

Thomas P. DiNapoli  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

December 1, 2011

Mr. Carl Mattson  
Vice President, Empire Plan  
United HealthCare  
900 Watervliet Shaker Road - Suite 105  
Albany, NY 12205

Re: Report 2011-F-24

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 to implement the recommendation contained in our audit report, *New York State Health Insurance Program - United HealthCare's Payment of Non-Participating Provider's Facility Fee Claims* (Report 2007-S-110).

**Background, Scope and Objective**

The New York State Health Insurance Program (NYSHIP) provides health insurance coverage to State, local government, and school district employees, retirees, and their dependents. The Empire Plan is the primary benefit plan for NYSHIP. The New York State Department of Civil Service contracts with United HealthCare (United) to process and pay medical claims. In turn, United contracts with providers to furnish medical services to Empire Plan members. Participating providers agree to accept reimbursement at rates established by United. Empire Plan members pay nominal co-payments to participating providers.

Empire Plan members can also receive services from non-participating providers. Claims from non-participating providers generally pay higher reimbursement rates than the rates for participating providers. However, United is contractually obligated to apply cost limits to non-participating providers' claims. These limits require United to pay non-participating providers' claims at the lower of the amount billed or an amount equal to 80 percent of comparable charges in a provider's geographic area.

The objective of our initial audit was to determine if United applied proper cost limits to claims from non-participating providers during the period January 1, 2004 through July 31, 2007. In our initial audit report, issued on January 26, 2010, we found that United did not apply cost limits to claims submitted by certain non-participating ambulatory surgery centers. As a result, United overpaid claims for the use of facilities (where ambulatory surgeries were performed) by nearly \$4.4 million during our audit period. The objective of our follow-up was to determine if the recommendation included in our initial audit report was implemented.

**Summary Conclusion and Status of Audit Recommendation**

United officials implemented the recommendation from our initial audit report.

**Follow-up Observations**

**Recommendation 1**

*Reimburse the State the \$4,378,250 in overpayments.*

Status - Implemented

Agency Action - On November 30, 2009, United reimbursed the State \$4,378,250.

Major contributors to this report were Warren Fitzgerald and Donald Collins.

We thank the management and staff of United and the New York State Department of Civil Service for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

David Fleming  
Audit Manager

cc: Robert DuBois, Department of Civil Service  
Thomas Lukacs, Division of the Budget