New York State Health Insurance Program

UnitedHealthcare Insurance Company of New York: Overpayments for Physician-Administered Drugs

Report 2021-S-32 | September 2023

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller
Division of State Government Accountability

Audit Highlights

Objective

To determine whether UnitedHealthcare Insurance Company of New York appropriately reimbursed physician-administered drugs. The audit covered the period from January 2017 through December 2021.

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, participating local government, and school district employees, and their dependents. The Empire Plan is the primary health benefits plan for NYSHIP, serving about 1.1 million members.

Civil Service contracts with UnitedHealthcare Insurance Company of New York (United) to administer the Medical/Surgical Program of the Empire Plan and to process and pay claims submitted by health care providers. Medical/surgical benefits cover a range of services, including physician-administered drugs, which are also covered under the Empire Plan's separate Prescription Drug Program. A physician-administered drug is an outpatient drug (other than a vaccine) that is usually administered by a health care provider in a physician's office or other outpatient clinical setting.

From January 2017 through December 2021, United paid approximately $878 million for physician-administered drugs.

Key Findings

We identified $5,536,537 in actual and potential overpayments for the cost of physician-administered drugs during the audit period, as follows:

- $4,019,329 was paid for physician-administered drugs under both the Medical/Surgical and Prescription Drug Programs of the Empire Plan;
- $1,194,719 was paid for physician-administered drugs in excess of provider-contracted rates;
- $179,190 was paid for physician-administered drugs in excess of maximum allowable dosage limits; and
- $143,299 in duplicate payments for physician-administered drugs was paid.

As of March 29, 2023, United recovered $254,188 of the improper payments.

Key Recommendations

- Review the identified overpayments and make recoveries, as warranted.
- Work with Civil Service to identify physician-administered drugs paid for by both the Medical/Surgical and Prescription Drug Programs and develop a process to prevent future overpayments.
- Enhance controls designed to prevent services from being paid at rates above provider-contracted rates.

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

September 13, 2023

Paula Gazeley Daily, R.Ph.
Vice President, Empire Plan
UnitedHealthcare Insurance Company of New York
13 Cornell Road
Latham, NY 12110

Dear Ms. Gazeley Daily:

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 *UnitedHealthcare Insurance Company of New York: Overpayments for Physician-Administered Drugs*. This audit was performed pursuant to the State Comptroller's authority under 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

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Glossary of Terms

Term	Description	Identifier
United	UnitedHealthcare Insurance Company of New York	*Auditee*
Civil Service	Department of Civil Service	*Agency*
Empire Plan	Primary health insurance plan for NYSHIP	*Key Term*
FDA	Food and Drug Administration	*Agency*
NYSHIP	New York State Health Insurance Program	*Program*
Physician-administered drug	An outpatient drug other than a vaccine typically administered by a health care provider in a physician's office or other outpatient clinical setting	*Key Term*
Service code	Current Procedural Terminology (CPT) or Healthcare Common Procedure Coding System (HCPCS) code	*Key Term*

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, participating 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 and providing its members with four types of health insurance coverage: medical/surgical, prescription drug, mental health and substance use, and hospital coverage.

Civil Service contracts with UnitedHealthcare Insurance Company of New York (United) to administer the Medical/Surgical Program of the Empire Plan. Medical/surgical benefits cover a range of services, including but not limited to, office visits, diagnostic testing, outpatient surgery, and drugs administered by a medical professional (hereafter referred to as physician-administered drugs). United processes and pays claims submitted by health care providers on behalf of Empire Plan members.

Claims for the cost of physician-administered drugs, such as chemotherapy drugs, can be processed through either the Medical/Surgical Program or the Prescription Drug Program of the Empire Plan. Reimbursement of these claims is intended to cover the cost of purchasing the drug, which can be obtained directly or indirectly. Under the direct approach, the physician both purchases and administers the drug and then submits a claim to United for reimbursement of the cost of the drug as well as any associated medical services, such as the office visit and injection service. With the indirect approach, an outside pharmacy provides the drug to be administered. In this case, the pharmacy bills the Empire Plan's Prescription Drug Program for the cost of the drug, and the physician bills United under the Medical/Surgical Program for services associated with administering the drug to the patient.

During the audit period, January 2017 through December 2021, United paid over $15.6 billion in claims for services provided to Empire Plan members. Of this, approximately $878 million was for the cost of physician-administered drugs.

Audit Findings and Recommendations

We identified $5,536,537 in actual and potential overpayments for the cost of physician-administered drugs, as follows:

- $4,019,329 was paid for physician-administered drugs under both the Medical/Surgical and Prescription Drug Programs of the Empire Plan;
- $1,194,719 was paid for physician-administered drugs in excess of provider-contracted rates;
- $179,190 was paid for physician-administered drugs in excess of maximum allowable dosage limits; and
- $143,299 in duplicate payments for physician-administered drugs was paid.

As of March 29, 2023, United recovered $254,188 of the improper payments.

Overpayments Under the Medical/Surgical Program

The Medical/Surgical and Prescription Drug Programs are administered separately by different companies and have separate claims processing systems. Since these systems do not typically share information, the potential exists for both companies to pay for the same drug for the same patient, resulting in overpayments. We found that United made actual and potential overpayments of $4,019,329 for the cost of physician-administered drugs that were also paid by the Empire Plan's Prescription Drug Program.

To determine whether United made overpayments for physician-administered drugs that were also paid under the Prescription Drug Program, we analyzed claims containing physician-administered drugs where payments were made for the same drug through United and through the Prescription Drug Program. We concentrated our analysis on claims with the likelihood of overpayment by United for the cost of the drug because it had already been paid by the Prescription Drug Program. Specifically, we selected claims where the United service occurred up to 28 days after the Prescription Drug Program service to allow time for delivery and administration of drugs paid for under both programs (high-risk population).

To evaluate whether the United payments were appropriate, we chose eight of the 25 highest-paid providers from our high-risk population of United claims and reviewed patient medical records, as well as pharmacy documentation for the associated claims paid through the Prescription Drug Program. Of the 182 physician-administered drug claims in our sample of United claims, totaling $676,056, we found 153 (84%) were inappropriately paid by United for a total of $517,135 (see Table 1). In these instances, United should not have paid for the physician-administered drugs because the drugs were covered by the Prescription Drug Program. The remaining 29 claims were paid correctly.

We asked the eight providers to identify any additional overpayments for other physician-administered drugs not included in the sample. Four providers identified

97 additional drug claims, totaling $200,495, that were incorrectly billed to United, increasing the total inappropriate payments to $717,630 (see Table 1).

Table 1 – Inappropriate Payments for Physician-Administered Drugs

Provider	Total Sampled Drug Payments	Amount Inappropriately Paid – Sample	Additional Amount Inappropriately Paid – Provider Identified	Total Inappropriate Payments
Provider A	$114,853	$105,078	$65,378	$170,456
Provider B	63,376	63,376	90,350	153,726
Provider C	105,130	105,130	–	105,130
Provider D	99,323	99,323	–	99,323
Provider E	58,713	58,713	31,727	90,440
Provider F	65,792	55,335	–	55,335
Provider G	11,358	11,358	13,040	24,398
Provider H	157,511	18,822	–	18,822
Totals	**$676,056**	**$517,135**	**$200,495**	**$717,630**

In response to our inquiry concerning the cause of the errors, some providers attributed them to manual data entry errors or a lack of staff training on documentation of and billing for no-cost drugs. One provider had one system for electronic medical records and another for billing, and notes made in one system did not transfer to the other, causing the provider to incorrectly bill for the drugs. In response to our preliminary report, United officials confirmed they do not have a specific policy for billing no-cost drugs through the Empire Plan or guidance for physicians on how to report a drug obtained from a supplier at no cost; however, as a result of this audit, officials are looking into developing that guidance.

Seven of the eight providers acknowledged the billing errors; Provider F did not respond to our inquiries regarding the source of the billing errors. While not all of the providers agreed with the total overpayments identified by the sample, officials from five providers, representing 75% of the overpaid drugs, said they have either made corrections and returned overpayments to United or were in the process of making corrections (see Table 2). According to United officials, $202,360 of the $372,001 identified by the five providers as having been or in the process of being refunded has been received by United, leaving $169,641 uncollected.

Table 2 – Recovery of Overpayments

Provider	Total Refunded or Being Refunded per Provider	Refunded per United	Remaining to Be Refunded
Provider B	$148,350	$58,000	$90,350
Provider D	98,039	93,171	4,868
Provider A	76,892	11,514	65,378
Provider E	38,740	38,740	–
Provider G	9,980	935	9,045
Totals	**$372,001**	**$202,360**	**$169,641**

Recommendations

1. Review the $4,019,329 in physician-administered drugs that were paid for by both the Medical/Surgical and Prescription Drug Programs and make recoveries, as warranted, giving priority to collecting the remaining $169,641 in provider-acknowledged refunds due.
2. Work with Civil Service to identify physician-administered drugs paid for by both the Medical/Surgical and Prescription Drug Programs and develop a process to prevent future overpayments.
3. Establish a policy/guidance for billing no-cost drugs and educate providers on how to properly document and bill for no-cost drugs (indirect approach).
4. Ensure the eight sampled providers correct the billing flaws that caused their improper payments.

Payments in Excess of Provider-Contracted Rates

United typically reimburses providers for the cost of physician-administered drugs based on specific service codes (either Current Procedural Terminology [CPT] or Healthcare Common Procedure Coding System [HCPCS] codes). Participating providers (those contracted with United) receive a contracted rate for the administered drug. In some cases, however, a physician-administered drug may not have a specific code, so a general service code must be used. We identified overpayments, totaling $1,194,719, for four participating providers where United reimbursed the billed general service codes at a higher rate of reimbursement than the provider's contracted rate.

We asked United officials to review the general service code payments for the four providers. They acknowledged that overpayments totaling $1,194,719 resulted from providers being reimbursed at a rate higher than the provider's contracted rate for the general service code that was billed. United officials indicated they recovered $365 and will continue to pursue recovery of the remaining overpayments.

Recommendations

5. Recover the remaining $1,194,354 ($1,194,719 - $365) in overpayments, as warranted.
6. Develop a process for monitoring general service code claims to ensure payments are in accordance with provider contracted rates.

Payments for Drug Doses in Excess of Allowed Limits

The U.S. Food and Drug Administration (FDA) provides maximum dosing and dosing frequency guidelines for certain medications administered by medical professionals. United's policy for physician-administered drug dosing follows FDA guidelines.

To determine whether United was paying in excess of allowable limits, we analyzed the 10 highest-paying service codes for physician-administered drugs during our audit scope. We reviewed payments where the quantity indicated on the claim exceeded the allowable limits for the drug and sent a sample of 52 payments to United officials for their review. From this sample, United officials confirmed that, for one drug, providers billed a higher dose than was given to the patient. For example, one provider billed 160 mg when 16 mg, the maximum allowed, was administered to the patient. We identified overpayments of $179,190 for this drug because of these errors. United recovered $7,128 of this total.

Recommendation

7. Recover the remaining $172,062 ($179,190 - $7,128) in overpayments for drugs in excess of dosing allowances, as warranted.

Duplicate Payments of Claims Processed by United

Claims processing controls should ensure providers are paid only once for services provided; however, certain claims require manual intervention to ensure proper payment. We identified $185,082 in payments where providers received multiple payments for the same service. United reviewed these payments and confirmed $143,299 of the duplicate payments occurred as a result of manual claim processor errors. United recovered $44,335 of the confirmed total.

Recommendation

8. Recover the remaining $98,964 ($143,299 - $44,335) in duplicate payments, as warranted.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine if United appropriately reimbursed physician-administered drugs. Our audit covered the period January 2017 through December 2021.

To accomplish our objective and assess related internal controls, we interviewed United officials and reviewed United policies and provider contracts, as well as FDA maximum dosing and dosing frequency guidelines. We analyzed Medical/Surgical Program and Prescription Drug Program claims data to identify physician-administered drugs paid for by both programs for the same patient, using the criteria that the Medical/Surgical Program date of service occurred up to 28 days after the Prescription Drug Program date of service. The 28-day period allowed time for delivery and administration of the drug.

From a population of 10,591 services totaling $4,019,329, we selected a judgmental sample of 182 physician-administered drug claims, totaling $676,056, from eight providers from our high-risk population. For those providers, we selected six providers from our original sample based on high-dollar payments under the Medical/Surgical Program and associated high-dollar payments under the Prescription Drug Program. We then selected a judgmental sample of 120 high-dollar claims, totaling $471,603. Our review of these claims identified that overpayments occurred in the Medical/Surgical Program. Additionally, we selected two providers with high Medical/Surgical Program payments and selected a judgmental sample of 62 high-dollar claims totaling $204,453. For all providers, we reviewed patient medical records and associated pharmacy documentation.

For physician-administered drugs in excess of maximum allowable dosage limits, we reviewed 10 top paid drugs. We provided United with a sample of between three and eight of the highest payments for each drug, for a total of 52 payments, to determine the risk of potential overpayments.

We determined the data used to be sufficiently reliable for the purposes of our audit. Because we selected judgmental samples, our 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 may 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 performance audit of physician-administered drugs reimbursed by United.

Reporting Requirements

We provided a preliminary report of our audit observations to United officials for their review and comment. Their comments were considered in preparing this report.

Within 180 days after the final release of this report, we request that United officials report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons why.

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