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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 4, 2025

Jason O'Malley
Regional Vice President, Sales
Anthem Blue Cross
15 Plaza Drive
Latham, NY 12110

Re: Empire BlueCross: Overpayments for
Physician-Administered Drugs
Report 2024-F-34

Dear 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 Anthem Blue Cross (formerly Empire BlueCross) to implement the recommendations contained in our initial audit report, *New York State Health Insurance Program: Empire BlueCross – Overpayments for Physician-Administered Drugs* (Report [2021-S-33](#)).

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 about 1.2 million active and retired State, local government, and school district employees, and their dependents. The Empire Plan is the primary health insurance plan for NYSHIP, providing over 1 million members with four types of health insurance coverage: hospital, prescription drug, mental health and substance use, and medical/surgical coverage.

Civil Service contracts with Anthem Blue Cross (Anthem) to administer the Hospital Program of the Empire Plan and to process and pay claims for hospital services. Hospital benefits cover a range of services, including physician-administered drugs, which are drugs administered by health care professionals in a hospital or facility setting. Physician-administered drugs are also covered under the Empire Plan's separate Prescription Drug Program.

The objective of our initial audit, issued on September 27, 2023, was to determine whether Anthem appropriately reimbursed physician-administered drugs. The audit covered the period from January 2017 through December 2021. We identified over \$2.7 million in actual and potential overpayments for physician-administered drugs: \$1,690,853 was paid under both the Hospital Program and the Prescription Drug Program, and another \$45,546 in related payments were incorrectly processed when Anthem paid the full price even though facilities billed \$0.01 (no-cost drugs); and \$1,040,111 was paid for drugs that were billed out of compliance with guidelines (such as billing for more drug units than allowed and inadequate supporting documentation).

The objective of our follow-up was to assess the extent of implementation, as of April 30, 2025, of the seven recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

Anthem officials made progress in addressing the problems we identified in the initial audit. Anthem recovered over \$600,000 of the overpaid claims and was taking steps to make more recoveries. Anthem officials stated they were working with Civil Service to develop a process to identify and recover overpayments on claims where both the Hospital and Prescription Drug Programs made payments. Anthem also made changes to claims processing-related controls to ensure claims for no-cost drugs that are billed in accordance with guidelines are correctly paid. Of the initial report's seven audit recommendations, two were implemented, four were partially implemented, and one was not implemented.

Follow-Up Observations

Recommendation 1

Work with Civil Service to review the remainder of the \$1,736,399 (\$1,580,240 + \$110,613 + \$45,546) in physician-administered drugs identified by the audit and make recoveries, as warranted.

Status – Partially Implemented

Agency Action – The initial audit found \$1,736,399 in physician-administered drugs was paid under both the Hospital Program and the Prescription Drug Program. While Anthem recovered \$189,734 of the over \$1.7 million in claims, Anthem officials stated their inability to access the payment information from the Prescription Drug Program carrier limits their ability to review and recover claims paid by both programs. Therefore, Anthem and Civil Service officials met to discuss the overpaid physician-administered drug claims, and Anthem is working with Civil Service to develop a process to identify and recover drug claims paid for by both the Hospital and Prescription Drug Programs. We encourage Anthem to promptly complete its review and recover remaining overpayments to the fullest extent possible.

Recommendation 2

Work with Civil Service to identify physician-administered drugs paid for by both the Hospital and the Prescription Drug Programs and develop a process to prevent future overpayments.

Status – Partially Implemented

Agency Action – Administrators of each program (Hospital Program and Prescription Drug Program) have access only to their own claims data and require the assistance of Civil Service to review information necessary to determine overpayments made by the other program. Civil Service officials stated they re-created the original audit's results using a methodology similar to the audit, and Anthem officials are working with Civil Service to develop a data analysis query to identify physician-administered drug payments made by both the Hospital Program and the Prescription Drug Program.

As of March 4, 2025, Civil Service identified a population of potential claim overpayments. Civil Service is in the process of evaluating this population and

developing a methodology on how to share the information with both programs to routinely identify overpayments going forward.

We analyzed the claims paid for physician-administered drugs since our initial audit to determine the continued impact of physician-administered drugs paid for by both the Hospital and Prescription Drug Programs. We identified over \$1.5 million in potential overpayments between January 2022 through December 2024 where Anthem paid claims that also appear to have been paid by the Prescription Drug Program. We, therefore, encourage officials to promptly finalize implementation of this recommendation.

Recommendation 3

Remind facility officials on how to properly bill for no-cost drugs (indirect approach).

Status – Partially Implemented

Agency Action – Anthem officials began reminding select facility officials on how to properly bill for no-cost drugs in March 2025, and plan to review this topic with all providers during Anthem's next scheduled routine meetings. According to officials, education on billing no-cost items will also be issued in a newsletter article planned for June 2025 that will be available to all providers.

Recommendation 4

Fix claims processing-related controls to ensure claims for no-cost drugs billed in accordance with guidelines are correctly paid.

Status – Implemented

Agency Action – Anthem officials stated they made changes in March 2025 to their claims processing-related controls to ensure that claims for no-cost drugs are properly reimbursed in accordance with provider contracts. Officials noted modifications were made in order to correctly process claims with a specific service code modifier or those billed at \$0.01, both related to no-cost drugs/items.

Recommendation 5

Review the remainder of the \$1,040,111 (\$795,099 + \$245,012) in improperly paid physician-administered drugs identified and make recoveries, as warranted.

Status – Partially Implemented

Agency Action – Anthem reviewed over \$1 million in claims identified during the initial audit and recovered \$416,097. Anthem officials determined over \$380,000 is not recoverable, primarily due to contractual and regulatory time frame restrictions. Anthem has not yet completed recoveries on the remaining overpayments. Going forward, we encourage Anthem to investigate and recover overpaid claims in a timely manner prior to recovery time frame limits.

Recommendation 6

Review claims billed for physician-administered drugs in excess of allowed limits to recover overpayments and make necessary changes to the claims processing system to prevent future improper payments.

Status – Implemented

Agency Action – Per Anthem officials, previously, all submitted claims were not systematically reviewed to identify drug units billed in excess of the Centers for Medicare & Medicaid Services (CMS) guidelines. However, officials stated they made changes to their systematic review process to include drugs previously excluded. According to Anthem officials, this change allows all drug codes to be systematically reviewed against the CMS guidelines.

Recommendation 7

Remind facility officials of proper billing and documentation requirements regarding physician-administered drugs.

Status – Not Implemented

Agency Action – Anthem officials had not reminded facility officials of proper billing and documentation requirements regarding physician-administered drugs. According to officials, education on proper billing and documentation requirements for physician-administered drugs will be issued in a newsletter article planned for June 2025 that will be available to all providers. Officials stated they also planned to review this topic with all providers during Anthem's next scheduled routine meetings. We encourage Anthem to provide timely education to facility officials on proper billing and documentation requirements regarding physician-administered drugs.

Major contributors to this report were Paul Alois, Arnold Blanck, Kristen Garabedian, Kenneth Gray, and Alvin Kershaw.

Anthem officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report's issuance. We thank the management and staff of Anthem for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Andrea Inman
Audit Director

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