

# Department of Civil Service

---

## New York State Health Insurance Program: Payments by Beacon Health Options for Mental Health and Substance Abuse Services for Ineligible Members

Report 2021-S-18 | May 2022

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

---

Division of State Government Accountability



# Audit Highlights

---

## Objective

To determine whether Beacon Health Options paid mental health and substance abuse (MHSA) claims for Empire Plan members who were not eligible for coverage. The audit covered the period from January 2015 through December 2020.

## About the Program

The New York State Health Insurance Program (NYSHIP), administered by the Department of Civil Service (Civil Service), 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. Civil Service contracts with Beacon Health Options (Beacon) to administer the MHSA program for the Empire Plan. From January 1, 2015 through December 31, 2020, Beacon processed and paid over \$1.38 billion for MHSA claims.

Civil Service maintains eligibility and enrollment records for NYSHIP members in the New York Benefits Eligibility and Accounting System (NYBEAS). Civil Service provides Beacon with a daily update file of NYBEAS changes, and Beacon has access to NYBEAS to confirm eligibility information against its claims processing system, Connections Administrative System (CAS).

Typically, organizations that participate in NYSHIP (e.g., State agencies, local government employers, and school districts) have a Health Benefits Administrator (HBA) responsible for processing eligibility transactions, such as disenrollments, in NYBEAS. Accurate, up-to-date enrollment information in NYBEAS is crucial to prevent payment of ineligible claims. For example, if a member's disenrollment is entered in NYBEAS after the effective date of the change in coverage, it is considered a retroactive disenrollment. There is a risk that claims submitted on the disenrolled member's behalf during this interim period – after the effective date of disenrollment but before the date the transaction is entered in NYBEAS – will be paid.

## Key Findings

We determined Beacon paid over \$3.21 million on 5,059 claims on behalf of members who were not eligible for Empire Plan coverage. The majority of the improper payments (over \$2.94 million) occurred because the member was retroactively disenrolled. In many cases, member disenrollment in NYBEAS was delayed for extended periods, taking an average of 300 days to cancel coverage. The remaining improper payments (nearly \$270,000) stemmed from other causes, such as data transfer issues between NYBEAS and CAS and errors of oversight in Beacon's manual processing of claims.

## Key Recommendations

### To Civil Service and Beacon:

- Review the \$3.21 million in ineligible payments and ensure appropriate recoveries are made.
- Take steps to ensure eligibility information is complete, accurate, and up to date, including but not limited to continuing to perform periodic reconciliations and improving the reconciliation process.

---

**To Civil Service:**

- Continue taking steps to ensure HBAs are properly informed of their responsibilities (including the importance of timely and accurate coverage updates) and continue to monitor whether HBAs are up to date on relevant training.



---

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

May 13, 2022

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

Jennifer Rice  
Vice President, Account Partnerships  
Beacon Health Options  
17 Plaza Drive  
Latham, NY 12110

Dear Acting Commissioner Corso and Ms. Rice:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their 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 Beacon Health Options for Mental Health and Substance Abuse Services for Ineligible Members*. 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*

# Contents

---

- Glossary of Terms**..... **5**
- Background**..... **6**
- Audit Findings and Recommendations**..... **7**
  - Claims Paid for Retroactively Disenrolled Members..... **7**
  - Improper Claims Paid for Other Reasons..... **8**
  - Recommendations..... **9**
- Audit Scope, Objective, and Methodology**..... **10**
- Statutory Requirements**..... **11**
  - Authority..... **11**
  - Reporting Requirements..... **11**
- Agency Comments - Department of Civil Service**..... **12**
- Agency Comments - Beacon Health Options**..... **13**
- Contributors to Report**..... **15**

# Glossary of Terms

---

<b>Term</b>	<b>Description</b>	<b>Identifier</b>
Beacon	Beacon Health Options	<i>Auditee</i>
CAS	Connections Administrative System (Beacon's claims processing system)	<i>System</i>
Civil Service	Department of Civil Service	<i>Auditee</i>
Empire Plan	Primary health benefits plan for NYSHIP	<i>Key Term</i>
HBA	Health Benefits Administrator	<i>Key Term</i>
MHSA	Mental health and substance abuse	<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	When a member's disenrollment is entered in NYBEAS after the date their coverage ended	<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, 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: mental health and substance abuse (MHSA), medical/surgical, hospital, and prescription drug services.

Civil Service contracts with Beacon Health Options (Beacon) to administer the MHSA program for the Empire Plan. From January 1, 2015 through December 31, 2020, Beacon processed and paid over \$1.38 billion for MHSA claims.

Civil Service is responsible for maintaining the New York Benefits Eligibility and Accounting System (NYBEAS), the system of record for member enrollment and eligibility information, and promptly certifying to Beacon the eligibility status of members. Civil Service provides Beacon with a daily update file of NYBEAS changes, and Beacon has access to NYBEAS to confirm eligibility information against its claims processing system, Connections Administrative System (CAS).

Typically, organizations that participate in NYSHIP (e.g., State agencies, local government employers, and school districts) have a Health Benefits Administrator (HBA) responsible for processing eligibility transactions, such as member disenrollments, in NYBEAS. Accurate, up-to-date enrollment information in NYBEAS is crucial to ensure members are disenrolled promptly and to prevent payment of claims on their behalf. If a disenrollment is entered in NYBEAS 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, 2021 but the HBA does not enter the transaction into NYBEAS until December 31, 2021 (a 7-month delay), this is considered a retroactive disenrollment back to June 1, 2021. There is a risk that claims submitted on the disenrolled member's behalf during this interim period, after the effective date of disenrollment but before the date the transaction is entered in NYBEAS, will be paid.

# Audit Findings and Recommendations

---

To maintain the most accurate and up-to-date eligibility records – and prevent improper payment of claims on behalf of ineligible members – a coordinated and cooperative effort is required by Civil Service, Beacon, HBAs, and Empire Plan members. However, Civil Service is ultimately responsible for overseeing NYSHIP and ensuring each of these groups is fulfilling its duties. While Civil Service has worked with each of these groups to reduce the incidence of payments made for ineligible members, we found more can be done to ensure that eligibility information is updated promptly in NYBEAS and that Beacon is only paying claims for eligible members.

During the audit period, January 1, 2015 through December 31, 2020, we identified 5,059 MHSA claims, totaling over \$3.21 million, that were paid by Beacon on behalf of members who were not eligible for Empire Plan coverage. The majority of these improper payments, totaling over \$2.94 million, was the result of retroactive disenrollments. The remaining improper payments, totaling nearly \$270,000, stemmed from other causes, such as data transfer issues between NYBEAS and CAS and errors of oversight in Beacon’s manual processing of claims.

## Claims Paid for Retroactively Disenrolled Members

Retroactive disenrollment occurs when a NYSHIP member loses eligibility and the information is not updated in NYBEAS until after the change in eligibility takes effect. Disenrollment can occur for a variety of reasons, including non-payment of premiums, divorce or termination of a domestic partnership, voluntary cancellation, or termination of employment. Accurate and timely entry of eligibility changes in NYBEAS is crucial to ensure that members are disenrolled promptly and to prevent payment of claims on behalf of ineligible members.

For the audit period, Beacon paid 4,009 claims totaling \$2,944,407 on behalf of retroactively disenrolled members. In many cases, member disenrollment in NYBEAS was delayed for extended periods, taking an average of 300 days to cancel coverage. In one case, the member’s disenrollment in NYBEAS occurred more than 5 years after the member’s coverage ended – during which time, Beacon paid a total of \$10,619 in ineligible claims.

Civil Service relies heavily on HBAs and NYSHIP members to ensure eligibility records are kept current and that changes to members’ eligibility status are processed timely. Civil Service is aware of the importance of ensuring that HBAs establish and maintain their NYBEAS and NYSHIP competency. In fall 2020, Civil Service sent a memo to HBAs outlining HBAs’ responsibilities and related available resources. HBAs are required to attest, in writing, to their understanding of their roles and responsibilities and that they are aware of the resources available to them. Civil Service also provides training materials and guidance, including live training sessions, videos, memos, and procedure manuals, to promote that understanding. HBA participation in live training is tracked and Civil Service is working on a system to track on-demand training (training that is not live that users can access when convenient). In addition, member publications have been updated with more robust

---

language to encourage timely reporting of changes in eligibility status, including possible consequences of failure to do so.

When a member's coverage is retroactively terminated by either Civil Service or an HBA, Beacon makes efforts to recover payments made during the period of ineligibility. Earlier Office of the State Comptroller audits of member eligibility found Civil Service did not have a process in place for identifying payments made for retroactively disenrolled members or monitoring corresponding recoveries. However, Civil Service is working on a recently approved project that, when completed, will allow it to independently identify claims paid for disenrolled members on a regular basis. In the interim, Civil Service relies on Beacon to identify improperly paid claims and make recoveries. Civil Service monitors the recoveries by requiring Beacon to regularly report on them. When Civil Service begins its independent identification of claims paid for disenrolled members, it will be able to monitor Beacon's corresponding recoveries to ensure all improper payments are being reported and appropriate recoveries are being made.

## Improper Claims Paid for Other Reasons

In addition to claims paid as the result of retroactive disenrollments, we identified 1,050 ineligible claims totaling \$267,904 that were paid for other reasons, such as data transfer issues between NYBEAS and CAS, which caused reactivation of previously terminated member coverage, and Beacon's failure to manually end coverage that had been temporarily reinstated to process a valid claim.

Beacon receives a daily update file from Civil Service containing the most recent changes to member eligibility information, including demographic changes made to the records of members who are no longer eligible for coverage. In some cases, the changes in demographic information reactivated previously terminated coverage in CAS, causing improper payment of claims. Beacon partnered with Civil Service to determine the reason for the improper payments, and in late 2016, Beacon modified programming in CAS to fix this issue. We note that we did not find this issue in our review of records dated after 2016.

At times, a terminated member's coverage must be reinstated to pay a valid claim for services provided during the eligibility termination process. When this happens, Beacon manually reinstates the member's coverage, processes the claim, and then re-terminates the coverage. In one such case, Beacon failed to re-terminate eligibility once the claim was processed, resulting in the subsequent payment of \$89,977 in ineligible claims.

Reconciliation of carrier eligibility records to NYBEAS eligibility records can significantly reduce the payment of ineligible claims caused by issues other than retroactive disenrollment of members. Recently, a NYSHIP carrier responsible for hospital services coverage found that quarterly reconciliation of its eligibility records significantly reduced its error rate. In October 2021, Beacon and Civil Service began a reconciliation process to detect inconsistencies between NYBEAS and CAS member eligibility data and prevent improper payments. Beacon and Civil Service

---

officials stated that they are in the early phases of development, and they will continue working to improve the process.

## Recommendations

### To Civil Service and Beacon:

1. Review the \$3.21 million in ineligible payments and ensure appropriate recoveries are made.
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 is complete, accurate, and up to date, including but not limited to continuing to perform periodic reconciliations and improving the reconciliation process.

### To Civil Service:

4. Continue to take steps to ensure HBAs are properly informed of their responsibilities (including the importance of the timeliness and accuracy of coverage updates) and continue to monitor whether HBAs are up to date on relevant training.

# Audit Scope, Objective, and Methodology

---

The objective of the audit was to determine whether Beacon paid MHSAs for Empire Plan members who were not eligible for coverage. The audit covered the period from January 2015 through December 2020.

To accomplish our audit objective and assess relevant internal controls, we reviewed NYSHIP eligibility policies and interviewed officials from Civil Service and Beacon. We analyzed MHSAs data for the audit period and compared the dates of service to the member's eligibility record in NYBEAS. 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. We believe the data used are sufficiently reliable for the purposes of this audit.

To select claims for review, we matched MHSAs data to eligibility data extracts. We then compared the date of service on the claim to the member's eligibility period. For claims that appeared to have been paid for ineligible individuals, we totaled the claims per person and selected only the claims for individuals who had at least \$1,000 in what appeared to be ineligible claims. This resulted in 250 members being selected for further review. In addition, we reviewed 262 members identified in prior Office of the State Comptroller eligibility audits who also appeared to have MHSAs claims paid while they were ineligible. For the 512 members, we compared the date when eligibility changes were made in NYBEAS to the effective date of the eligibility changes to determine claims that were paid due to retroactive disenrollment. For the remaining claims, we judgmentally chose a sample of members based on dollar amount and compared NYBEAS, CAS, and Civil Service eligibility update files to determine the cause of improper claim payments. Because we selected judgmental samples, the results cannot be projected to the population as a whole.

# 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. These duties could 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 audit of Civil Service's oversight and administration of Beacon's payments for MHSA services.

## Reporting Requirements

We provided a draft copy of this report to Civil Service and Beacon officials for their review and formal comment. We considered their comments in preparing this final report and have included them in their entirety at the end of it. In their responses, Civil Service and Beacon officials generally concurred with the audit recommendations and indicated that actions have been or 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

---



**Department of  
Civil Service**

**KATHY HOCHUL**  
Governor

**REBECCA A. CORSO**  
Acting Commissioner

April 18, 2022

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

Re: Draft Audit Report 2021-S-18, Issued March 18, 2022

Dear Ms. Inman:

Thank you for sharing the draft report and findings for OSC's 2021-S-18 audit titled New York State Health Insurance Program: Payments by Beacon Health Options for Mental Health and Substance Abuse Services 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 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 the past few 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 Health Benefit Administrator (HBA) trainings.

Regarding Recommendations 3 and 4, ensuring accurate enrollment information is of the utmost importance to the Department. We initiated the first reconciliation of enrollment with Beacon Health Options in October 2021 and will continue the process on a regular basis moving forward. As noted above, the Department will also continue to actively train the HBAs and monitor their participation. The Department looks forward to providing future updates on these efforts.

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

Sincerely,

Daniel Yanulavich, Acting Director  
Employee Benefits Division

---

Empire State Plaza, Agency Building 1, Albany, NY 12239 | [www.cs.ny.gov](http://www.cs.ny.gov)

# Agency Comments - Beacon Health Options



April 18, 2022

**Andrea Inman**  
**Office of the New York State Comptroller**

Dear Ms. Inman,

Beacon has reviewed the draft report for Audit 2021-S-018 and appreciate the opportunity to respond. For the remainder of this response, we will refer to Beacon Health Options as "Beacon," New York State Department of Civil Service as "DCS," and the Office of the New York State Comptroller as "OSC".

**Background**

The New York State Department of Civil Service (DCS) transmits an eligibility file to Beacon on a daily basis (excluding holidays and weekends). Beacon processed an average of 1,882 transactions daily during the audit period; which translates to over 2.8 million transactions, in total, for the time period reviewed.

During the scope of OSC's audit period, January 1, 2015 through December 31, 2020, Beacon processed over 10,500,000 claims and OSC's findings identified 5,059 claims paid for ineligible members during the period, which reflects an accuracy in eligibility for claims processing rate of 99.95%.

**Recommendation #1: Review the \$3.21 million in ineligible payments identified in this report and recover, as warranted.**

Beacon has always had a process in place to identify and recover overpayments resulting from retroactive termination of eligibility. This process excluded claims related to a Dependent Eligibility Audit known as "DEVA" members, where DCS requested Beacon exclude these claims from the recovery process (see attached email and list of DEVA members).

The following summarizes the status of claims identified in OSC's findings:

Status	Claim Count	Amount
Recovered	1,077	\$ 604,890.54
Reversed for future claim payment offset	3,588	\$ 2,250,463.77
Recovery letter sent, pending response	195	\$ 151,284.81
Under Review / In Process	90	\$ 175,416.71
Excluded - DEVA member	109	\$ 30,254.68

**Recommendation #2: Take steps to ensure all recoverable claims are identified and pursued for recovery to the fullest extent practicable.**

Beacon is committed to ensuring all recoverable overpayments are pursued. Our monthly retroactive eligibility process identifies members and claims that are impacted by retroactive terminations. Our Recovery team, which is comprised of six full time specialists, coordinates distribution of initial refund request letters to providers and then allows for the appropriate timeframes to pass before claims recovery commences. This team works closely with our Claims team to ensure that the subsequent claims recovery activities (overpaid claim reversal and offsets from future payments) are carried out. This recovery team monitors the claims recoveries and overpayment balances.

In collaboration with DCS, Beacon will evaluate and enhance our current processes, where necessary, for the identification of all recoverable dollars and the recovery of any overpaid claims.



**Recommendation #3: Take steps to ensure eligibility information in NYBEAS and CAS is complete, accurate, and up to date, including, but not limited to, establishing a periodic reconciliation process.**

Beacon and DCS established a quarterly reconciliation process in October 2021 and found 99.4% of records to be in synch. The minimal inconsistencies between the files were manually updated at that time. The next reconciliation file was received in January, 2022 with continuing analysis to ensure Beacon’s system is aligned with NYBEAS and any discrepancies resolved promptly.

We appreciate the ongoing collaboration with your team and thank you for the courtesy throughout the audit process.

Sincerely,

A handwritten signature in black ink that reads "Jennifer Rice".

**Jennifer Rice**  
Vice President, Account Partnerships  
Beacon Health Options  
Office: 518-220-8679  
[www.beaconhealthoptions.com](http://www.beaconhealthoptions.com)

cc: Michael Wagner                      Laurie Burns  
Sara Delurey                              Michael Schaffer  
Leif Engstrom                              Tricia Evans  
Daniel Yanulavich                        Erik Anderson

# Contributors to Report

---

## Executive Team

**Andrea C. Miller** - *Executive Deputy Comptroller*

**Tina Kim** - *Deputy Comptroller*

**Ken Shulman** - *Assistant Comptroller*

## Audit Team

**Andrea Inman** - *Audit Director*

**Paul Alois** - *Audit Manager*

**Laurie Burns** - *Audit Supervisor*

**Gary Czosnykowski** - *Examiner-in-Charge*

**Michael Schaffer** - *Senior Examiner*

**Constance Walker** - *Senior Examiner*

## Contact Information

(518) 474-3271

[StateGovernmentAccountability@osc.ny.gov](mailto:StateGovernmentAccountability@osc.ny.gov)

Office of the New York State Comptroller  
Division of State Government Accountability  
110 State Street, 11th Floor  
Albany, NY 12236



Like us on Facebook at [facebook.com/nyscomptroller](https://facebook.com/nyscomptroller)

Follow us on Twitter @nyscomptroller

For more audits or information, please visit: [www.osc.state.ny.us/audits/index.htm](http://www.osc.state.ny.us/audits/index.htm)