

New York State Health Insurance Program

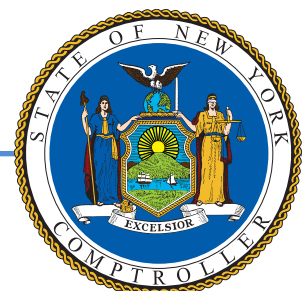
Anthem Blue Cross: Effectiveness of the Recovery Process

Report 2024-S-8 | January 2026

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether Anthem Blue Cross (Anthem) effectively administered the recovery process and remitted all recoveries that the Department of Civil Service (Civil Service) was entitled to. The audit covered the period from January 2019 through May 2024. Additionally, we expanded our audit scope to January 2018 for claims impacted by contract recovery time frame limits.

About the Program

The New York State Health Insurance Program (NYSHIP), administered by Civil Service, is one of the nation's largest public sector health insurance programs. NYSHIP covers about 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, covering over 1 million members.

Civil Service contracts with Anthem to administer the Empire Plan's Hospital Program, which includes coverage for inpatient and outpatient services provided by a hospital, skilled nursing facility, or hospice. In addition to processing and paying hospital claims for Empire Plan members, Anthem is responsible for standard claim recovery services under its contract with Civil Service. Typically, claim recovery services include reviewing claims for potential errors, including overpayments, and taking corrective action.

Key Findings

Our audit found that Anthem is not effectively administering the recovery process and is not remitting all recoveries that Civil Service is entitled to. During the audit period, Anthem either failed to recover or remit over \$19.3 million in hospital claim overpayments to Civil Service. We found that Anthem used incorrect time frames to determine the recoverability of about \$15.1 million in overpayments it identified, and was unable to accurately track collections and remittances through its recovery process for another \$4.2 million. As a result of our audit, Anthem remitted \$7.3 million in the overpayments we identified to Civil Service; however, nearly \$12 million still needed to be either reviewed or remitted. We also found that Anthem's contract negotiations with hospitals limited its ability to fully review \$55.8 million in claim payments where Anthem initially identified that a portion of the payment had been made incorrectly.

Key Recommendations

- Review the \$12 million in overpayments, make recoveries, and remit them to Civil Service as appropriate.
- When negotiating contracts with hospitals, evaluate the financial impact of extending recoverability time frames and ensure key policy terms are included to further enhance Anthem's ability to recover overpayments.



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

January 6, 2026

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

Dear Mr. O'Malley:

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 *Anthem Blue Cross: Effectiveness of the Recovery Process*. 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 |
|------------------------|--|-----------------|
| Anthem | Anthem Blue Cross | <i>Auditee</i> |
| | | |
| Civil Service | Department of Civil Service | <i>Agency</i> |
| Empire Plan | Primary health insurance plan for NYSHIP | <i>Key Term</i> |
| Health Care Reform Act | Part of New York State Insurance Law that sets certain surcharges on a variety of health care services | <i>Key Term</i> |
| NYSHIP | New York State Health Insurance Program | <i>Program</i> |
| Recovery process | The process a business uses to resolve payment errors | <i>Key Term</i> |
| Recovery time frame | The contractually negotiated length of time that Anthem has to recover overpayments from a hospital | <i>Key Term</i> |

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 about 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, covering over 1 million members. The Empire Plan provides its members with four types of health insurance: hospital, prescription drug, mental health and substance use, and medical/surgical coverage.

Civil Service contracts with Anthem Blue Cross (Anthem) to administer the Empire Plan's Hospital Program, which includes coverage for inpatient and outpatient services provided by a hospital, skilled nursing facility, or hospice. In addition to processing and paying hospital claims for Empire Plan members, Anthem is responsible for standard claim recovery services.

Typically, claim recovery services include reviewing claims for potential errors, including overpayments, and taking corrective action. For claim overpayments, the recovery process usually involves notifying the hospital of the overpayment details and requesting repayment. An effective recovery process should track the status of recovery requests throughout the process, from the time of detection and notification of the overpayment through recovery, to ensure recovered funds are accurately accounted for and repaid to the correct party.

Anthem's recovery process involves using analytical tools to identify incorrect claim payments. When incorrect claim payments are identified, Anthem typically sends a recovery request letter to the hospital, notifying it of the overpayment and the options for repayment. Anthem remits recovered claim overpayments to Civil Service by adjusting the overpaid claim's payment or by providing a direct reduction to NYSHIP's weekly cost of claim expenditures (invoice credit). In addition to Anthem identifying incorrectly paid claims, hospitals may also identify overpaid claims and return these overpayments to Anthem.

One of the key factors in the recovery process is the time frame Anthem uses to recover claim overpayments. Anthem contracts with hospitals/hospital systems (hospitals) to provide services to Empire Plan members. These contracts outline the terms agreed upon by both parties, including the reimbursement rates and the time frames to recover incorrect claim payments. Because each contract is a negotiation between Anthem and the hospitals, recovery time frames can vary by hospital. Anthem officials stated that they cannot pursue recovery of overpayments identified after the hospital's recovery time frame lapses.

During the audit period from January 2019 through May 2024, Anthem paid over \$18.6 billion for services provided to Empire Plan members.

Audit Findings and Recommendations

Our audit found that Anthem is not effectively administering its recovery process and is not remitting all recoveries that Civil Service is entitled to. During the audit period, we found that Anthem didn't either recover or remit over \$19.3 million for hospital services to Civil Service, despite identifying these claims as overpaid. We determined that Anthem used incorrect time frames to determine recoverability for about \$15.1 million in overpayments and was unable to accurately track collections and remittances through its recovery process for another \$4.2 million. Additionally, Anthem's contract negotiations with hospitals limited its ability to fully review \$55.8 million in claim payments where Anthem initially identified that a portion of the payment had been made incorrectly.

As a result of our audit work, Anthem officials stated they have implemented corrective actions related to contractual recovery time frames to address issues identified in their recovery process. Once Anthem fully implements these corrective actions, we estimate additional overpayment recoveries of more than \$9.5 million over the next 5 years.

Hospital Recovery Time Frames

To effectively recover identified overpayments, Anthem must issue recovery requests within contracted time frames. Anthem officials stated that they cannot pursue recovery of overpayments identified after these time frames lapse. Therefore, it is important that Anthem use the correct time frames in its recovery efforts.

We found that during the audit period, Anthem sometimes used recovery time frames that were significantly shorter than the contracted time frames. Because the wrong recovery time frames were applied to these overpayments, Anthem incorrectly determined them to be unrecoverable and, as a result, failed to submit overpayment recovery requests to the hospitals. If Anthem had applied the correct time frames to these claims, it could have potentially recovered about \$15.1 million in overpayments.

Once we notified Anthem officials that they were using the wrong recovery time frames, they initiated actions to recover \$12.3 million in overpaid claims from the hospitals and are currently evaluating the recoverability of the remaining \$2.8 million. However, they determined that nearly \$2.3 million of the \$12.3 million was unrecoverable because the applicable recovery time frames had already expired. Officials admitted that if they had used the correct recovery time frames, the overpayments could have been recovered. Because Anthem did not apply the correct recovery time frames to these overpayments, it has agreed to remit the nearly \$2.3 million to Civil Service. Additionally, Anthem has determined that the remaining nearly \$10 million is still within contractual recovery time frames. As of the end of our audit fieldwork, we were able to confirm Civil Service received about \$4.3 million in recoveries associated with the nearly \$10 million Anthem identified as recoverable overpayments; however, the remaining \$5.7 million had not yet been remitted to Civil Service.

Anthem officials were unable to determine the specific reasons for their errors related to using incorrect recovery time frames. However, they indicated the issues could be related to a breakdown in information sharing among units within Anthem. The officials stated that, going forward, their Contracting Team will summarize and promptly distribute changes made to hospital contracts across all relevant departments, enabling them to review and update their workflows accordingly. If this process had been in place earlier, Anthem's Recovery Team likely would have had the current contractual information needed to determine the correct recovery time frames and issue timely recovery requests. Additionally, in response to audit inquiries, Anthem officials stated that they have reviewed all existing hospital contracts to ensure the correct time frames are used to determine the recoverability of claim overpayments. They also stated that this review will be performed annually going forward.

As a result of the current and proposed corrective actions related to contractual recovery time frames, Anthem's ability to accurately identify overpayments as recoverable will likely improve. We estimate that over the next 5 years, the amount of recoverable overpayments identified by Anthem should increase by over \$9.5 million.

Recovery-Limiting Contract Terms

Anthem's negotiated contract terms may limit its ability to recover claim overpayments. Anthem's Provider Manual stipulates a 6-year post-payment review period for the Empire Plan. However, Anthem restricts its ability to recover claim overpayments from hospitals by agreeing to shorter recovery time frames during contract negotiations. Additionally, while Anthem has a policy in place governing certain claim payments, provider contracts did not include specific terms related to this policy, further limiting overpayment recoveries. Anthem officials consider the specifics of these claim payments to be proprietary; therefore, the specific terms being evaluated are not included in this report.

For example, on claim payments made to providers totaling \$55.8 million, Anthem later identified that some of these payments had been made incorrectly. However, these claims did not undergo Anthem's full recovery process because negotiated contractual terms prevented any recovery; therefore, the total amount that could potentially be recovered remains unknown. We note that almost all of the \$55.8 million was paid to two hospitals whose negotiated contractual recovery time frames were significantly shorter than the 6-year Empire Plan recovery time frame, and language relative to a certain reimbursement policy was excluded from their contracts for at least part of the audit scope. While Anthem officials stated that claim overpayment recoveries are considered during contract negotiations with hospitals, negotiating longer recovery time frames and ensuring key policy terms are included in all contracts would further enhance Anthem's ability to recover overpayments.

Oversight of the Recovery Process

An effective recovery process should monitor the status of recovery requests from the time of detection and notification of the overpayment through recovery, to ensure that recovered funds are accurately tracked and repaid to the correct party.

We identified over \$4.2 million in overpayments where Anthem either failed to recover the overpayments or did not remit recovered overpayments to Civil Service due to weaknesses in its recovery process. These deficiencies included its inability to accurately track the status of recovery requests or ensure that recoveries were remitted to Civil Service. For example, we identified nearly \$2.2 million that Anthem recovered from hospitals but did not remit because its recovery monitoring process did not identify these recoveries as money owed to Civil Service. Of the remaining \$2 million, \$1.8 million resulted from issues such as recovery requests being closed by Anthem in error. Additionally, certain Health Care Reform Act payments (separate payments used to fund health care initiatives) were not returned to Civil Service. Anthem officials agreed to return \$185,000 in Health Care Reform Act payments and conduct a review to determine whether any additional funds are owed to Civil Service.

As a result of our audit, Anthem remitted \$3 million of the \$4.2 million to Civil Service. However, the remaining \$1.2 million has not yet been remitted to Civil Service.

Recommendations

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

Audit Objective, Scope, and Methodology

The objective of our audit was to determine whether Anthem effectively administered the recovery process and remitted all recoveries that Civil Service was entitled to. The audit covered the period from January 2019 through May 2024. Additionally, we expanded our audit scope to January 2018 for claims impacted by contract recovery time frame limits.

To accomplish our audit objective and assess related internal controls, we interviewed Anthem officials and reviewed Anthem policies and procedures related to its recovery process. We compared Anthem's contractual recovery time frames to a list of claim overpayments Anthem identified as unrecoverable due to lapsed time frames. We also reviewed the contract and associated letters of intent between Civil Service and Anthem, as well as the recovery time frame section included in contracts between Anthem and certain hospitals. To estimate future overpayment recoveries, we calculated the average annual amount of recoveries where Anthem confirmed it used the incorrect recovery time frame and projected that over the next 5 years.

We used a non-statistical sampling approach to provide conclusions on our audit objective and to test internal controls and compliance. We selected judgmental samples. Because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples included:

- A judgmental sample of 4,141 of 7,386 claim overpayments, based on a threshold of \$500, where Anthem appeared to use the incorrect time frame to determine recoverability of the overpayment.
- A judgmental sample of 256 of 89,533 claims, including only those claim records with recovery variances greater than or equal to \$1,000, where we were unable to find claim adjustments or invoice credits for overpayments Anthem officials stated had been remitted to Civil Service.

We obtained data from Anthem and assessed the reliability of that data by reviewing existing information, interviewing officials knowledgeable about the system, and tracing from source data. We determined that the data from Anthem was sufficiently reliable for the purposes of this report.

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 could be considered management functions for the 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 Anthem's recovery process.

Reporting Requirements

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

Within 180 days after the final release of this report, we request that Anthem 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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