

# Attorney General Eric T. Schneiderman

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## Cuomo Announces Industry-wide Investigation Into Health Insurers; Fraudulent Reimbursement Scheme

NEW YORK, NY (February 13, 2008) – Attorney General Andrew M. Cuomo today announced that he is conducting an industry-wide investigation into a scheme by health insurers to defraud consumers by manipulating reimbursement rates. At the center of the scheme is Ingenix, Inc., the nation's largest provider of healthcare billing information, which serves as a conduit for rigged data to the largest insurers in the country.

Cuomo also announced that he has issued 16 subpoenas to the nation's largest health insurance companies including Aetna (NYSE: AET), CIGNA (NYSE: CI), and Empire BlueCross BlueShield (NYSE: WLP), and that he intends to file suit against Ingenix, Inc, its parent UnitedHealth Group (NYSE: UNH), and three additional subsidiaries.

The six-month investigation found that Ingenix operates a defective and manipulated database that most major health insurance companies use to set reimbursement rates for out-of-network medical expenses. Further, the investigation found that two subsidiaries of United (the "United insurers") dramatically under-reimbursed their members for out-of-network medical expenses by using data provided by Ingenix.

Under the United insurers' health plans, members pay a higher premium for the right to use out-of-network doctors. In exchange, the insurers promise to cover up to 80% of either the doctor's full bill or of the "reasonable and customary" rate depending upon which is cheaper.

The Attorney General's investigation found that by distorting the "reasonable and customary" rate, the United insurers were able to keep their reimbursements artificially low and force patients to absorb a higher share of the costs.

"Getting insurance companies to keep their promises and cover medical costs can be hard enough as it is," said Attorney General Andrew Cuomo. "But when insurers like United create convoluted and dishonest systems for determining the rate of reimbursement, real people get stuck with excessive bills and are less likely to seek the care they need."

Cuomo's investigation also found a clear example of the scheme: United insurers knew most simple doctor visits cost \$200, but claimed to their members the typical rate was only \$77. The insurers then applied the contractual reimbursement rate of 80%, covering only \$62 for a \$200 bill, and leaving the patient to cover the \$138 balance.

The United insurers and many other health insurance companies relied on the Ingenix database to determine their "reasonable and customary" rates. The Ingenix database used the insurers' billing information to calculate a "reasonable and customary" rate for individual claims by assessing how much a similar type of medical service would typically cost, generally taking into account the type of service, physician, and geographical location. However, the investigation showed that the "reasonable and customary" rates produced by Ingenix were remarkably lower than the actual cost of typical medical expenses.

The United insurers and Ingenix are owned by the same parent corporation, United HealthGroup. When members complained their medical costs were unfairly high, the United insurers hid their connection to Ingenix by claiming the rate was the product of "independent research." The Attorney General's notice to United expressed concern that the company's ownership of Ingenix created a clear conflict of interest because their relationship gave Ingenix an incentive to set rates that benefited United and its subsidiaries.

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› 2013

› January

› February

› March

› 2012

# Date visited 5/1/13

Cuomo's notice of intent to sue names the following potential defendants: UnitedHealth Group and its subsidiaries, United HealthCare Insurance Company of New York, Inc., United Healthcare of New York, Inc., United Healthcare Services, Inc. and Ingenix.

The subpoenas served today request documents showing how the insurer computes reasonable and customary rates, copies of member complaints and appeals, and communications with members and between Ingenix and the insurer on the issue.

Cuomo continued, "The lack of accuracy, transparency, and independence surrounding United's process for setting a 'reasonable and customary rate' is astounding. United's ownership of Ingenix coupled with the inherent problems with the data it is using clearly demonstrate a broken reimbursement system designed to rip off patients and steer them towards in-network-doctors that cost the insurer less money."

Consumers Union Programs Director Chuck Bell said, "Based on the findings in this investigation, it appears that United Health failed to fulfill the promises it made to cover a fair portion of medical expenses, and consumers were stuck with the bill. The current process for establishing 'reasonable and customary' rates is riddled with conflicts of interest and manipulations that consistently lead to patients paying more, and insurers paying less. We applaud Attorney General Cuomo for taking on this issue which is vitally important for consumers everywhere."

Cancer Care's Associate Executive Director Ellen Coleman said, "Cancer patients and others faced with life-threatening illnesses need to know that a fair portion of the often overwhelming medical expenses will be covered by their insurance company. Insurers should fulfill their promises and not leave patients forced to choose between the medical care they need and the medical care they can afford. Cancer Care thanks Attorney General Cuomo for taking action on this issue and for continuing to protect the rights of patients."

"The litigation initiated by the Attorney General is critically important for two reasons," said Ron Pollack, Executive Director of the health consumer organization Families USA. "First, it is essential that health services obtained outside of a network be compensated fairly and adequately. Eighteen million Americans under the age of 65 will spend more than a quarter of their family income on health care this year, and healthcare debt is the number one cause of individual bankruptcy. Second, there needs to be transparency in these payment arrangements. For these reasons, we support the efforts of the Attorney General."

The American Medical Association's President-elect Nancy Nielsen M.D. said, "The investigation launched today by New York Attorney General Andrew Cuomo calls into question the validity of a system that health insurers have used for years to reimburse physicians and their enrolled members. Patients have a right to expect fair and accurate payment for services promised by health insurers. The AMA greatly appreciates the Attorney General's interest and leadership in protecting consumers, and we offer our full cooperation in any effort to hold UnitedHealth accountable to New York state laws."

The Medical Society of the State of New York President Dr. Robert Goldberg said, "The Medical Society of the State of New York applauds Attorney General Cuomo and his hard-working staff for their diligent efforts in moving forward in an investigation that we believe will have long term benefits to healthcare in New York. MSSNY also applauds the Attorney General for acting on the complaints of our patients and our physician members."

The Attorney General's industry-wide investigation is being handled by Acting Deputy Chief of the Healthcare Bureau James Dering as well as members of the Healthcare Industry Taskforce, Assistant Attorneys General Brant Campbell and Sandra Rodriguez, under the direction of the head of the Attorney General's Healthcare Industry Taskforce, Linda Laceywell.

Attachment:

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- ▶ [January](#)
- ▶ [February](#)
- ▶ [March](#)
- ▶ [April](#)
- ▶ [May](#)
- ▶ [June](#)
- ▶ [July](#)
- ▶ [August](#)
- ▶ [September](#)
- ▶ [October](#)
- ▶ [November](#)
- ▶ [December](#)

▶ 2011

- ▶ [January](#)
- ▶ [February](#)
- ▶ [March](#)
- ▶ [April](#)
- ▶ [May](#)
- ▶ [June](#)
- ▶ [July](#)
- ▶ [August](#)
- ▶ [September](#)
- ▶ [October](#)
- ▶ [November](#)
- ▶ [December](#)

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- ▶ [2009](#)
- ▶ [2008](#)
- ▶ [2007](#)
- ▶ [2006](#)
- ▶ [2005](#)
- ▶ [2004](#)
- ▶ [2003](#)
- ▶ [2002](#)
- ▶ [2001](#)
- ▶ [2000](#)
- ▶ [1999](#)
- ▶ [1998](#)

# Date visited 5/1/13

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