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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

January 10, 2012

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

Re: Report 2011-F-23

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 recommendations contained in our audit report, *United HealthCare - New York State Health Insurance Program, Overpayments for Claims Submitted by Nanuet Medical Services* (Report 2009-S-1).

**Background, Scope and Objective**

The New York State Health Insurance Program (NYSHIP) provides health coverage to State, local government, and school district employees, retirees, and their dependents. The Empire Plan is the primary benefit plan for NYSHIP. The Department of Civil Service contracts with United HealthCare (United) to process and pay medical claims from health care providers for covered services rendered to Empire Plan members. Nanuet Medical Services (Nanuet) is located in Rockland County and provides physical medicinal treatments, such as chiropractic and physical therapy, to Empire Plan members.

Transcutaneous Electrical Nerve Stimulation (TENS) is a pain control treatment. A TENS unit is a portable device that lessens pain by sending electrical impulses through electrodes placed on a patient's skin. Generally, an Empire Plan member receives a single session on the use of a TENS unit from a provider and then takes the unit home for self-treatment. A TENS session can cost up to \$260 - significantly more than a session of chiropractic or physical therapy.

Our initial audit report was issued on July 28, 2009 and included payments to Nanuet from January 1, 2004 through November 30, 2008. Our objective was to determine if United had sufficient controls to preclude improper payments to Nanuet for claims for TENS services. We determined, however, that Nanuet submitted 4,110 improper claims to United for TENS services, and consequently, United overpaid Nanuet \$601,604. The overpayments occurred because Nanuet routinely provided physical therapy to patients, but billed United for TENS services. If

Nanuet billed these services properly, United would have paid up to \$8.50 for the sessions (and not up to \$260 for a TENS service).

We also determined that Nanuet miscoded the claims, and United did not have processing controls (system edits) to limit the number of times a TENS service can be claimed for an individual member. For example, Nanuet submitted 142 claims to United for an initial TENS service for one patient within one year. In this instance, the patient received ongoing physical therapy (not TENS services) in a physician's office at Nanuet, and the corresponding overpayments totaled about \$9,000.

The objective of our follow-up was to assess the extent of implementation, as of September 30, 2011, of the two recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

United officials made significant progress in addressing the issues identified in our initial report. However, additional action still needs to be taken. Of the two prior audit recommendations, one was implemented, and the other was partially implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Recover the \$601,604 in overpayments identified in this report from Nanuet, and refund the amounts recovered to New York State.*

Status - Partially Implemented

Agency Action - At the time of our follow-up, United had not yet recovered the \$601,604 in overpayments identified in our initial report. However, after our initial report was issued, United officials identified 1,678 additional improper TENS claims submitted by Nanuet outside the period of our original audit. The additional 1,678 improper claims resulted in overpayments of \$359,696. Therefore, at the time of our follow-up, United was actively seeking recoveries from Nanuet totaling \$961,300 (\$601,604 + \$359,696). United's actions included the procurement of external legal counsel to help recover the \$961,300 which is owed to the State.

#### **Recommendation 2**

*Establish appropriate payment system edits and other procedures, as necessary, to limit payments for TENS services to only legitimate claims for such services.*

Status - Implemented

Agency Action - On April 21, 2009, United implemented the necessary claims processing controls to limit the number of times TENS can be billed and paid for an individual member. Specifically, United's claims processing payment system now limits the billing

of a TENS service to one claim per member per calendar year. System edits detect and deny multiple claims for TENS services for an individual member.

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

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also 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,

A handwritten signature in dark ink, appearing to read "David Fleming", written in a cursive style.

David Fleming  
Audit Manager

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