

# Department of Civil Service

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## New York State Health Insurance Program: Payments by UnitedHealthcare for Medical/Surgical Services for Ineligible Members

Report 2020-S-34 | September 2021

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

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Division of State Government Accountability



# Audit Highlights

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## Objective

To determine whether UnitedHealthcare Insurance Company of New York paid claims for Empire Plan members who were not eligible. The audit covered the period from January 1, 2014 through December 31, 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 insurance plan for NYSHIP, serving about 1.1 million members. The Department of Civil Service (Civil Service) contracts with UnitedHealthcare Insurance Company of New York (United) to administer the medical/surgical portion of this plan. From January 1, 2014 through December 31, 2019, United processed and paid over \$16.6 billion in medical/surgical claims.

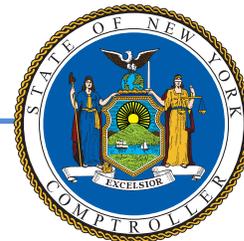
Civil Service maintains eligibility and enrollment records for NYSHIP members in the New York Benefits Eligibility and Accounting System (NYBEAS). Civil Service sends United daily files of NYBEAS eligibility changes and United has access to NYBEAS to confirm eligibility information. Up-to-date enrollment records are necessary to process payments accurately and prevent financial losses. For instance, contracts that United negotiates with health care providers may include limitations on the recovery of claims paid for members who were retroactively disenrolled (when a member is disenrolled from NYBEAS after the date eligibility ended). For contracts that do not include this language, typically improperly paid claims may be recovered for six years.

## Key Findings

We identified nearly \$5.7 million that United paid for members who were not eligible for Empire Plan coverage. The improper payments occurred because the member was retroactively disenrolled (nearly \$4.6 million), or the claims were paid for services that occurred either before a member was enrolled or after United was notified the member was disenrolled (\$1.1 million).

## Key Recommendations

- Review the \$5.7 million in claims paid for ineligible members and make recoveries, as warranted.
- Take steps to ensure all recoverable claims are identified and pursued for recovery to the fullest extent practicable.
- Take steps to ensure eligibility information in NYBEAS and United's eligibility system is complete, accurate, and up to date, including, but not limited to, a periodic reconciliation process.



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

September 29, 2021

Rebecca Corso  
Acting Commissioner  
Department of Civil Service  
Empire State Plaza, Building 1, 20th Floor  
Albany, NY 12239

Paula Gazeley Daily, R.Ph.  
Vice President, Empire Plan  
UnitedHealthcare Insurance Company of New York  
13 Cornell Road, 2nd Floor  
Latham, NY 12110

Dear Acting Commissioner Corso and Ms. Gazeley Daily:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively. By so doing, it provides accountability for the 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 *Payments by UnitedHealthcare for Medical/Surgical Services for Ineligible Members*. This 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

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<b>Term</b>	<b>Description</b>	<b>Identifier</b>
Civil Service	Department of Civil Service	<i>Auditee</i>
Disenrollment date	Date a disenrollment is entered into NYBEAS	<i>Key Term</i>
Empire Plan	Primary health insurance plan for NYSHIP	<i>Key Term</i>
Enrollment date	Date a member begins Empire Plan coverage	<i>Key Term</i>
HBA	Health Benefits Administrator	<i>Key Term</i>
NYBEAS	New York Benefits Eligibility and Accounting System	<i>System</i>
NYSHIP	New York State Health Insurance Program	<i>Program</i>
Retroactive disenrollment	Occurs when a member is disenrolled after the date their coverage ended	<i>Key Term</i>
United	UnitedHealthcare Insurance Company of New York	<i>Auditee</i>

# Background

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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 insurance plan for NYSHIP, serving about 1.1 million members. The Empire Plan provides its members with four types of health insurance coverage: medical/surgical, hospital, prescription drug, and mental health and substance abuse services.

Civil Service contracts with UnitedHealthcare Insurance Company of New York (United) to administer the medical/surgical portion of the Empire Plan, which includes coverage for services such as office visits, outpatient surgery, diagnostic testing, physical therapy, chiropractic services, home care services, and durable medical equipment. From January 1, 2014 through December 31, 2019, United processed and paid over \$16.6 billion in medical/surgical claims.

Civil Service is responsible for maintaining the New York Benefits Eligibility and Accounting System (NYBEAS), which is the system of record for member enrollment and eligibility information, and promptly certifying to United any changes in the eligibility status of members. Civil Service provides United with a daily update file of NYBEAS changes, and United also has access to NYBEAS to confirm eligibility information. Typically, each organization that participates in NYSHIP (e.g., State agencies, local government employers, and school districts) has at least one Health Benefits Administrator (HBA) responsible for processing eligibility transactions in NYBEAS. If a NYBEAS disenrollment is entered after the date the change in eligibility takes effect, it is considered a retroactive disenrollment. For example, if an employee who was enrolled in the Empire Plan accepts new employment and notifies their HBA to end coverage effective June 1, 2019, but the HBA does not enter the transaction into NYBEAS until December 31, 2019 (a seven-month delay), this is considered a retroactive disenrollment back to June 1, 2019.

United's contracts with providers include conditions for the recovery of claims paid for members who are retroactively disenrolled. Typically, these contracts allow six years for recovery; however, some provider contracts limit recovery to one or two years.

# Audit Findings and Recommendations

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To maintain the most accurate and up-to-date eligibility records, a coordinated and cooperative effort is required by Civil Service, United, HBAs, and Empire Plan members. However, Civil Service is ultimately responsible for overseeing NYSHIP and ensuring each of these groups is fulfilling their duties.

We found Civil Service had not done enough to ensure that eligibility information was updated promptly in NYBEAS, and this resulted in claims being paid for ineligible members. These delays also affected the ability to recover claims paid for ineligible members due to restrictions in provider contracts. Claims that are not recovered increase the overall cost of NYSHIP, which can result in higher premiums and costs for members and employers.

During the audit period, January 1, 2014 to December 31, 2019, we identified nearly \$5.7 million in medical/surgical claims that United paid for about 1,300 members who were not eligible for Empire Plan coverage. Of the \$5.7 million, almost \$4.6 million was a result of retroactive disenrollments. The remaining \$1.1 million was paid by United for services received either prior to a member's enrollment date or after their disenrollment date.

## Claims Paid for Ineligible Members

### Unrecovered Claims Paid for Retroactively Disenrolled Members

We compared claims paid by United to NYBEAS eligibility records and found that nearly \$4.6 million was paid for ineligible members as a result of retroactive disenrollments. When we compared disenrollment dates from NYBEAS to United's recoverability time frames for these claims, we found almost all of these claims were within the contractual recoverability time frames.

When a member's coverage is retroactively terminated by either Civil Service or an HBA, United makes efforts to recover claims paid during the period of ineligibility; however, the recovery period may be limited by provider contracts. Civil Service does not have an adequate process for identifying payments made for retroactively disenrolled members and monitoring United's corresponding recoveries and instead relies on United to identify these claims and make recoveries.

When United receives a retroactive disenrollment, it processes the change and identifies claims paid during the period for which the member was no longer eligible. United then reviews these ineligible claims to determine if they are recoverable based on the contract with the provider from whom the member received services. However, we found that United does not identify and recover all recoverable claims through this process. United provided several reasons why these claims were not recovered, primarily citing weaknesses in its recovery process. For example, in some cases, United's processors failed to make the appropriate manual adjustments to recover claims. Civil Service relies on United's process for proper identification and recovery of claims paid for ineligible members; therefore, resolving these weaknesses is important to Civil Service and NYSHIP.

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## Claims Paid for Periods Before Enrollment or After Notification of Disenrollment

In addition to ineligible claims paid as the result of retroactive disenrollments, we identified \$1.1 million in claims that United paid either prior to the member's enrollment in the Empire Plan or after United had been notified by Civil Service of the member's disenrollment.

We identified about \$900,000 in claims paid after a member's disenrollment date. United receives a daily update file from Civil Service containing the most recent changes to eligibility records. Despite this, we determined that United's eligibility system did not reflect all the updates made to members' eligibility records. For example, for one member who was disenrolled by Civil Service in 2015, United paid over \$19,000 in claims in the following three years because United's eligibility system continued to incorrectly reflect active coverage. United was aware of problems with how the eligibility file provided by Civil Service is processed in its system and made some improvements throughout our audit period. However, neither Civil Service nor United has ever completed a full reconciliation of United's eligibility data to NYBEAS eligibility data to help ensure United has complete, accurate, and up-to-date eligibility information. To address the remaining issues, Civil Service and United have begun a reconciliation process that will be implemented on an ongoing basis.

We found United also paid approximately \$129,000 in claims prior to a member's enrollment in the Empire Plan. For example, United received an enrollment date from Civil Service and processed claims based on this date; however, Civil Service subsequently provided a later enrollment date. United did not identify the paid claims that occurred between the two enrollment dates for recovery purposes. United stated they did not have a system in place for identifying claims paid prior to a member's enrollment date when an enrollment date is changed; however, it is currently working to develop this capability. Additionally, we found approximately \$88,000 in claims for which a portion of each claim occurred when the member was not eligible.

## Recommendations

1. Review the \$5.7 million in claims paid for ineligible members identified by our audit and make recoveries, as warranted.
2. Take steps to ensure all recoverable claims are identified and pursued for recovery to the fullest extent practicable.
3. Take steps to ensure eligibility information in NYBEAS and United's eligibility system is complete, accurate, and up to date, including, but not limited to, a periodic reconciliation process.

# Audit Scope, Objective, and Methodology

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Our audit objective was to determine whether United paid claims for Empire Plan members who were not eligible. The audit covered the period from January 1, 2014 through December 31, 2019.

To accomplish our audit objective and assess internal controls, we interviewed Civil Service and United officials and reviewed NYSHIP eligibility policies. We reviewed a sample of 1,955 members selected from about 1.1 million members in the Empire Plan. We reviewed the NYBEAS records for the selected members and claims paid by United to determine if claims were paid for ineligible members. We considered any payments for services rendered during a period when that member was not covered by the Empire Plan to be a claim paid for an ineligible member.

To select the members to review in our sample, we matched United claims data to NYBEAS eligibility data extracts. We then compared the date of service on the claim to when that member had coverage. For those claims that appeared to be paid for ineligible members, we totaled the claims per member and selected only the members who had at least \$1,000 in what appeared to be ineligible claims; this resulted in 1,955 members selected. Because we selected judgmental samples, the results cannot be projected to the population as a whole.

# Statutory Requirements

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## 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. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of Civil Service's oversight and administration of United's payments for medical/surgical services.

## Reporting Requirements

We provided a draft copy of this report to Civil Service and United officials for their review and formal comment. We considered Civil Service's and United's comments in preparing this report and have included their responses at the end of it. In their responses, Civil Service and United officials generally concurred with the audit recommendations and indicated that actions have been and will be taken to address them.

Within 180 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Civil Service shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

# Agency Comments - Department of Civil Service

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Department of  
Civil Service

ANDREW M. CUOMO  
Governor

May 24, 2021

Andrea Inman  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street – 11<sup>th</sup> Floor  
Albany, NY 12236-0001

Re: Draft Audit Report 2020-S-34, Issued April 22, 2021

Dear Ms. Inman:

Thank you for sharing the draft report and findings for OSC's 2020-S-34 audit titled United Healthcare and Department of Civil Service: Claims Paid for Ineligible Members and for providing the claims data from your findings. The Department will use this information as part of its efforts to recover the identified ineligible claims in response to Recommendations 1 and 2.

As noted in the report, the Department is aware of the importance of reducing the number and length of retroactive disenrollments. In recent months and years, the Department has initiated improvements that demonstrably reduced the length, number, and impact of retroactive disenrollments in the New York State Health Insurance Program (NYSHIP). These improvements include, but are not limited to, sending dependent verification letters to enrollees with family coverage, and emphasizing the importance of timely enrollment transaction processing through HBA trainings. Regarding Recommendation 3, the Department completed an enrollment reconciliation with UHC in April 2021 and will continue to do so on a regular basis moving forward. The Department looks forward to providing future updates on its efforts.

Thank you again for the opportunity to provide feedback on this draft report.

Sincerely,

James DeWan  
Director  
Employee Benefits Division

# Agency Comments - United Healthcare

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United HealthCare Insurance Company of New York  
13 Cornell Road, Latham, NY 12110

May 20, 2021

New York State Office of the State Comptroller  
Division of State Government Accountability  
Attn: Andrea Inman – Audit Director  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

Dear Andrea Inman:

This letter will respond to the Office of the State Comptroller's (OSC) Draft Report concerning services for Ineligible Members (2020-S-34).

United Healthcare (UHC) has reviewed the OSC Draft Report and offer the following comments and response to the recommendations.

UHC agrees there are opportunities brought to light from the eligibility audit work performed by OSC. UHC works closely with The Department of Civil Service (DCS) to maintain correct coverage information for Empire Plan Enrollees and their family. This is evident based on the information OSC included in their Draft Report. The number of members identified as ineligible in the OSC Draft report (1,294 members) compared to the 1.1 million members covered under the Empire Plan, represents 99.88% membership eligibility. In addition, OSC indicates UHC processed over \$16.6 billion in claims during the audit period, with \$5.7 million in claims paid for ineligible members. This represents 99.97% of the dollars paid being issued to eligible membership.

UHC worked collaboratively with DCS during the audit period as exemplified in the identification of certain records transmitted to UHC that resulted in terminated records being reopened for coverage. UHC advised DCS of the issue and they updated their process to eliminate the issue moving forward. UHC is committed to continuing our collaborative efforts with DCS to maintain accurate eligibility records.

UHC offers the following response for the three recommendations presented by OSC:

1. Review the \$5.7 million in claims paid for ineligible members and make recoveries, as warranted.  
**UHC Response:** UHC will review the impacted members/claims and seek recovery where practicable.
2. Take steps to ensure all recoverable claims are identified and pursued for recovery to the fullest extent practicable.  
**UHC Response:** UHC continues to identify opportunities to improve our overall performance. We will provide remedial training where appropriate and will pursue additional ways to automate the review process in order to reduce the potential for manual mistakes.
3. Take steps to ensure eligibility information in NYBEAS and United's eligibility system is complete, accurate and up to date, including, but not limited to, a periodic reconciliation process.  
**UHC Response:** UHC and DCS have completed an eligibility reconciliation for the Empire Plan. There were approximately 1300 records that required updating by UHC, which has been

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completed. The reconciliation process will be performed quarterly moving forward in collaboration with DCS.

Thank you for providing us with the opportunity to review and respond to Office of the State Comptroller's (OSC) Draft Report concerning services for Ineligible Members (2020-S-34).

Sincerely,



Paula Gazeley Daily  
Vice President, Empire Plan  
UnitedHealthcare National Accounts

# Contributors to Report

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