30, 2019, Empire paid over \$1.5 million for 3,169 special item intraocular lens claims.

Key Findings

- We reviewed the 3,169 special item intraocular lens claims paid during the audit period and found Empire paid \$162,887 for 164 claims that included a specific service code that contradicted the general service code and indicated a lens had not been implanted.

Key Recommendations

- Review the \$162,887 in claims identified in this audit and recover all overpayments, as warranted.
- Ensure adequate payment controls over intraocular lens claims are implemented.



Office of the New York State Comptroller Division of State Government Accountability

December 20, 2019

Mr. Jason O'Malley
Regional Vice President, Sales
Empire BlueCross
11 Corporate Woods Boulevard
Albany, NY 12211

Dear Mr. O'Malley:

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 the New York State Health Insurance Program entitled *Empire BlueCross: Improper Payments for Intraocular Lens Claims Billed by Hospitals*. 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.

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,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
Civil Service	Department of Civil Service	<i>Agency</i>
Empire	Empire BlueCross	<i>Auditee</i>
Empire Plan	The primary health benefits plan for NYSHIP	<i>Key Term</i>
NYSHIP	New York State Health Insurance Program	<i>Program</i>
Service Code	Code on claim that explains the service provided	<i>Key Term</i>
Special Items	Implants (including intraocular lenses), drugs, or blood	<i>Key Term</i>

Background

The New York State Health Insurance Program (NYSHIP), administered by the Department of Civil Service (Civil Service), is one of the nation's largest public sector health insurance programs. NYSHIP covers over 1.2 million 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, serving about 1.1 million members. The Empire Plan provides its members with four types of health insurance coverage: hospital, medical/surgical, prescription drug, and mental health and substance abuse services.

Civil Service contracts with Empire BlueCross (Empire) to administer the hospital portion of the Empire Plan, which includes coverage for inpatient and outpatient services provided by a hospital, a skilled nursing facility, and hospice. Empire processes claims for hospital services according to contracts it negotiates with member hospitals in 28 eastern and southeastern counties of New York State. (Note: in the remainder of the State, Empire processes claims through its BlueCard network. BlueCard is a national program that enables members to obtain services by linking providers that participate in the BlueCard network with a member's Empire coverage plan, and corresponding claims are processed through a single electronic network for reimbursement.)

As of July 2019, Empire had contracts with 162 hospitals, which set reimbursement rate schedules for inpatient and outpatient hospital services. Payments for hospital services are generally based on fee schedules negotiated between Empire and its member providers. However, hospitals may be entitled to additional payments for special items (e.g., implants, drugs, and blood) that are not covered by the fee schedules, including additional payments for the insertion of intraocular lenses.

Intraocular lenses are used in the treatment of cataracts – the clouding of the lens in the eye – which distort or block the passage of light through the lens causing vision problems. A cataract is corrected with surgery, which frequently involves removing the clouded lens and replacing it with an intraocular lens (such as a plastic lens). Empire generally reimburses the intraocular lens as a special item implant, meaning the hospital receives an additional fee for the lens itself. If a provider corrects or adjusts the intraocular lens, the additional implant fee should not be paid.

During our audit period of January 1, 2014 through June 30, 2019, Empire paid over \$1.5 million for 3,169 special item intraocular lens claims.

Audit Findings and Recommendations

Intraocular Lens Claims

Typically, in addition to general service codes, hospitals include specific service codes (which provide more detail of the services rendered) on their claims when seeking reimbursement, which helps Empire make appropriate payments. Of the 3,169 special item intraocular lens claims totaling over \$1.5 million that we reviewed, we found \$162,887 for 164 claims was potentially overpaid because the specific service code on the claim contradicted the general code. For example, a hospital billed a general code (e.g., revenue code) indicating an intraocular lens had been implanted; however, the specific service code (e.g., HCPCS code) specified that the intraocular lens had been corrected or adjusted. Based on a medical record review, Empire confirmed the claim was overpaid by \$1,029 because an intraocular lens was not implanted. The 164 claims, despite having specific codes identifying that an intraocular lens had not been implanted during the service, were still paid additional amounts, as if an intraocular lens had been implanted.

Empire is aware that claims are sometimes submitted with contradictory service codes. Empire officials assessed their current claims processing and determined changes were necessary regarding how intraocular lens claims are processed. Empire officials stated, beginning October 2019, they implemented a new edit which Empire believes will flag additional intraocular lens claims for review, such as claims in which the general service code contradicts the specific service code. The effectiveness of the new edit was not evaluated during this audit, as the change occurred after the completion of the audit fieldwork.

Recommendations

1. Review the \$162,887 in claims identified in this audit and recover all overpayments, as warranted.
2. Evaluate the effectiveness of the new (October 2019) edit to ensure intraocular lens claims with contradicting service codes are properly reimbursed, and if not, establish appropriate payment controls.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether Empire properly paid hospital claims for intraocular procedures. The audit covered the period January 1, 2014 through June 30, 2019.

To accomplish our audit objective and assess internal controls, we reviewed medical billing guidelines for intraocular services. We interviewed Empire officials about their procedures for processing and paying claims for intraocular services. We identified claims paid by Empire for intraocular lens procedures (indicated by the general service code) where the specific service codes were not considered an implant. We provided these claims to Empire to review and recover all overpayments.

Statutory Requirements

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.

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 objective. 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 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.

Reporting Requirements

We provided a preliminary report of our audit observations to Empire officials for their review and comment. Their comments were considered in preparing this report.

Within 180 days of the final release of this report, we request that Empire officials report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons why.

Contributors to Report

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