



**U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS**

Final Audit Report

**AUDIT OF
CAREFIRST BLUECROSS BLUESHIELD
OWINGS MILLS, MARYLAND**

**Report Number 1A-10-85-14-053
October 28, 2015**

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EXECUTIVE SUMMARY

Audit of CareFirst BlueCross BlueShield

Report No. 1A-10-85-14-053

October 28, 2015

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that CareFirst BlueCross BlueShield (Plan) is complying with the provisions of the Federal Employees Health Benefits Act and regulations that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP) contract. Specifically, the objectives of our audit were to determine if the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract.

What did we audit?

Our audit covered miscellaneous health benefit payments and credits and administrative expenses from 2009 through 2013 as reported in the Annual Accounting Statements for the Plan's Washington, D.C. and Maryland Service Areas. In addition, we reviewed the Plan's cash management activities and practices related to FEHBP funds from 2009 through 2013 and the Plan's Fraud and Abuse Program from 2013 through June 30, 2014.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$657,472 in health benefit charges, administrative expenses, and lost investment income (LII). The BlueCross BlueShield Association (Association) and Plan agreed with the questioned amounts.

Our audit results are summarized as follows:

- Miscellaneous Health Benefit Payments and Credits – We questioned \$595,303 for health benefit refunds and recoveries and medical drug rebates that had not been returned to the FEHBP as of March 31, 2014, and \$127,642 for LII on health benefit refunds and recoveries, medical drug rebates, special plan invoices, and fraud and abuse recoveries that were returned untimely to the FEHBP. We noted that the Plan has returned all of these questioned amounts to the FEHBP.
- Administrative Expenses – We questioned \$65,473 in net undercharges and applicable LII, consisting of \$17,304 in overcharges for Association dues, \$86,402 in net undercharges for post-retirement benefit costs, and \$3,625 for LII on the overcharges. We noted that the Plan has returned all of the questioned overcharges and LII to the FEHBP. We also noted that the Plan has submitted prior period adjustments to the Association for the questioned undercharges.
- Cash Management – We determined that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations.
- Fraud and Abuse Program – The Plan is in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in FEHBP Carrier Letter 2011-13.

ABBREVIATIONS

Association	BlueCross BlueShield Association
BCBS	BlueCross BlueShield <u>or</u> BlueCross and/or BlueShield
CFR	Code of Federal Regulations
DC	Washington, D.C.
FAR	Federal Acquisition Regulations
FAS	Financial Accounting Standards
FEHB	Federal Employees Health Benefits
FEHBAR	Federal Employees Health Benefits Acquisition Regulations
FEHBP	Federal Employees Health Benefits Program
FEP	Federal Employee Program
F&A	Fraud and Abuse
FIMS	Fraud Information Management System
FTE	Full Time Equivalent
LII	Lost Investment Income
MD	Maryland
Memorandum	FEP Memorandum #13-105PI
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	CareFirst BlueCross BlueShield
PRB	Post-Retirement Benefit
SIU	Special Investigations Unit
SPI	Special Plan Invoice

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I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at CareFirst BlueCross BlueShield (Plan) pertaining to the Plan's Washington, D.C. (DC) and Maryland (MD) Service Areas. The Plan's headquarters are located in Owings Mills, Maryland.

The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

The FEHBP was established by the Federal Employees Health Benefits (FEHB) Act (Public Law 86-382), enacted on September 28, 1959. The FEHBP was created to provide health insurance benefits for federal employees, annuitants, and dependents. OPM's Healthcare and Insurance Office has overall responsibility for administration of the FEHBP. The provisions of the FEHB Act are implemented by OPM through regulations, which are codified in Title 5, Chapter 1, Part 890 of the Code of Federal Regulations (CFR). Health insurance coverage is made available through contracts with various health insurance carriers.

The BlueCross BlueShield Association (Association), on behalf of participating local BlueCross and/or BlueShield (BCBS) plans, has entered into a Government-wide Service Benefit Plan contract (contract or CS 1039) with OPM to provide a health benefit plan authorized by the FEHB Act. The Association delegates authority to participating local BCBS plans throughout the United States to process the health benefit claims of its federal subscribers. The Plan is one of 36 BCBS companies participating in the FEHBP. These 36 companies include 64 local BCBS plans.

The Association has established a Federal Employee Program (FEP¹) Director's Office in Washington, D.C. to provide centralized management for the Service Benefit Plan. The FEP Director's Office coordinates the administration of the contract with the Association, member BCBS plans, and OPM.

The Association has also established an FEP Operations Center. The activities of the FEP Operations Center are performed by CareFirst BCBS, located in Owings Mills, Maryland and Washington, D.C. These activities include acting as intermediary for claims processing between the Association and local BCBS plans, processing and maintaining subscriber eligibility, adjudicating member claims on behalf of BCBS plans, approving or disapproving the reimbursement of local plan payments of FEHBP claims (using computerized system edits),

¹ Throughout this report, when we refer to "FEP", we are referring to the Service Benefit Plan lines of business at the Plan. When we refer to the "FEHBP", we are referring to the program that provides health benefits to federal employees.

maintaining a history file of all FEHBP claims, and maintaining claims payment data and related financial data in support of the Association's accounting of all program funds.

Compliance with laws and regulations applicable to the FEHBP is the responsibility of the Association and Plan management. Also, working in partnership with the Association, management of the Plan is responsible for establishing and maintaining a system of internal controls.

All findings from our previous audit of the Plan, pertaining to the DC and MD Service Areas (Report No. 1A-10-85-09-023, dated May 21, 2010), for contract years 2004 through 2008 have been satisfactorily resolved.

The results of this audit were provided to the Plan in written audit inquiries; were discussed with Plan and/or Association officials throughout the audit and at an exit conference on April 1, 2015; and were presented in detail in a draft report, dated May 28, 2015. The Association's comments offered in response to the draft report were considered in preparing our final report and are included as an Appendix to this report.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of our audit were to determine whether the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract. Specifically, our objectives were as follows:

Miscellaneous Health Benefit Payments and Credits

- To determine whether miscellaneous payments charged to the FEHBP were in compliance with the terms of the contract.
- To determine whether credits and miscellaneous income relating to FEHBP benefit payments were returned timely to the FEHBP.

Administrative Expenses

- To determine whether administrative expenses charged to the contract were actual, allowable, necessary, and reasonable expenses incurred in accordance with the terms of the contract and applicable regulations.

Cash Management

- To determine whether the Plan handled FEHBP funds in accordance with applicable laws and regulations concerning cash management in the FEHBP.

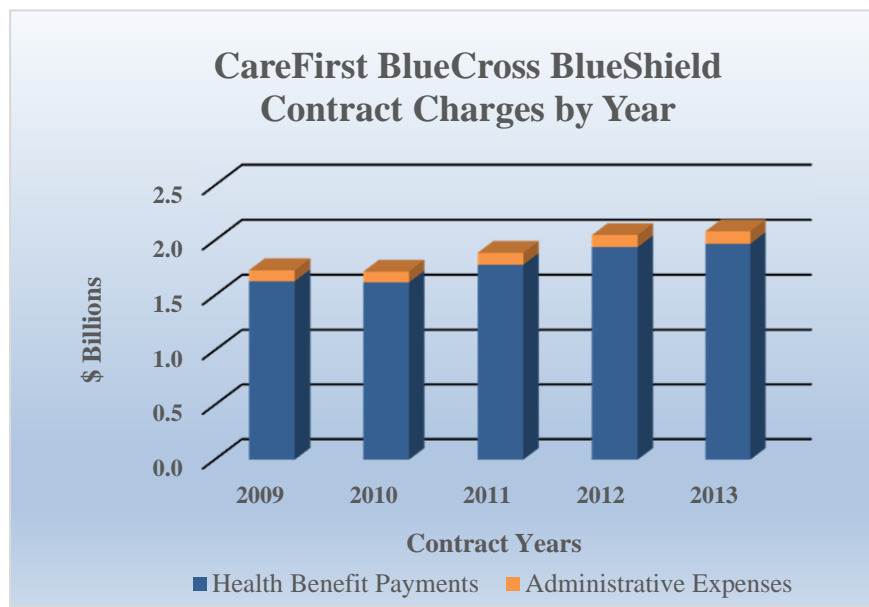
Fraud and Abuse Program

- To determine whether the Plan's communication and reporting of fraud and abuse cases were in compliance with the terms of Contract CS 1039 and the applicable FEHBP Carrier Letters.

SCOPE

We conducted our limited scope performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the BlueCross and BlueShield FEHBP Annual Accounting Statements as they pertain to the Plan’s DC and MD Service Areas (Plan codes 080, 081, 082, 190, 580, 582, and 690) for contract years 2009 through 2013. During this period, the Plan processed approximately \$9 billion in FEHBP health benefit payments and charged the FEHBP \$531 million in administrative expenses for the DC and MD Service Areas.



Specifically, we reviewed miscellaneous health benefit payments and credits (e.g., refunds, provider audit recoveries, and medical drug rebates), administrative expenses, and cash management activities from 2009 through 2013 for the Plan’s DC and MD Service Areas. We also reviewed the Plan’s Fraud and Abuse (F&A) Program activities and practices from 2013 through June 30, 2014 for these Service Areas.

In planning and conducting our audit, we obtained an understanding of the Plan’s internal control structure to help determine the nature, timing, and extent of our auditing procedures. This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on substantive tests of transactions and not tests of controls. Based on our testing, we did not identify any significant matters involving the Plan’s internal control structure and its operations. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Plan’s system of internal controls taken as a whole.

We also conducted tests to determine whether the Plan had complied with the contract, the applicable procurement regulations (i.e., Federal Acquisition Regulations (FAR) and Federal Employees Health Benefits Acquisition Regulations (FEHBAR), as appropriate), and the laws and regulations governing the FEHBP. The results of our tests indicate that, with respect to the

items tested, the Plan did not comply with all provisions of the contract and federal procurement regulations. Exceptions noted in the areas reviewed are set forth in detail in the "Audit Findings and Recommendations" section of this audit report. With respect to the items not tested, nothing came to our attention that caused us to believe that the Plan had not complied, in all material respects, with those provisions.

In conducting our audit, we relied to varying degrees on computer-generated data provided by the FEP Director's Office and the Plan. Due to time constraints, we did not verify the reliability of the data generated by the various information systems involved. However, while utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives.

The audit was performed at the Plan's office in Owings Mills, Maryland on various dates from September 9, 2014 through November 14, 2014. Audit fieldwork was also performed at our office in Cranberry Township, Pennsylvania through March 2015.

METHODOLOGY

We obtained an understanding of the internal controls over the Plan's financial, cost accounting, and cash management systems by inquiry of Plan officials.

We interviewed Plan personnel and reviewed the Plan's policies, procedures, and accounting records during our audit of miscellaneous health benefit payments and credits. For the period 2009 through 2013, we also judgmentally selected and reviewed the following items:

- 200 high dollar health benefit refunds, totaling \$16,998,431, from a universe of 62,469 refunds, totaling \$61,694,591. We selected the 20 highest refund amounts from each year in the audit scope for each Service Area.
- 67 high dollar special plan invoices (SPI), totaling \$15,480,940 in net FEP credits, from a universe of 1,925 SPI's, totaling \$74,164,662 in net FEP payments. We selected these SPI's based on a nomenclature review of the invoices for each Service Area.
- 50 high dollar subrogation recoveries, totaling \$5,464,073, from a universe of 11,299 recoveries, totaling \$23,249,155. We selected the 25 highest subrogation amounts for each Service Area.
- 42 high dollar provider audit recoveries, totaling \$3,426,922, from a universe of 4,537 recoveries, totaling \$14,552,035. We selected all recoveries of \$4,000 or more for the MD Service Area and \$80,000 or more for the DC Service Area.

- 44 high dollar FEP medical drug rebate amounts, totaling \$2,176,079, from a universe of 152 FEP rebate amounts, totaling \$2,468,324. We selected all FEP rebate amounts of \$10,000 or more for each Service Area.
- 18 high dollar fraud and abuse recoveries, totaling \$1,214,979, from a universe of 213 recoveries totaling \$1,635,784. We selected all recoveries of \$26,000 or more for each Service Area.
- 15 high dollar unidentified health benefit refunds, totaling \$700,533, from a universe of 60 unidentified refunds, totaling \$1,182,699. We selected the three highest refund amounts from each year in the audit scope for the DC Service Area only.

We reviewed these samples to determine if health benefit refunds and recoveries were timely returned to the FEHBP and if miscellaneous payments were properly charged to the FEHBP. The results of these samples were not projected to the universe of miscellaneous health benefit payments and credits.

We judgmentally reviewed administrative expenses charged to the FEHBP for contract years 2009 through 2013. Specifically, we reviewed administrative expenses relating to cost centers, natural accounts, pension, post-retirement, employee health benefits, executive compensation, Association dues, non-recurring projects, return on investment, and subcontracts.² We used the FEHBP contract, the FAR, and the FEHBPBAR to determine the allowability, allocability, and reasonableness of charges.

We reviewed the Plan's cash management activities and practices to determine whether the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations. Specifically, we reviewed letter of credit account drawdowns, provider advances, working capital calculations, adjustments and/or balances, and interest income transactions for the period 2009 through 2013, as well as the Plan's dedicated FEP investment account balances as of December 31, 2013 for the DC and MD Service Areas.

We also interviewed the Plan's Special Investigations Unit regarding the effectiveness of the F&A Program, as well as reviewed the Plan's communication and reporting of fraud and abuse cases to test compliance with Contract CS 1039 and the applicable FEHBP Carrier Letters.

² For the DC and MD Service Areas, the Plan allocated administrative expenses of \$510,263,624 to the FEHBP from 2,094 cost centers and 162 natural accounts. From this universe, we selected a judgmental sample of 53 cost centers to review, which totaled \$203,869,350 in expenses allocated to the FEHBP. We also selected a judgmental sample of 49 natural accounts to review, which totaled \$236,420,629 in expenses allocated to the FEHBP. We selected these cost centers and natural accounts based on high dollar amounts, high dollar allocation methods, and our nomenclature review and trend analysis. We reviewed the expenses from these cost centers and natural accounts for allowability, allocability, and reasonableness. The results of these samples were not projected to the universe of administrative expenses.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Unidentified Health Benefit Refunds and Other Recoveries \$347,287

Our audit determined that the Plan had not returned 4 unidentified health benefit refund amounts and 17 other recoveries, totaling \$315,559, to the FEHBP as of March 31, 2014. The Plan subsequently returned these refunds and recoveries to the FEHBP from 86 to 1,279 days late and after receiving our audit notification letter. Additionally, the Plan untimely returned unidentified refund amounts of \$558,624 to the FEHBP during the audit scope and prior to receiving our audit notification letter. As a result of our audit, the Plan returned \$347,287 to the FEHBP, consisting of \$315,559 for the questioned unidentified refunds and other recoveries and \$31,728 for lost investment income (LII) on the funds returned untimely to the FEHBP.

48 CFR 31.201-5 states, “The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund.”

Contract CS 1039, Part II, Section 2.3 (i) states, “All health benefit refunds and recoveries, including erroneous payment recoveries, must be deposited into the working capital or investment account within 30 days and returned to or accounted for in the FEHBP letter of credit account within 60 days after receipt by the Carrier.” Also, based on an agreement between OPM and the Association, dated March 26, 1999, BlueCross and BlueShield plans have 30 days to return health benefit refunds and recoveries to the FEHBP before LII will commence to be assessed.

Regarding reportable monetary findings, Contract CS 1039, Part III, section 3.16 (a), states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

FAR 52.232-17(a) states, “all amounts that become payable by the Contractor . . . shall bear simple interest from the date due . . . The interest rate shall be the interest rate established by the Secretary of the Treasury as provided in Section 611 of the Contract Disputes Act of 1978 (Public Law 95-563), which is applicable to the period in which the amount becomes due, as provided in paragraph (e) of this clause, and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.”

For the period 2009 through 2013, the Plan allocated 60 unidentified health benefit refund amounts to the FEP, totaling \$1,182,699, for the DC Service Area. From this universe, we selected and reviewed a judgmental sample of 15 unidentified refund amounts allocated to the FEP, totaling \$700,533, for the purpose of determining if the Plan properly allocated and timely returned these funds to the FEHBP. Our sample included the three highest unidentified refund amounts for each year. While reviewing these unidentified refund amounts, we also reviewed 17 other health benefit recoveries that we identified for the DC Service Area, where the Plan had returned these recoveries untimely to the FEHBP after our audit notification date.

Based on our review, we noted the following exceptions:

- The Plan had not deposited four unidentified refund amounts, totaling \$112,017, into the FEP investment account as of March 31, 2014. The Plan subsequently returned these refunds to the FEHBP from 86 to 1,262 days late and after receiving our audit notification letter (dated April 1, 2014). Therefore, we are questioning this amount as a monetary finding. In addition, the Plan untimely returned 10 unidentified refund amounts, totaling \$558,624, to the FEHBP during the audit scope and prior to receiving our audit notification letter. Specifically, we noted that the Plan deposited these funds into the FEP investment account from 39 to 1,705 days late. Since the Plan returned these unidentified refunds to the FEHBP during the audit scope, we did not question this amount as a monetary finding. However, the FEHBP is due LII on these unidentified refunds that were returned untimely to the FEHBP. As a result of this finding, the Plan also returned LII of \$19,314 to the FEHBP.
- The Plan had not deposited 17 other health benefit recoveries, totaling \$203,542, into the FEP investment account as of March 31, 2014. The Plan subsequently returned these recoveries to the FEHBP from 974 to 1,279 days late and after receiving our audit notification letter. Therefore, we are questioning this amount as a monetary finding as well as LII for returning these recoveries untimely to the FEHBP. As a result of this finding, the Plan also returned LII of \$12,414 to the FEHBP.

The Plan returned refunds and recoveries of \$315,559 to the FEHBP from 86 to 1,279 days late and after the audit notification date.

In total, we are questioning \$315,559 (\$112,017 plus \$203,542) for unidentified health benefit refunds and other recoveries that were returned to the FEHBP late and after receiving our audit notification letter. We are also questioning \$31,728 (\$19,314 plus \$12,414) for LII on the refunds and recoveries that were returned untimely to the FEHBP.

Association's Response:

The Association agrees with this finding. The Association states that the Plan submitted SPI's to return LII of \$31,728 to the FEHBP.

OIG Comment:

We verified that the Plan returned \$347,287 to the FEHBP, consisting of \$315,559 for the questioned unidentified health benefit refunds and other recoveries and \$31,728 for LII on the funds returned untimely to the FEHBP.

Recommendation 1

We recommend that the contracting officer require the Plan to return \$315,559 to the FEHBP for the questioned unidentified refunds and other health benefit recoveries. However, since we verified that the Plan returned \$315,559 to the FEHBP for these questioned refunds and recoveries, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$31,728 to the FEHBP for LII on the unidentified refunds and other health benefit recoveries that were returned untimely to the FEHBP. However, since we verified that the Plan returned \$31,728 to the FEHBP for the questioned LII, no further action is required for this LII amount.

2. Medical Drug Rebates **\$169,645**

Our audit determined that the Plan had not returned two medical drug rebate amounts, totaling \$122,632, to the FEHBP as of March 31, 2014. The Plan subsequently returned these rebates to the FEHBP more than three years late and after receiving our audit notification letter. Additionally, the Plan untimely returned 11 medical drug rebate amounts, totaling \$473,008, to the FEHBP during the audit scope and prior to receiving our audit notification letter. As a result of our audit, the Plan returned \$169,645 to the FEHBP, consisting of \$122,632 for the questioned medical drug rebates and \$47,013 for LII on medical drug rebates returned untimely to the FEHBP.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the FEP investment account within 30 days and returned to the FEHBP within 60 days after receipt by the Carrier.

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, section 3.16 (a), states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

The Plan participates in medical drug rebate programs with the manufacturers [REDACTED]. The drug rebates are determined based on medical claims for these drugs, which are administered in a physician’s office. These drug rebates are received multiple times a year (usually on a quarterly basis) by the Plan and credited to the participating groups, including the FEP. For the period 2009 through 2013, we identified 152 FEP medical drug rebate amounts, totaling \$2,468,324, for the Plan’s DC and MD Service Areas. From this universe, we judgmentally selected and reviewed 44 FEP medical drug rebate amounts, totaling \$2,176,079, for the purpose of determining if the Plan timely returned these funds to the FEHBP. Our sample included all FEP drug rebate amounts of \$10,000 or more from each Service Area.

Based on our review, we noted the following exceptions for the DC Service Area only:

- The Plan had not deposited two medical drug rebate amounts, totaling \$122,632, into the FEP investment account as of March 31, 2014. The Plan subsequently returned these rebates to the FEHBP more than three years late and after receiving our audit notification letter (dated April 1, 2014). Therefore, we are questioning this amount as a monetary finding as well as LII for returning these rebates untimely to the FEHBP. As a result of this finding, the Plan also returned LII of \$7,198 to the FEHBP.
- The Plan also returned 11 medical drug rebate amounts, totaling \$473,008, untimely to the FEHBP. Specifically, we noted that the Plan deposited these funds into the FEP investment account from 1,012 to 1,783 days late. Since the Plan returned these medical drug rebates to the FEHBP during the audit scope and prior to receiving our audit notification letter, we did not question this amount as a monetary finding. However, the FEHBP is due LII on these rebates since the funds were deposited untimely into the FEP investment account. As a result of this finding, the Plan returned LII of \$39,815 to the FEHBP.

The Plan returned medical drug rebates of \$122,632 to the FEHBP over three years late and after the audit notification date.

In total, we are questioning \$122,632 for medical drug rebates returned to the FEHBP more than three years late and after receiving our audit notification letter. We are also questioning \$47,013 (\$7,198 plus \$39,815) for applicable LII on medical drug rebates that were returned untimely to the FEHBP.

Association's Response:

The Association agrees with this finding. The Association states that the Plan submitted SPI's to return LII of \$47,013 to the FEHBP.

OIG Comment:

We verified that the Plan returned \$169,645 to the FEHBP, consisting of \$122,632 for the questioned medical drug rebates and \$47,013 for LII on medical drug rebates that were returned untimely to the FEHBP.

Recommendation 3

We recommend that the contracting officer require the Plan to return \$122,632 to the FEHBP for the questioned medical drug rebates. However, since we verified that the Plan returned \$122,632 to the FEHBP for the questioned drug rebates, no further action is required for this amount.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$47,013 to the FEHBP for LII on the medical drug rebates returned untimely to the FEHBP. However, since we verified that the Plan returned \$47,013 to the FEHBP for the questioned LII, no further action is required for this LII amount.

3. Health Benefit Refunds

\$165,962

Our audit determined that the Plan had not returned six health benefit refunds, totaling \$157,112, to the FEHBP as of March 31, 2014. The Plan returned these refunds to the FEHBP on July 30, 2014, more than 2 ½ years late and after receiving our audit notification letter. Additionally, the Plan untimely returned health benefit refunds of \$495,184 to the FEHBP during the audit scope and prior to receiving our audit notification letter. As a result of our audit, the Plan returned \$165,962 to the FEHBP, consisting of \$157,112 for the questioned health benefit refunds and \$8,850 for LII on the refunds returned untimely to the FEHBP.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the FEP investment account within 30 days and returned to the FEHBP within 60 days after receipt by the Carrier.

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, section 3.16 (a), states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

For the period 2009 through 2013, we identified 62,469 FEP health benefit refunds, totaling \$61,694,591, for the Plan’s DC and MD Service Areas. From this universe, we selected and reviewed a judgmental sample of 200 health benefit refunds, totaling \$16,998,431, for the purpose of determining if the Plan timely returned these refunds to the FEHBP. Our sample included the 20 highest refund amounts from each Service Area and each year in the audit scope. For the MD Service Area, we also reviewed five additional health benefit refunds that we identified where the Plan had returned these refunds untimely to the FEHBP after our audit notification letter date.

Based on our review, we noted the following exceptions:

- For the MD Service Area, the Plan returned six health benefit refunds, totaling \$157,112, to the FEHBP on July 30, 2014. This was more than 2 ½ years late and after receiving our audit notification letter (dated April 1, 2014). Therefore, we are questioning this amount as a monetary finding as well as LII for returning these

refunds untimely to the FEHBP. As a result of this finding, the Plan also returned LII of \$7,797 to the FEHBP.

- For the DC Service Area, we determined that the Plan returned five health benefit refunds, totaling \$495,184, untimely to the FEHBP during the audit scope. Specifically, these refunds were deposited into the FEP investment account from 5 to 183 days late. Since the Plan returned these refunds to the FEHBP during the audit scope and prior to receiving our audit notification letter, we did not question this amount as a monetary finding. However, the FEHBP is due LII on these refunds since the funds were deposited untimely into the FEP investment account. As a result of this finding, the Plan returned LII of \$1,053 to the FEHBP.

The Plan returned health benefit refunds of \$157,112 to the FEHBP over 2 ½ years late and after the audit notification date.

In total, we are questioning \$157,112 for health benefit refunds returned to the FEHBP on July 30, 2014, more than 2 ½ years late and after receiving our audit notification letter. We are also questioning \$8,850 (\$7,797 plus \$1,053) for applicable LII on health benefit refunds that were returned untimely to the FEHBP.

Association's Response:

The Association agrees with this finding. The Association states that the Plan submitted SPI's to return LII of \$8,850 to the FEHBP.

OIG Comment:

We verified that the Plan returned \$165,962 to the FEHBP, consisting of \$157,112 for the questioned health benefit refunds and \$8,850 for LII on health benefit refunds that were returned untimely to the FEHBP.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$157,112 to the FEHBP for the questioned health benefit refunds. However, since we verified that the Plan returned \$157,112 to the FEHBP for the questioned health benefit refunds, no further action is required for this amount.

Recommendation 6

We recommend that the contracting officer require the Plan to return \$8,850 to the FEHBP for LII on the health benefit refunds returned untimely to the FEHBP. However, since we verified that the Plan returned \$8,850 to the FEHBP for the questioned LII, no further action is required for this LII amount.

4. Special Plan Invoices \$23,047

The Plan untimely returned two SPI amounts, totaling \$3,020,639, to the FEHBP during the audit scope. As a result of our finding, the Plan returned \$23,047 to the FEHBP for LII calculated on these SPI amounts.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the FEP investment account within 30 days and returned to the FEHBP within 60 days after receipt by the Carrier.

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

For the period 2009 through 2013, we identified 1,925 SPI's, totaling \$74,164,622 in net FEP payments, for the Plan's DC and MD Service Areas. From this universe, we selected and reviewed a judgmental sample of 67 SPI's, totaling \$15,480,940 in net FEP credits, for the purpose of determining if the Plan properly calculated, charged and/or credited these SPI amounts to the FEHBP. Our sample included 51 SPI's with FEP credit amounts, totaling \$15,911,402, and 16 SPI's with FEP payment amounts, totaling \$430,462, that were selected through our nomenclature review of the SPI's.

Based on our review, we noted the following exceptions:

- For the MD Service Area, we determined that the Plan returned one SPI amount, totaling \$2,970,000, untimely to the FEHBP. Specifically, these funds were deposited into the FEP investment account 36 days late. Since the Plan returned these funds to the FEHBP during the audit scope and prior to receiving our audit notification letter, we did not question this amount as a monetary finding. However, the FEHBP is due LII on this amount since the funds were deposited untimely into the FEP investment account. As a result of this finding, the Plan returned LII of \$16,477 to the FEHBP.

- For the DC Service Area, we determined the Plan returned one SPI amount, totaling \$50,639, untimely to the FEHBP. Specifically, these funds were deposited into the FEP investment account 1,731 days late. Since the Plan returned these funds to the FEHBP during the audit scope and prior to receiving our audit notification letter, we did not question this amount as a monetary finding. However, the FEHBP is due LII on this amount since the funds were deposited untimely into the FEP investment account. As a result of this finding, the Plan returned LII of \$6,570 to the FEHBP.

In total, we are questioning \$23,047 (\$16,477 plus \$6,570) for LII on SPI amounts returned untimely to the FEHBP.

Association's Response:

The Association agrees with this finding. The Association states that the Plan submitted SPI's to return LII of \$23,047 to the FEHBP.

OIG Comment:

We verified that the Plan returned \$23,047 to the FEHBP for LII on the untimely returned SPI amounts.

Recommendation 7

We recommend that the contracting officer require the Plan to return \$23,047 to the FEHBP for LII on the SPI amounts that were returned untimely to the FEHBP. However, since we verified that the Plan returned \$23,047 to the FEHBP for the questioned LII, no further action is required for this LII amount.

5. Fraud and Abuse Recoveries **\$17,004**

The Plan untimely returned four fraud and abuse recoveries, totaling \$279,341, to the FEHBP during the audit scope. As a result of this finding, the Plan returned \$17,004 to the FEHBP for LII calculated on these fraud and abuse recoveries.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the FEP investment account within 30 days and returned to the FEHBP within 60 days after receipt by the Carrier.

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

For the period 2009 through 2013, we identified 213 FEP fraud and abuse recoveries, totaling \$1,635,784, for the Plan's DC and MD Service Areas. From this universe, we selected and reviewed a judgmental sample of 18 fraud and abuse recoveries, totaling \$1,214,979, for the purpose of determining if the Plan timely returned these recoveries to the FEHBP. Our sample included all fraud and abuse recoveries of \$26,000 or more.

For the DC Service Area, we determined that the Plan returned four fraud and abuse recoveries, totaling \$279,341, untimely to the FEHBP. Specifically, we noted that the Plan deposited these funds into the FEP investment account from 885 to 1,606 days late. Since the Plan returned these recoveries to the FEHBP during the audit scope and prior to receiving our audit notification letter, we did not question this amount as a monetary finding. However, the FEHBP is due LII on these recoveries since the funds were deposited untimely into the FEP investment account. As a result of this finding, the Plan returned LII of \$17,004 to the FEHBP.

Association's Response:

The Association agrees with this finding. The Association states that the Plan submitted SPI's to return LII of \$17,004 to the FEHBP.

OIG Comment:

We verified that the Plan returned \$17,004 to the FEHBP for LII on the untimely returned fraud and abuse recoveries.

Recommendation 8

We recommend that the contracting officer require the Plan to return \$17,004 to the FEHBP for LII on the fraud and abuse recoveries that were returned untimely to the FEHBP. However, since we verified that the Plan returned \$17,004 to the FEHBP for the questioned LII, no further action is required for this LII amount.

B. ADMINISTRATIVE EXPENSES

1. BlueCross BlueShield Association Dues **\$18,180**

For 2010, the Plan did not allocate Association dues to the FEHBP in accordance with the agreement between the Association and OPM regarding dues chargeability. As a result of our finding, the Plan returned \$18,180 to the FEHBP, consisting of \$17,304 for Association dues overcharged to the FEHBP and \$876 for applicable LII.

FEP Memorandum #13-105PI (Memorandum), titled *BCBSA Regular Member Plan Dues and Other Assessments: 2009-2014*, dated December 6, 2013, provides guidance to the BCBS plans with respect to charging the FEHBP for Association dues. The Memorandum also includes specific guidance related to the chargeability of the 2010 special dues assessment to the FEHBP. Specifically, the Memorandum states that this assessment is chargeable to the FEHBP after applying the allowability factor to the invoiced amount.

Contract CS 1039, Part III, section 3.2 (b)(1) states, “The Carrier may charge a cost to the contract for a contract term if the cost is actual, allowable, allocable, and reasonable.”

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

To determine the reasonableness of the amounts charged to the FEHBP, we reviewed each year within the audit scope and recalculated FEP’s share of the Association dues in accordance with the methods in the Memorandum. We found that the Plan overcharged the FEHBP \$17,304 for Association dues in 2010.

The Plan overcharged the FEHBP \$17,304 for Association dues in 2010.

Specifically, we identified \$11,182 in overcharges for the Plan’s DC Service Area and \$6,122 in overcharges for the Plan’s MD Service Area. This error occurred because the Plan did not apply the allowability factor to the Association’s special dues assessment when determining the chargeable dues base for 2010.

As a result of our finding, the Plan returned \$18,180 to the FEHBP, consisting of \$17,304 for Association dues overcharged to the FEHBP and \$876 for applicable LII. We reviewed and accepted the Plan’s LII calculation.

Association’s Response:

The Association agrees with this finding. The Association states that the Plan submitted prior period adjustments to return the overcharges of \$17,304 to the FEHBP.

OIG Comment:

We verified that the Plan returned \$18,180 to the FEHBP, consisting of \$17,304 for the questioned Association dues and \$876 for applicable LII.

Recommendation 9

We recommend that the contracting officer disallow \$17,304 for Association dues that were overcharged to the FEHBP in 2010. However, since we verified that the Plan returned \$17,304 to the FEHBP for the questioned Association dues, no further action is required for this amount.

Recommendation 10

We recommend that the contracting officer require the Plan to return \$876 to the FEHBP for LII on the questioned Association dues. However, since we verified that the Plan returned \$876 to the FEHBP for the questioned LII, no further action is required for this LII amount.

2. Post-Retirement Benefit Costs **(\$83,653)**

During our audit fieldwork phase, the Plan self-disclosed undercharges of \$86,402 (net) to the FEHBP for post-retirement benefit (PRB) costs that were incurred from 2009 through 2013. Specifically, the Plan overcharged the FEHBP \$120,811 for PRB costs (DC Service Area) in 2010 and 2013 and undercharged the FEHBP \$207,213 for PRB costs (DC and MD Service Areas) from 2009 through 2013. As a result, the Plan returned \$123,560 to the FEHBP, consisting of \$120,811 for the PRB costs overcharged to the FEHBP and \$2,749 for applicable LII on the overcharges.

As previously cited from Contract CS 1039, costs charged to the FEHBP must be actual, allowable, allocable, and reasonable.

48 CFR 31.205-6(o) states, “(1) PRB covers all benefits, other than cash benefits and life insurance benefits paid by pension plans, provided to employees, their beneficiaries, and covered dependents during the period following the employees' retirement. Benefits encompassed include, but are not limited to, postretirement health care; life insurance provided outside a pension plan; and other welfare benefits such as tuition assistance, day care, legal services, and housing subsidies provided after retirement. (2) To be allowable, PRB costs must be reasonable and incurred pursuant to law, employer-employee agreement, or an established policy of the contractor. In addition, to be allowable, PRB costs must also be calculated in accordance with paragraphs (o)(2)(i), (ii), or (iii) of this section.”

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, section 3.16 (a), states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., administrative expense overcharges . . . were already . . . returned to the FEHBP) prior to audit notification.”

In general, the Plan charges PRB costs to the FEHBP through a manual calculation performed outside of the cost allocation system. These charges include Financial Accounting Standards (FAS) 106 and FAS 112 costs determined on a cash basis, or when the PRB costs are actually paid, which are allowable charges to the contract. The Plan uses a “Full Time Equivalent” (FTE) headcount statistic to allocate PRB costs to the FEP.

The Plan undercharged the FEHBP \$86,402 (net) for PRB costs from 2009 through 2013.

While conducting our review of PRB costs, the Plan disclosed to us on November 3, 2014 that there was an issue with the allocation of FAS 106 and FAS 112 expenses during the audit scope. According to the Plan, this allocation issue was identified during a discussion between the Plan’s cost accounting and FEP reporting staff on September 2, 2014 and included multiple errors with the Plan’s FTE allocation methodology. For the Plan’s DC and MD Service Areas, the Plan identified that the FEHBP was undercharged \$86,402 (net) for PRB costs from 2009 through 2013.

The following summarizes the exceptions noted by Service Area:

- For the DC Service Area, the Plan originally charged \$3,928,233 to the FEHBP for PRB costs from 2009 through 2013. Based on the Plan’s revised calculations, the Plan should have allocated \$3,915,957 in PRB costs to the FEP, resulting in net overcharges of \$12,276 (\$120,811 in overcharges and \$108,535 in undercharges) to the FEHBP. Specifically, the Plan overcharged the FEHBP \$5,291 in 2010 and \$115,520 in 2013 and undercharged the FEHBP \$43,005 in 2009, \$24,942 in 2011, and \$40,588 in 2012. We reviewed the Plan’s self-disclosed over- and undercharges during the audit scope and agreed with the Plan’s revised calculations of PRB costs for the DC Service Area.

- For the MD Service Area, the Plan originally charged \$2,182,579 to the FEHBP for PRB costs from 2009 through 2013. Based on the Plan's revised calculations, the Plan should have allocated \$2,281,257 in PRB costs to the FEP, resulting in undercharges of \$98,678 to the FEHBP. Specifically the Plan undercharged the FEHBP \$23,674 in 2009, \$1,836 in 2010, \$2,711 in 2011, \$52,317 in 2012, and \$18,140 in 2013. We reviewed the Plan's self-disclosed undercharges and agreed with the Plan's revised calculations of PRB costs for the MD Service Area.

As a result of this finding, the Plan returned \$123,560 to the FEHBP, consisting of \$120,811 for the PRB cost overcharges and \$2,749 for applicable LII on these overcharges. We reviewed and accepted the Plan's LII calculation. The Plan also submitted prior period adjustments to the Association for the PRB cost undercharges of \$207,213 (\$108,535 plus \$98,678). In total, we are questioning a net undercharge amount of \$83,653 to the FEHBP, consisting of \$207,213 for PRB cost undercharges, \$120,811 for PRB cost overcharges, and \$2,749 for applicable LII of the overcharges.

Association's Response:

The Association agrees with this finding. The Association states that the Plan submitted prior period adjustments for the undercharges.

OIG Comment:

We verified that the Plan returned \$123,560 to the FEHBP, consisting of \$120,811 for the PRB cost overcharges and \$2,749 for applicable LII. We also verified the Plan submitted prior period adjustments to the Association for the PRB cost undercharges.

Recommendation 11

We recommend that the contracting officer disallow \$120,811 for PRB costs that were overcharged to the FEHBP in 2010 and 2013. However, since we verified that the Plan returned \$120,811 to the FEHBP for the questioned PRB cost overcharges, no further action is required for this amount.

Recommendation 12

We recommend that the contracting officer require the Plan to return \$2,749 to the FEHBP for LII on the questioned PRB cost overcharges. However, since we verified that the Plan returned \$2,749 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 13

We recommend that the contracting officer allow the Plan to charge the FEHBP \$207,213 for PRB costs that were undercharged to the FEHBP from 2009 through 2013.

C. CASH MANAGEMENT

The audit disclosed no findings pertaining to the Plan's cash management activities and practices. Overall, we concluded that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations.

D. FRAUD AND ABUSE PROGRAM

The Plan timely entered all fraud and abuse cases into the Association's FIMS.

The audit disclosed no findings pertaining to the Plan's F&A Program. For the period 2013 through June 2014, the Plan timely entered all fraud and abuse cases into the Association's Fraud Information Management System (FIMS) for the Plan's DC and MD Service Areas.³

Overall, we determined the Plan is in compliance with the communication and reporting requirements for fraud and abuse cases set forth in the FEHBP Carrier Letter 2011-13. However, we did find that the Association did not report, or did not timely report, all of the Plan's fraud and abuse cases to the OIG. We addressed this issue during a recent audit of the Association (Report No. 1A-99-00-14-069, dated July 14, 2015), covering FIMS and fraud and abuse cases entered into FIMS by the local BCBS plans from 2013 through June 2014.

³ FIMS is a multi-user, web-based FEP case-tracking database that the Association's FEP Special Investigations Unit (SIU) developed in-house. FIMS is used by the local BCBS plans' SIUs and the Association's FEP SIU to track and report potential fraud and abuse activities.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Experience-Rated Audits Group

██████████, Lead Auditor

██████████, Auditor

██████████, Auditor

██████████, Auditor

██████████, Auditor

██████████, Chief ██████████

██████████, Senior Team Leader

V. SCHEDULE A

**CAREFIRST BLUECROSS BLUESHIELD
OWINGS MILLS, MARYLAND**

QUESTIONED CHARGES

AUDIT FINDINGS	2009	2010	2011	2012	2013	2014	2015	TOTAL
A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS								
1. Unidentified Health Benefit Refunds and Other Recoveries*	\$1,235	\$2,529	\$299,109	\$8,614	\$7,700	\$28,100	\$0	\$347,287
2. Medical Drug Rebates*	4,299	7,965	134,664	11,195	9,316	2,206	0	169,645
3. Health Benefit Refunds*	296	0	157,825	2,953	2,974	1,914	0	165,962
4. Special Plan Invoices*	18,392	1,614	1,297	952	792	0	0	23,047
5. Fraud and Abuse Recoveries*	810	1,333	5,242	5,250	4,369	0	0	17,004
TOTAL MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS	\$25,032	\$13,441	\$598,137	\$28,964	\$25,151	\$32,220	\$0	\$722,945
B. ADMINISTRATIVE EXPENSES								
1. BlueCross BlueShield Association Dues*	\$0	\$17,304	\$0	\$161	\$271	\$357	\$87	\$18,180
2. Post-Retirement Benefit Costs*	(66,679)	3,455	(27,517)	(92,806)	97,463	2,431	0	(83,653)
TOTAL ADMINISTRATIVE EXPENSES	(\$66,679)	\$20,759	(\$27,517)	(\$92,645)	\$97,734	\$2,788	\$87	(\$65,473)
C. CASH MANAGEMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
D. FRAUD AND ABUSE PROGRAM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL QUESTIONED CHARGES	(\$41,647)	\$34,200	\$570,620	(\$63,681)	\$122,885	\$35,008	\$87	\$657,472
* We included lost investment income (LII) within audit findings A1 (\$31,728), A2 (\$47,013), A3 (\$8,850), A4 (\$23,047), A5 (\$17,004), B1 (\$876), and B2 (\$2,749). Therefore, no additional LII is applicable for these audit findings.								

APPENDIX



August 7, 2015

[REDACTED], Group Chief
Experience-Rated Audits Group
Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, Room 6400
Washington, DC 20415-11000

Federal Employee Program
1310 G Street, N.W.
Washington, D.C. 20005

**Reference: OPM DRAFT AUDIT REPORT
CAREFIRST BLUECROSS BLUESHIELD
Report Number 1A-10-85-14-053
(Dated May 28, 2015)**

Dear [REDACTED]:

This is CareFirst BlueCross BlueShield's response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees' Health Benefits Program (FEHBP). The Blue Cross and Blue Shield Association (BCBSA) and the Plan are committed to enhancing existing procedures on issues identified by OPM. Please consider this feedback when updating the OPM Final Audit Report.

Our comments concerning the findings in the report are as follows:

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Unidentified Health Benefit Refunds **\$347,287**

Recommendation 1

We recommend that the contracting officer require the Plan to return \$315,559 to the FEHBP for the questioned unidentified refunds and other health benefit recoveries. Since we verified that the Plan returned \$315,559 to the FEHBP for the questioned unidentified refunds and other health benefit recoveries, no further action is required for this amount.

Plan's Response:

The Plan agrees with this recommendation.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$31,728 to the FEHBP for LII on the questioned unidentified refunds and other health benefit recoveries returned untimely to the FEHBP.

Plan's Response:

The Plan agrees with this recommendation and submitted Special Plan Invoices (SPIs) for the lost investment income included in the recommendation and returned the funds to the Program through an offset to the Letter of credit account. The documentation is included as Attachment 1.

2. Medical Drug Rebates **\$169,645**

Recommendation 3

We recommend that the contracting officer require the Plan to return \$122,632 to the FEHBP for the questioned drug rebates. Since we verified that the Plan returned \$122,632 to the FEHBP for the questioned drug rebates, no further action is required for this amount.

Plan's Response:

The Plan agrees with this recommendation.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$47,013 to the FEHBP for LII on the questioned drug rebates returned untimely to the FEHBP.

Plan's Response:

The Plan agrees with this recommendation and submitted SPIs in the amount of \$47,013 for the lost investment income included in the recommendation. The Plan has returned the funds to the Program. The documentation is included as Attachment 2.

3. Health Benefit Refunds **\$165,962**

Recommendation 5

We recommend that the contracting officer require the Plan to return \$157,112 to the FEHBP for the questioned health benefit refunds. Since we verified that the Plan returned \$157,112 to the FEHBP for the questioned health benefit refunds, no further action is required for this amount.

Plan's Response:

The Plan agrees with this recommendation.

Recommendation 6

We recommend that the contracting officer require the Plan to return \$8,850 to the FEHBP for LII on the questioned health benefit refunds returned untimely to the FEHBP.

Plan's Response:

The Plan agrees with this recommendation and submitted SPIs of \$8,850 for the lost investment income included in the recommendation. The Plan has returned the funds to the Program. The documentation is included as Attachment 3.

4. Special Plan Invoices \$23,047

Recommendation 7

We recommend that the contracting officer require the Plan to return \$23,047 to the FEHBP for LII on the questioned SPI's returned untimely to the FEHBP.

Plan's Response:

The Plan agrees with this recommendation and submitted SPIs for \$23,047 for the lost investment income included in the recommendation. The Plan has returned the funds to the Program. The documentation is included as Attachment 4.

5. Fraud and Abuse Recoveries 17,004

Recommendation 8

We recommend that the contracting officer require the Plan to return \$17,004 to the FEHBP for LII on fraud recoveries returned untimely to the FEHBP.

Plan's Response:

The Plan agrees with this recommendation and submitted SPIs (SPIs) for the lost investment income included in the recommendation. The Plan has returned the funds to the Program. The documentation is included as Attachment 5.

B. ADMINISTRATIVE EXPENSES

1. BlueCross BlueShield Association Dues \$17,304

Recommendation 9

We recommend that the contracting officer disallow \$17,304 for Association dues that were overcharged to the FEHBP in 2010.

Plan's Response:

The Plan agrees with this recommendation and submitted Prior Period Adjustments of \$17,304 for the overcharge. The Plan has returned the funds to the program. The documentation is included as attachment 6.

2. Post-Retirement Benefit Costs (\$83,653)

Recommendation 10

We recommend that the contracting officer disallow \$120,811 for PRB costs that were overcharged to the FEHBP in 2010 and 2013. Since we verified that the Plan returned \$120,811 to the FEHBP for the questioned PRB cost overcharges, no further action is required for this amount.

Plan's Response:

The Plan agrees with this recommendation.

Recommendation 11

We recommend that the contracting officer require the Plan to return \$2,749 to the FEHBP for LII on the questioned PRB cost overcharges. Since we verified that the Plan returned \$2,749 to the FEHBP for LII, no further action is required for this LII amount.

Plan's Response:

The Plan agrees with this recommendation.

Recommendation 12

We recommend that the contracting officer allow the Plan to charge the FEHBP \$207,213 for PRB costs that were undercharged to the FEHBP from 2009 through 2013.

[REDACTED], Group Chief
August 7, 2015

Plan's Response:

The Plan agrees with this recommendation and the Plan submitted prior period adjustments for the undercharges.

C. CASH MANAGEMENT – No Plan Response Required

D. Fraud and Abuse - No Plan Response Required

We appreciate the opportunity to provide our response to this Draft Audit Report and request that our comments be included in their entirety as an amendment to the Final Audit Report.

Sincerely,

[REDACTED]

[REDACTED]

Managing Director, Program Assurance

[REDACTED]

cc: [REDACTED], Contracting Officer, OPM
[REDACTED], FEP
[REDACTED], CareFirst Blue Cross Blue Shield



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U.S. Office of Personnel Management
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Room 6400
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Report No. 1A-10-85-14-053