



An Anthem Company

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January 25, 2016

Mr. David Fleming
Audit Manager
Office of the New York State Comptroller
110 State Street
Albany, NY 12236

Re: OSC Audit 2015-F-21

Dear Mr. Fleming:

We have reviewed the information in the final report for the follow up audit titled *"Empire BlueCross BlueShield Selected Payments for Special Items for the Period January 1, 2012 Through June 30, 2012"* (Report 2012-S-132), and appreciate the opportunity to respond to your summary conclusions and follow-up observations. For the remainder of this response, we will refer to Empire BlueCross BlueShield as "Empire" and the New York State Office of the State Comptroller as "OSC".

Follow-Up Observations:

Recommendation 1: *"Recover the net overpayment of \$391,894 for the improperly paid claims."*

Status: Implemented

We agree with OSC's assessment of this recommendation.

Recommendation 2: *"Ensure that the future agreements with hospitals contain language which: specifies the basis of reimbursement for the purchase and acquisition (including transportation, handling and other processing costs) of special items, and requires hospitals to provide appropriate support documentation (including invoices for special items) upon request."*

Status: Partially Implemented

We agree with this assessment. Empire received a "Partially Implemented" status on this recommendation because not all of our hospital agreements contained limiting language around reimbursement for special items at the time this audit was completed. As we have

previously communicated, this language can only be added at the hospital's contract renewal. Typically, hospital agreements renew on a three year cycle.

In our response to the final report of Audit 2012-S-132 dated March 13, 2014, we reported that almost 75% of our hospitals eligible for separate reimbursement of special items had some form of limiting language specific to these items. Today, nearly 80% of our hospitals have limiting language. We hope you will agree that this gradual but steady progress demonstrates our commitment to the State of New York and our intent to fully implement this recommendation.

Recommendation 3: *"Complete the development and implementation of internal controls (including the proposed computer-assisted techniques) to ensure that payments for special items are made in according to hospital agreements and are supported by appropriate documentation."*

Status: Implemented

We agree with this assessment and appreciate your recognition that our enhancements satisfy the stringent auditing standards exemplified by your office. We will continue to monitor and enhance our internal controls and utilize the results of these activities to strengthen our partnerships with our hospitals and the State of New York.

Thank you for the courtesy extended throughout the audit process.

Sincerely,



Jason O'Malley
Director, NYS Account
Empire BlueCross BlueShield

Cc: Mr. David Boland, Department of Civil Service
Mr. Ronald Kuiken, Department of Civil Service
Mr. Jeffrey Stein, Department of Civil Service
Ms. Ethel Graber, Department of Civil Service
Ms. Angela Blessing, Empire BlueCross BlueShield