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OFFICE OF THE STATE COMPTROLLER

December 27, 2021

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

Jason O'Malley
Regional Vice President, Sales
Empire BlueCross
11 Corporate Woods Boulevard
Albany, NY 12211

Re: New York State Health Insurance
Program: Payments by Empire
BlueCross for Hospital Services for
Ineligible Members
Report 2021-F-17

Dear Ms. Corso and Mr. O'Malley:

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 the Department of Civil Service and Empire BlueCross to implement the recommendations contained in our audit report, *New York State Health Insurance Program: Payments by Empire BlueCross for Hospital Services for Ineligible Members* (Report [2019-S-32](#)).

Background, Scope, and Objective

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 benefits plan for NYSHIP, covering 1.1 million members. Civil Service contracts with Empire BlueCross (Empire) to administer the Empire Plan's hospital benefits.

Civil Service maintains the New York Benefits Eligibility and Accounting System (NYBEAS), the system of record for member enrollment and eligibility information. Civil Service provides Empire with a daily update file of NYBEAS changes, and Empire also has access to NYBEAS to confirm eligibility information. Eligibility information is entered into NYBEAS by a participating employer's health benefits administrator (HBA) as well as by Civil Service. If a NYBEAS disenrollment is entered after the date the change in eligibility takes effect, it is considered a retroactive disenrollment.

Empire processes claims for hospital services according to contracts it negotiates with member hospitals. These contracts typically limit the recovery period for claims paid for retroactively disenrolled members to 1 year or less. For contracts that do not include this language, recoverability is based on Empire's Provider Manual, which allows up to 6 years from the end of the year in which the claim was submitted for payment.

Our initial audit report, issued on August 18, 2020, sought to determine whether Empire paid hospital claims for members who were not eligible for coverage. Our audit covered the period from January 1, 2014 through December 31, 2018. We reviewed a sample of hospital claims and identified \$18.2 million that was paid for hospital services for ineligible members. Of the \$18.2 million identified, Empire had recovered \$11.5 million and found \$2.1 million was beyond recoverability time frames, leaving \$4.6 million yet to be recovered.

The objective of our follow-up was to assess the extent of implementation, as of December 9, 2021, of the five recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

Civil Service and Empire have made significant progress addressing the issues identified in the initial audit, including the recovery of \$5,445,973 in payments made for ineligible members – \$1,417,957 in payments identified in the original report and \$4,028,016 in additional payments found by Empire as a result of our audit. In addition, they have implemented quarterly reconciliations of eligibility information between NYBEAS and Empire's system and increased both HBA trainings and member communications to emphasize the importance of keeping enrollment records current. Of the initial report's five audit recommendations, two were implemented and three were partially implemented.

Follow-Up Observations

Recommendation 1

Review the \$4.6 million (\$3.5 million + \$1.1 million) in claims paid for ineligible members and make recoveries, as warranted.

Status – Partially Implemented

Agency Action – Civil Service recovered \$1,417,957 of the \$4.6 million identified in the initial audit from Empire. The remaining \$3.2 million was not recovered because, in some cases, contractual time frames to recover on the claims had passed, or Civil Service instructed Empire to place certain recoveries on hold due to ongoing dependent eligibility verification audits involving those claims. We also found other claims were not recovered because: Empire did not receive the disenrollment information from Civil Service; the member was reinstated during the date of service; or amounts paid on the claims were under Empire's threshold for recovery. During this follow-up, we identified \$12,250 in claims that are recoverable even though Empire had previously determined them to be unrecoverable because the contractual time frames for recovery had passed. We, therefore, encourage Empire to re-review these claims and make appropriate recoveries. Additionally, Empire recovered \$3,055 on a claim within the audit scope that was not included in our original findings. Empire will continue to pursue recoveries; however, both Empire and Civil Service agreed that additional recoveries would be minimal as recovery time frames were lapsing.

Recommendation 2

To ensure NYBEAS reflects accurate eligibility status, take steps including:

- Implementing a process that ensures timely cancellations of members who do not pay their premiums in accordance with Civil Service policy;*
- Implementing a more frequent process for dependent eligibility verification;*
- Establishing a framework to ensure all HBAs are thoroughly trained and are working to ensure timelier processing of changes to eligibility information;*
- Engaging more effectively with members to ensure they promptly notify HBAs and Civil Service of changes to eligibility status; and*
- Ensuring NYBEAS has adequate support for changes to eligibility, particularly retroactive disenrollments.*

Status – Partially Implemented

Agency Action – Civil Service has implemented system changes to address member cancellations timely, including automatic member notification when a leave of absence, which can impact premium payment, is processed in NYBEAS. Additionally, NYBEAS eligibility information is systematically compared to New York’s payroll system information to identify and manually correct discrepant information. Civil Service is planning a project with the Office of Information Technology Services to improve this comparison process, but it has yet to be started and remains on the future projects list. We further found that no changes have been made to require additional detail in NYBEAS to support changes in eligibility status, particularly retroactive disenrollments.

Civil Service has issued letters to members with dependent coverage reminding them of their responsibility to keep their enrollment record current, including notifying their HBA when dependents no longer meet NYSHIP eligibility requirements; and has begun requesting dependent eligibility verification from members annually. Civil Service has also indicated that a dependent eligibility verification audit will be conducted again soon. 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.

Civil Service provides training and other resources to HBAs to help ensure they are aware of their responsibilities, including the timely processing of eligibility transactions. As of fall 2020, HBAs are required to attest in writing that they understand their role as an HBA. Civil Service has received most of the attestations and will follow up on those still outstanding. In December 2020, Civil Service conducted a series of virtual training sessions to remind HBAs to provide current, accurate enrollment information in NYBEAS. While participation in at least one of these sessions was mandatory, Civil Service officials admitted that not all HBAs participated. In May 2021, a “NYBEAS 101” training was provided at the request of the HBAs.

Finally, Civil Service has requested corrective action plans (CAPs) from 14 HBAs who performed retroactive terminations in 2020. These CAPs must include proposed steps to ensure timely entry of NYBEAS transactions, a plan to communicate to members the

importance of timely dependent status changes, and intervals at which the HBAs plan to run NYBEAS reconciliation reports.

Recommendation 3

To ensure Empire properly pays claims for members who have changes in eligibility, take steps including:

- *Conducting periodic reconciliations of Empire's eligibility data to NYBEAS eligibility data; and*
- *Identifying claims paid for disenrolled members, with emphasis on retroactively disenrolled members, and monitor Empire's corresponding recoveries.*

Status – Partially Implemented

Agency Action – Empire reconciles its eligibility data to NYBEAS eligibility data quarterly. Any discrepancies found are reviewed by Empire's Eligibility and Billing Unit, with corrections made to their records as necessary. Civil Service reviews the results of Empire's reconciliations to ensure corrections are valid and eligibility information is accurate before Empire processes claims and to determine whether any programmatic issues exist.

Civil Service is working on a recently approved project that, when completed, will allow Civil Service to independently identify claims paid for disenrolled members on a regular basis. In the interim, Civil Service relies on Empire to identify improperly paid claims and make recoveries. Civil Service monitors the recoveries by requiring Empire to regularly report on them. When Civil Service begins its independent identification of claims paid for disenrolled members, it will be able to monitor Empire's corresponding recoveries to ensure all improper payments are being reported and recovered.

Recommendation 4

Take corrective steps to ensure eligibility information used to process claims is complete and accurate based on the daily update files from Civil Service and that it reconciles with current NYBEAS information.

Status – Implemented

Agency Action – In August 2020, Empire implemented a quarterly reconciliation of its eligibility records against NYBEAS eligibility records. Empire's Eligibility and Billing Unit reviews any discrepant records found, adjusts its records as needed, and shares the reconciliation with Civil Service. Civil Service then reviews the discrepant records to determine whether programmatic issues are causing the errors. The first quarterly reconciliation identified 3,042 discrepant records; that number dropped to 15 for the second quarter 2021 review. Additionally, Empire instituted a peer review process in April 2020 to review the accuracy rates of manually processed eligibility records. Empire's review of a random sample revealed accuracy rates of 99.85% through December 2020 and 100% through July 2021.

Recommendation 5

Take corrective steps to identify all claims paid for ineligible members and make recoveries, where appropriate.

Status – Implemented

Agency Action – According to Empire officials, implementation of the quarterly reconciliation and peer review processes has significantly reduced the number of discrepant eligibility records between Empire's eligibility system and NYBEAS, thereby reducing the number of claims paid for ineligible members. Empire also runs a retroactive termination report weekly to identify potentially recoverable claims associated with these transactions and makes recoveries where appropriate. As of August 1, 2021, Empire recovered \$1,421,012 in claims paid for ineligible members identified in the original audit, as well as an additional \$4,024,961 in claim payments made for retroactively terminated members as of August 30, 2021.

Major contributors to this report were Paul Alois, Laurie Burns, Devisha Gujjar, and Rachelle Goodine.

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 thank the management and staff of Empire and Civil Service for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Andrea Inman
Audit Director

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