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July 6, 2026

Laurie Burns, Audit Supervisor
Office of the New York State Comptroller
110 State Street
Albany, NY 12236

Re: OSC Audit 2024-S-8 Final Report

Dear Ms. Burns:

We reviewed the final report for Audit 2024-S-8 and appreciate the opportunity to respond to your recommendations. For the remainder of this response, we will refer to Anthem Blue Cross as "Anthem," Office of the New York State Comptroller as "OSC," and New York State as "NYS".

Background: Anthem administers the Hospital Program for Empire Plan members and provides claim recovery services in accordance with its agreement with NYS. Controls are in place to identify potential claim overpayments through internal audits and systematic reviews. Potential overpayments are validated by the Recovery Team, and when appropriate, the recovery process is initiated. Upon successful recovery of an overpayment, NYS is credited through either a claim adjustment or an ancillary invoice credit when the claim cannot be adjusted.

Anthem processes approximately 2.5 million claims annually for NYS, totaling more than $4 billion in claim payments. The 4,177 claims identified by OSC during this audit represent approximately 0.17% of Anthem's annual Empire Plan claims volume. While Anthem recognizes that any exception identified through the recovery process warrants review and appropriate corrective action, the claims identified in the audit constitute a very small percentage of the overall claims and recovery activity associated with the Hospital Program.

Recommendation #1

Review the $12 million ($2.8 million + $2.3 million +$5.7 million +$1.2 million) in overpayments identified by this audit, make recoveries, and remit them to Civil Service as appropriate.

Anthem reopened recovery requests for 2,349 claims totaling $12,697,148.30 where either (1) a recovery request had been closed due to application of an incorrect contractual recoverability timeframe or (2) a recovery had been identified as completed despite an outstanding balance remaining. Anthem reviewed the affected claims, validated recovery opportunities, and initiated recovery efforts for claims where it agreed with OSC's findings.

As of the second quarter of 2026, Anthem has recovered $8,828,992.36, representing approximately 72% of the identified overpayment amount. These recovered funds have been credited back to NYS through claim experience adjustments or invoice credits, as applicable. The recovered amount includes claims originally identified through Anthem's existing recovery processes prior to the audit, as well as claims subsequently reviewed as part of the audit findings.

Anthem also identified 776 claims totaling approximately $2.3M for which an incorrect recoverability timeframe was applied involving 2018 dates of service for facilities not subject to the extended recoverability timeframe. Because the applicable contractual recovery period has expired, Anthem is no longer able to pursue recovery of these claims.

Recovery efforts remain ongoing for claims where collection activity is still in progress. Anthem will continue pursuing recoveries in accordance with applicable contractual provisions, provider dispute processes, and recovery guidelines until all reasonable recovery opportunities have been exhausted. Final recovery amounts may vary based on provider responses, appeal outcomes, and other claim-specific considerations.

To support transparency and ongoing oversight, Anthem will include the status of recoveries associated with this audit in its quarterly audit recovery status report. The report includes claim-level recovery information, recovery amounts, and credit/remittance details, enabling the tracking of recovery activity and validation that recovered funds are appropriately credited to NYS.

Anthem respectfully disagrees with certain aspects of OSC's calculation of financial impact. Specifically, the reported $55.8 million associated with facilities not subject to the extended recoverability timeframe reflects the total amount paid for claims within OSC's review population rather than validated overpayments. For example, one claim could have a total paid amount of $10,000 but may only be subject to recovery of $100 of the claim. To represent that $55.8 represents the total amount of claims payments that were overpaid is grossly inaccurate, false and inflates the true number of overpayments.

State Comptroller's Comment – Anthem's response is inaccurate. Our audit did not state that the $55.8 million (associated with facilities not subject to the extended recoverability timeframe) was an overpayment. As clearly stated on page 7 of the report, the claims associated with the $55.8 million in payments did not undergo Anthem's full recovery process, and, therefore, the total potentially recoverable amount remains unknown.

Anthem's review determined that identifying a claim within this population does not establish that an overpayment occurred or that the claim was contractually recoverable. Each claim must be individually reviewed to validate the existence of an overpayment, apply the applicable contractual provisions, and determine whether recovery is permissible under the governing recovery timeframe. Accordingly, Anthem believes the reported amount materially overstates the potential recoverable overpayments.

Similarly, Anthem does not agree with OSC's estimate of more than $9.5 million in future recoveries over the next five years. This projection necessarily depends on assumptions regarding future claim volume, provider billing practices, contractual provisions, overpayment identification rates, recoverability, and recovery success rates, each of which is subject to significant uncertainty. While Anthem has implemented corrective actions and enhanced recovery process controls to reduce the likelihood of similar issues in the future, the projected recovery amount cannot be validated and should not be interpreted as a reasonably certain estimate of future financial recoveries.

Recommendation #2

Take steps to improve Anthem's recovery process to ensure all claim overpayments, including those related to Health Care Reform Act Payments, are properly identified, requested, tracked, and remitted to Civil Service, using the appropriate timeframe.

Hospital Recovery Timeframes

Anthem agrees with this recommendation. During the audit period, certain recovery requests were closed or not pursued because recovery timeframes shorter than the applicable contractual lookback periods were applied for certain providers. After identifying this issue, Anthem reviewed the affected claims within the audit population and reopened recovery requests where the applicable contractual recovery period had not expired.

To address the issue, Anthem enhanced its recovery identification logic and related queries to recognize provider-specific contractual recoverability timeframes, including extended recovery periods where applicable. Anthem also conducted a retrospective review to identify and pursue additional recovery opportunities that may have been missed because of the incorrect application of recovery timeframes.

Anthem has reinforced operational procedures by educating associates responsible for overpayment recovery on the requirement to verify the applicable contractual recovery timeframe before initiating, closing, or otherwise processing recovery requests. Leadership responsible for Payment Integrity operations will continue to monitor adherence to these requirements through ongoing oversight and established operational controls.

To further strengthen the control environment, Anthem's Payment Integrity, Compliance, and Contracting teams are enhancing the governance surrounding the maintenance and application of contractual recoverability timeframes. These enhancements include establishing a standardized process for communicating contractual changes, ensuring timely updates to recovery reference materials and supporting systems, and evaluating additional automation to reduce manual intervention, improve consistency, and minimize the risk of future processing errors.

Oversight of the Recovery Process

$4.2 Million Failed to Recover or Did Not Remit

Anthem acknowledges the audit finding regarding the $4.2 million in overpayments that were either not recovered or not remitted to NYS during the audit period. The identified instances were primarily attributable to manual processes, legacy claim platform limitations, and data entry dependencies that existed at the time. In certain cases, coding errors prevented recoveries from appropriately flowing through the NYS remittance process, despite the underlying accounting treatment being applied consistently.

Anthem performed a review of the underlying causes and implemented process improvements and control enhancements to address these historical issues. In 2023, Anthem introduced system-based automation to standardize required data elements, reduce manual data entry, and improve the consistency and accuracy of recovery transaction processing. Automated workflows were also implemented to strengthen recovery processing, tracking, and the crediting of recovered amounts to NYS.

In addition, Anthem reduced reliance on manual recovery activities by increasing the use of system-based claim adjustments, where appropriate, and extending claim retention timeframes to enable more recoveries to be processed through established system workflows. These enhancements have improved processing accuracy, increased visibility into recovery activity, and strengthened the overall recovery control environment.

Anthem also implemented additional validation and monitoring controls focused on recovery classification, processing accuracy, and remittance. These controls are intended to identify exceptions more timely, support accurate tracking of recovery activity, and help ensure recovered overpayments are appropriately credited and remitted to NYS.

The conditions identified by the audit were associated with historical processes that existed during the audit period. Anthem has implemented corrective actions to address those root causes and believes the resulting system enhancements and strengthened controls have significantly reduced the risk of similar issues occurring in the future. Anthem will continue to monitor the effectiveness of these controls and make additional improvements as appropriate.

$1.8 Million in Mishandled Recovery Requests

Anthem acknowledges the audit finding that approximately $1.8 million of the identified overpayments related to recovery requests that were closed prematurely or inaccurately reflected as completed. The identified population was primarily attributable to processing limitations within Anthem's legacy claims platform, including incorrect closure statuses, incomplete claim adjustments, and misclassification of recovery completion status. These issues were further compounded by manual processes and system limitations that existed during the audit period.

As part of its review, Anthem determined that certain recovery requests remained outstanding despite being marked as completed, while others were not fully processed because of incomplete claim adjustments or inaccurate status assignments within the legacy platform. Anthem reviewed the affected claims and, where appropriate, reopened recovery requests and initiated corrective recovery actions.

In 2022, Anthem migrated to a new claims and eligibility platform that incorporates enhanced automation, strengthened system controls, and reduced reliance on manual processing. The new platform provides improved visibility into recovery activity and supports more accurate tracking and management of recovery requests throughout their lifecycle.

Anthem also implemented enhanced quality assurance reviews, monitoring procedures, and validation controls designed to identify and resolve recovery processing exceptions in a more timely manner. When exceptions are identified, Anthem performs root cause analyses to determine contributing factors and implements corrective actions, including process improvements and targeted associate education, as appropriate.

Collectively, these enhancements have strengthened Anthem's recovery control environment by improving recovery status tracking, reducing the risk of incorrect closure or completion classifications, and enhancing oversight of recovery activity. The conditions identified by the audit were associated with historical processes and legacy system functionality. Anthem has implemented corrective actions to address those root causes and will continue to monitor the effectiveness of these controls as part of its ongoing Payment Integrity oversight.

Health Care Reform Act Payments (HCRA) Not Returned to NYS

Anthem acknowledges the audit finding regarding Health Care Reform Act (HCRA) payments that were not returned to New York State (NYS). Anthem determined the root cause was the use of "close no adjust" (CNA) transactions during the recovery process. Because CNA transactions do not generate claim adjustments, they did not trigger the automated HCRA surcharge crediting process, resulting in certain surcharge amounts not being returned to NYS.

Anthem identified approximately $185,000 in affected HCRA surcharge amounts, addressed the impacted claims, and initiated actions to ensure the appropriate credits are returned to NYS.

To prevent recurrence, Anthem is enhancing its recovery processes by increasing the use of standard claim adjustments, which automatically process HCRA surcharge credits through established system workflows. For recoveries that require CNA transactions, Anthem has implemented monthly monitoring and reconciliation controls to identify applicable HCRA surcharge amounts, track recoveries, and ensure appropriate credits are returned to NYS through coordination among the recovery, accounting, and billing teams.

These process enhancements strengthen oversight of HCRA-related recoveries and help ensure applicable surcharge credits are accurately tracked, reconciled, and remitted to NYS.

Effective Recovery Process Monitoring

Anthem agrees that an effective recovery process should provide end-to-end visibility over the recovery lifecycle, including overpayment identification, recovery initiation, tracking, remittance to New York State (NYS), and appropriate closure.

To strengthen this process, Anthem has implemented system-based automation, standardized data requirements, updated operational procedures, and enhanced monitoring and validation controls. These improvements provide greater visibility into recovery activity, improve the accuracy of recovery tracking and reporting, and strengthen oversight of recoveries and associated remittances to NYS.

Anthem will continue to enhance automation, monitoring, and reporting capabilities to support effective end-to-end recovery management and help ensure recoveries are accurately identified, tracked, credited, and remitted to NYS in accordance with applicable requirements.

Recommendation #3

When negotiating contracts with hospitals, evaluate the financial impact of extending recoverability timeframes and ensure key policy terms are included to further enhance Anthem's ability to recover overpayments.

Anthem agrees that recoverability timeframes are an important consideration during provider contract negotiations and are evaluated as part of its overall contracting strategy.

Approximately 73% of Anthem's facility contracts currently include extended recoverability provisions, reflecting ongoing efforts to enhance overpayment recovery opportunities for New York State where commercially and operationally feasible. Of the remaining contracts, 35 facilities are affiliated with three large health systems in the downstate New York market. During negotiations, Anthem evaluates the financial and operational impact of recoverability provisions alongside other contractual terms that support payment integrity objectives.

Because provider agreements require balancing multiple business considerations including provider participation, market competitiveness, and network adequacy requirements extended recoverability provisions cannot always be obtained. Accordingly, recoverability terms are negotiated as part of the overall contract to balance payment integrity objectives with the need to maintain adequate access to participating providers for Empire Plan members.

Anthem will continue to pursue extended recoverability provisions and other contractual terms that strengthen overpayment recovery while maintaining a robust provider network for Empire Plan members.

We appreciate the ongoing partnership we have with your office and thank you for the courtesy extended throughout this audit.

Sincerely,

Jason O'Malley
Regional Vice President, Commercial Sales and Account Management
Anthem Blue Cross

Cc: Angela Blessing, Anthem Blue Cross
Janna Burns, Anthem Blue Cross