



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

Final Audit Report

**AUDIT OF
HMO MISSOURI, INC.
MASON, OHIO**

**Report Number 1D-9G-00-16-008
March 13, 2017**

EXECUTIVE SUMMARY

Audit of HMO Missouri, Inc.

Report No. 1D-9G-00-16-008

March 13, 2017

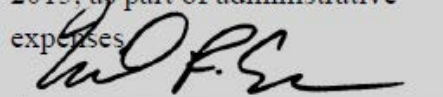
Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that HMO Missouri, Inc. (Plan), dba as Anthem Inc., 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 contract.

What did we audit?

Our audit covered health benefit refunds and recoveries from 2012 through June 2015. We also reviewed the Plan's cash management activities and practices related to FEHBP funds from 2012 through June 2015, as well as the Plan's Fraud and Abuse (F&A) Program from January 2015 through September 2015. In addition, we expanded our audit scope to include unallowable and/or unallocable cost centers that were potentially charged to the FEHBP from 2010 through 2015, as part of administrative expenses.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$442,760 in health benefit refunds and recoveries, administrative expenses, excess letter of credit account (LOCA) drawdowns, and lost investment income (LII). We also identified a procedural finding regarding the Plan's F&A Program. The Plan agreed with all of the questioned amounts as well as the procedural finding regarding the Plan's F&A Program.

Our audit results are summarized as follows:

- Health Benefit Refunds and Recoveries – We questioned \$360,340 for auto recoupment refunds that had not been returned to the FEHBP. We verified that the Plan has returned this questioned amount to the FEHBP.
- Administrative Expenses – We questioned \$19,332 for unallowable and/or unallocable cost center expenses that were charged to the FEHBP and \$1,378 for applicable LII. We verified that the Plan has returned these questioned amounts to the FEHBP.
- Cash Management – We questioned \$58,098 for excess LOCA drawdowns and \$3,612 for applicable LII. We verified that the Plan has returned these questioned amounts to the FEHBP.
- Fraud and Abuse Program – The Plan is *not* in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in FEHBP Carrier Letter 2014-29.

ABBREVIATIONS

CFR	Code of Federal Regulations
CL	Carrier Letter
FAR	Federal Acquisition Regulations
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefits Program
F&A	Fraud and Abuse
HMO	Health Maintenance Organization
LII	Lost Investment Income
LOCA	Letter of Credit Account
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	HMO Missouri, Inc.
SIU	Special Investigations Unit

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I. BACKGROUND

This audit report details the findings, conclusions, and recommendations resulting from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at HMO Missouri, Inc. (Plan), dba as Anthem Inc. The Plan's operations are located in Mason, Ohio.

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. Health insurance coverage is made available through contracts with various health insurance carriers.

The Plan is an experience-rated health maintenance organization (HMO) that provides health benefits to federal enrollees and their families.¹ Enrollment is open to all federal employees and annuitants in the Plan's service area, which includes St. Louis, Missouri; Central and Southwest Missouri; and St. Clair and Madison counties in Illinois.

The Plan's contract (CS 2838) with OPM is experience-rated. Thus, the costs of providing benefits in the prior year, including underwritten gains and losses that have been carried forward, are reflected in current and future years' premium rates. In addition, the contract provides that in the event of termination, unexpended program funds revert to the FEHBP Trust Fund. In recognition of these provisions, the contract requires an accounting of program funds be submitted at the end of each contract year. The accounting is made on a statement of operations known as the Annual Accounting Statement.

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

¹ Members of an experience-rated HMO plan have the option of using a designated network of providers or using out-of-network providers. A member's choice in selecting one healthcare provider over another has monetary and medical implications. For example, if a member chooses an out-of-network provider, the member will pay a substantial portion of the charges and covered benefits may be less comprehensive.

All findings from our previous audit of the Plan (Report No. 1D-9G-00-06-088, dated November 20, 2007) for contract years 2001 through 2005 have been satisfactorily resolved.

The results of this audit were provided to the Plan in written audit inquiries; were discussed with Plan officials throughout the audit and at an exit conference on September 20, 2016; and were presented in detail in a draft report, dated November 3, 2016. The Plan'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. Also, additional documentation provided by the Plan was considered in preparing our final 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:

Health Benefit Refunds and Recoveries

- To determine whether health benefit refunds and recoveries, including pharmacy and medical drug rebates, 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. Specifically, to determine whether the Plan potentially charged the FEHBP for unallowable and/or unallocable cost centers that were identified while concurrently conducting a multi-plan audit of Anthem Inc. (covering 14 BlueCross and BlueShield plans).

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

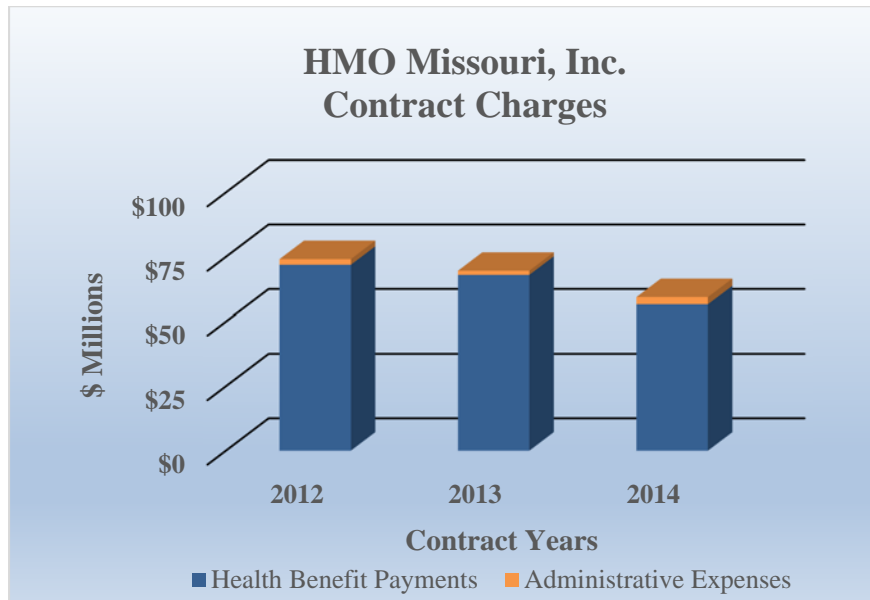
- To determine whether the Plan's communication and reporting of fraud and abuse cases were in compliance with the terms of Contract CS 2838 and FEHBP Carrier Letter 2014-29.

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 Plan's Annual Accounting Statements for contract years 2012 through 2014. During this period, the Plan processed approximately \$197 million in FEHBP health benefit payments and charged the FEHBP \$7 million in administrative expenses.



Specifically, we reviewed health benefit refunds and recoveries (e.g., cash and auto recoupment refunds, subrogation recoveries, and pharmacy and medical drug rebates) and the Plan's cash management activities and practices from 2012 through June 30, 2015. Also, we reviewed the Plan's Fraud and Abuse (F&A) Program activities and practices from January 1, 2015 through September 30, 2015. In addition, we expanded our audit scope to include 13 unallowable and/or unallocable cost centers that were potentially charged to the FEHBP by the Plan from 2010 through 2015, as part of administrative expenses. We identified these 13 questionable cost centers while concurrently conducting a multi-plan audit of Anthem Inc. (covering 14 BlueCross and BlueShield plans).

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, 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 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 Mason, Ohio on various dates from March 1, 2016 through June 30, 2016. Audit fieldwork was also performed at our office in Cranberry Township, Pennsylvania through September 20, 2016.

METHODOLOGY

We obtained an understanding of the internal controls over the Plan's financial 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 health benefit refunds and recoveries. For the period 2012 through June 30, 2015, we also judgmentally and/or statistically selected and reviewed the following FEHBP items:

Health Benefit Refunds

- A high dollar sample of 50 health benefit refund cash receipts, totaling \$1,133,016 (from a universe of 10,619 refund receipt amounts, totaling \$2,615,879). Our high dollar sample included the 50 highest refund receipt amounts for the audit scope.
- A statistical sample of 65 health benefit refunds returned via auto recoupments, totaling \$913,528 (from a universe of 4,044 refunds returned via auto recoupments, totaling \$2,714,502). Our statistical sample included auto recoupments that were selected from a stratification of \$1,000 or more.

Other Health Benefit Credits and Recoveries

- 40 high dollar pharmacy drug rebate amounts, totaling \$3,884,697, from a universe of 881 pharmacy drug rebate amounts, totaling \$6,692,912. For this sample, we judgmentally selected the 10 highest drug pharmacy rebate amounts from each year in the audit scope.
- 20 high dollar subrogation recoveries, totaling \$369,195, from a universe of 170 recoveries, totaling \$485,349. For this sample, we selected all subrogation recoveries of \$5,000 or more.
- All 11 medical drug rebate amounts, totaling \$123,643.
- 10 overpayment write-offs, totaling \$18,640, from a universe of 67 write-offs, totaling \$21,760. These write-offs were for potential refunds related to erroneous health benefit payments that the Plan considered uncollectable. For this sample, we selected the 10 highest dollar write-offs for the audit scope.
- 7 high dollar hospital bill audit recoveries, totaling \$182,636, from a universe of 216 recoveries, totaling \$332,921. For this sample, we selected all hospital bill audit recoveries of \$10,000 or more.

We reviewed these samples to determine if health benefit refunds and recoveries were timely returned to the FEHBP. The results of these samples were not projected to the applicable universes of health benefit refunds and recoveries.

Due to concerns that the Plan may have charged the FEHBP for 13 unallowable and/or unallocable cost centers, we expanded our audit scope to include administrative expenses for 2010 through 2015, relating to these cost centers. We initially identified these questionable cost centers while concurrently conducting a multi-plan audit of Anthem Inc. (covering 14 BlueCross and BlueShield plans). Accordingly, we reviewed the Plan's 2010 through 2015 cost center reports to determine if the Plan also charged these unallowable and/or unallocable cost center expenses to the FEHBP.

We reviewed the Plan's cash management activities and practices to determine whether the Plan handled FEHBP funds in accordance with Contract CS 2838 and applicable laws and regulations. Specifically, we reviewed letter of credit account (LOCA) drawdowns, working capital calculations, adjustments and/or balances, and interest income transactions from 2012 through June 30, 2015, as well as the Plan's dedicated FEHBP investment account balance as of June 30, 2015.

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 2838 and FEHBP Carrier Letter 2014-29.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. HEALTH BENEFIT REFUNDS AND RECOVERIES

1. Auto Recoupments

\$360,340

The Plan had not returned \$360,340 to the FEHBP for refund amounts recovered through auto recoupments. As a result of our audit, the Plan returned \$360,340 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 refunds.”

Contract CS 2838, 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.”

Regarding reportable monetary findings, Contract CS 2838, 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 2012 through June 30, 2015, we identified 4,044 health benefit refunds, totaling \$2,714,502, which were returned to the FEHBP through auto recoupments. From this universe, we selected and reviewed a statistical sample of 65 auto recoupments, totaling \$913,528, for the purpose of determining if the Plan properly offset (or reduced) FEHBP claim payments to providers in order to recover overpayment amounts.

Our statistical sample included auto recoupments that were selected from a stratification of \$1,000 or more. We determined that the Plan properly returned these refunds to the FEHBP through auto recoupments, except for the following:

- For sample item number 32, the Plan recovered our sample amount of \$8,926 by making the appropriate auto recoupments against FEHBP claim payments. However, we found that the total related FEHBP claim overpayment amount of \$63,550 was not fully returned to the FEHBP. The Plan made additional auto recoupments against non-FEHBP claim payments to recover the remaining \$54,624 and timely transferred this recovered amount into the FEHBP investment account. However, the Plan

processed the LOCA adjustment of \$54,624 to complete the return of these funds to the FEHBP on March 1, 2016, which was after our audit notification (dated July 7, 2015) and as a result of our audit.

- For sample item number 59, the Plan only recovered \$77 of our sample amount (\$1,615) by making auto recoupments against FEHBP claim payments. The Plan also made auto recoupments against non-FEHBP claim payments to recover the remaining \$1,538 and transferred this recovered amount into the FEHBP investment account. The transfer was not timely but only resulted in immaterial lost investment income (LII). However, the Plan processed a LOCA adjustment of \$1,538 to complete the return of these funds to the FEHBP on May 10, 2016, which again was after our audit notification date and as a result of our audit.

We also found that the Plan had a negative balance of \$358,802 (which included the questioned amount of \$54,624 for sample item number 32 above) as of June 30, 2015, for FEHBP claim overpayments to be recovered by adjusting non-FEHBP claim payments. Accordingly, we requested the Plan to provide us with a status of these auto recoupments. Based on our review of supporting documentation, we found that the Plan timely deposited the recovered audit recoupment funds into the FEHBP investment account, but had not adjusted the LOCA for these additional recoveries of \$304,178 (\$358,802 less \$54,624) by the audit notification date.

The Plan returned the questioned auto recoupments of \$360,340 to the FEHBP after the audit notification date.

In total, we are questioning \$360,340 (\$54,624 plus \$1,538 plus \$304,178) for recovered auto recoupments that were returned to the LOCA late and after receiving our audit notification letter. We did not assess LII since substantially all of these questioned amounts were timely deposited into the FEHBP investment account. In

addition, since these exceptions were not directly related to the review objective (i.e., testing if the Plan properly offset FEHBP claim payments to providers in order to recover overpayment amounts), we did not project our results. As a result of our audit, the Plan returned the questioned audit recoupments of \$360,340 to the FEHBP on various dates from March 1, 2016 through September 30, 2016.

Plan Response:

The Plan agrees with this finding.

OIG Comment:

We verified that the Plan returned \$360,340 to the FEHBP for the questioned auto recoupments.

Recommendation 1

We recommend that the contracting officer require the Plan to return \$360,340 to the FEHBP for the questioned auto recoupments. However, since we verified that the Plan returned \$360,340 to the FEHBP for these questioned auto recoupments, no further action is required for this amount.

B. ADMINISTRATIVE EXPENSES

1. Unallowable and/or Unallocable Cost Centers **\$20,710**

The Plan charged unallowable and/or unallocable cost center expenses of \$19,332 to the FEHBP from 2010 through 2015. As a result of this finding, the Plan returned \$20,710 to the FEHBP, consisting of \$19,332 for the questioned cost center expenses and \$1,378 for applicable LII.

Contract CS 2838, 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.”

48 CFR 31.201-4 states, “A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it-

- (a) Is incurred specifically for the contract;
- (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or
- (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.”

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 41 U.S.C 7109, 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.”

Due to concerns that the Plan may have charged the FEHBP for 13 unallowable and/or unallocable cost centers, we expanded our audit scope to include administrative expense charges for 2010 through 2015, relating to these cost centers. We initially identified these 13 questionable cost centers while concurrently conducting a multi-plan audit of Anthem Inc. (covering 14 BlueCross and BlueShield plans). Accordingly, we reviewed the Plan’s 2010 through 2015 cost center reports to determine if the Plan also charged similar unallowable and/or unallocable cost center expenses to the FEHBP.

Based on our review of these cost center reports, we determined that the Plan allocated and charged expenses to the FEHBP from eight cost centers that were expressly unallowable and/or did not benefit the FEHBP (unallocable). The following schedule is a summary of these questioned cost center expenses that were inappropriately charged to the FEHBP from 2010 through 2015.

Cost Center Number	Cost Center Name	Reason for Questioning	Amount Questioned
[REDACTED]	[REDACTED]	Unallocable	\$8,102
[REDACTED]	[REDACTED]	Unallocable	7,568
[REDACTED]	[REDACTED]	Unallocable	2,140
[REDACTED]	[REDACTED]	Unallocable	766
[REDACTED]	[REDACTED]	Unallocable	405
[REDACTED]	[REDACTED]	Unallocable	219
[REDACTED]	[REDACTED]	Unallocable	74
[REDACTED]	[REDACTED]	Unallowable	58
Total			\$19,332

In total, the Plan returned \$20,710 to the FEHBP for this finding, consisting of \$19,332 for the unallowable and/or unallocable cost center expenses and \$1,378 for applicable LII. We reviewed and accepted the Plan’s LII calculation.

Plan Response:

The Plan agrees with this finding.

OIG Comment:

We verified that the Plan returned \$20,710 to the FEHBP, consisting of \$19,332 for the unallowable and/or unallocable cost center expenses and \$1,378 for applicable LII.

Recommendation 2

We recommend that the contracting officer disallow \$19,332 for the questioned unallowable and/or unallocable cost center expenses that were charged to the FEHBP. However, since we verified that the Plan returned \$19,332 to the FEHBP for these questioned cost center expenses, no further action is required for this amount.

Recommendation 3

We recommend that the contracting officer require the Plan to return \$1,378 to the FEHBP for LII on the questioned unallowable and/or unallocable cost center expenses. However, since we verified that the Plan returned \$1,378 to the FEHBP for the questioned LII, no further action is required for this LII amount.

C. CASH MANAGEMENT

1. Excess Letter of Credit Account Drawdowns **\$61,710**

The Plan withdrew \$45,638 from the LOCA in excess of the 2012 contractual service charge amount and \$12,460 in excess of the amount needed to cover the 2014 administrative expenses. As a result of this finding, the Plan returned \$61,710 to the FEHBP, consisting of \$58,098 for the excess drawdown amounts and \$3,612 for applicable LII.

As previously cited from Contract CS 2838, costs charged to the FEHBP must be actual, allowable, allocable, and reasonable. In addition, FAR 52.232-17(a) states that all amounts that become payable by the Carrier should include simple interest from the date due.

The Plan withdrew excess funds from the LOCA for the 2012 service charge and 2014 administrative expenses.

For the period 2012 through 2014, we performed a reconciliation of the Plan's monthly LOCA drawdowns for service charges and administrative expenses to the actual amounts reported on the Annual Accounting Statements. We found that the Plan withdrew \$45,638 from the LOCA in excess of the contractual service

charge amount for contract year 2012 and \$12,460 in excess of the amount needed to cover the administrative expenses for contract year 2014. In total, we determined that the Plan overdrew \$58,098 from the LOCA for the 2012 service charge and 2014 administrative expenses.

The Plan returned \$61,710 to the FEHBP for this finding, consisting of \$58,098 for the excess drawdown amounts and \$3,612 for applicable LII. We reviewed and accepted the Plan's LII calculation.

Plan Response:

The Plan agrees with this finding.

OIG Comment:

We verified that the Plan returned \$61,710 to the FEHBP, consisting of \$58,098 for the excess LOCA drawdowns and \$3,612 for applicable LII.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$58,098 to the FEHBP for the questioned excess LOCA drawdown amounts. However, since we verified that the Plan returned \$58,098 to the FEHBP for these questioned excess LOCA drawdowns, no further action is required for this amount.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$3,612 to the FEHBP for LII on the questioned excess LOCA drawdowns. Since we verified that the Plan returned \$3,612 to the FEHBP for the questioned LII, no further action is required for this LII amount.

D. FRAUD AND ABUSE PROGRAM

1. Special Investigations Unit

Procedural

The Plan did not report all fraud and abuse cases to the OIG.

The Plan is not in compliance with the communication and reporting requirements for fraud and abuse cases set forth in the FEHBP Carrier Letter (CL) 2014-29. Specifically, the Plan did not report all fraud and abuse cases to the OIG. Without awareness of these existing potential fraud and abuse issues, the OIG cannot investigate the broader impact of these potential issues on the FEHBP as a whole.

CL 2014-29 (Office of Personnel Management Federal Employees Health Benefits Fraud, Waste and Abuse), dated December 19, 2014, states that all Carriers “are required to submit a written notification to OPM-OIG within 30 working days when there is a potential reportable FWA that has occurred against the FEHB Program. OPM-OIG considers a potential reportable FWA as, after a preliminary review of the complaint, the carrier takes an affirmative step to investigate the complaint.” There is no dollar threshold for this requirement.

For the period January 1, 2015 through September 30, 2015, the Plan opened no FEHBP fraud and abuse cases, except for two pharmacy-related cases that were incorrectly reported under medical on the Plan’s 2015 Fraud, Waste, and Abuse Annual Report. The Plan did not directly report these cases to the OIG, but instead, the cases were reported to the OIG by the BlueCross BlueShield Association for CVS Caremark. Overall, we were very surprised that the Plan’s Special Investigations Unit (SIU) actually had no medical fraud and abuse cases involving the FEHBP for this period.

In addition to the above cases, the Plan received 18 potential fraud and abuse cases from Express Scripts’ SIU, which is the Plan’s Pharmacy Benefit Manager (PBM). We reviewed these PBM cases to determine if the cases were reported to the OIG, as required by CL 2014-29. Based on our review, we determined that the Plan did not submit notifications to the OIG for these cases. Our understanding is that the Plan was not aware that the Plan’s SIU should be notifying the OIG of these PBM cases.

Ultimately, the Plan’s not reporting of potential FEHBP cases to the OIG has resulted in a failure to meet the communication and reporting requirements that are set forth in CL 2014-29. The lack of notification did not allow the OIG to investigate whether other FEHBP Carriers are exposed to the identified fraudulent activity. As a result, this lack of OIG notification by the Plan may result in additional improper payments being made by other FEHBP Carriers.

Plan Response:

The Plan agrees with this finding. The Plan states, “Special Investigations Unit (SIU) has implemented the necessary procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2014-29 (Federal Employees Health Benefits Fraud, Waste, and Abuse). The SIU investigator will immediately notify FEP Audit & Compliance of any cases or referrals relating to FEHBP HMO membership. The SIU investigator will complete the “. . . Case Notification” and send to the Director, FEP Compliance/Internal Control. Once the Director, FEP Compliance/Internal Control, receives the completed form, it is forwarded to Office of Inspector General . . . as required by our FEHBP contract.”

Recommendation 6

We recommend that the contracting officer require the Plan to provide evidence or supporting documentation ensuring that the SIU has implemented the necessary procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2014-29.

IV. SCHEDULE A – QUESTIONED CHARGES

HMO MISSOURI, INC. MASON, OHIO								
QUESTIONED CHARGES								
AUDIT FINDINGS	2010	2011	2012	2013	2014	2015	2016	TOTAL
A. HEALTH BENEFIT REFUNDS AND RECOVERIES								
1. Auto Recoupments	\$1,128	\$7,809	\$10,285	\$145,897	\$169,207	\$26,014	\$0	\$360,340
TOTAL HEALTH BENEFIT REFUNDS AND RECOVERIES	\$1,128	\$7,809	\$10,285	\$145,897	\$169,207	\$26,014	\$0	\$360,340
B. ADMINISTRATIVE EXPENSES								
1. Unallowable and/or Unallocable Cost Centers*	\$4,173	\$4,331	\$3,291	\$2,372	\$2,457	\$3,795	\$291	\$20,710
TOTAL ADMINISTRATIVE EXPENSES	\$4,173	\$4,331	\$3,291	\$2,372	\$2,457	\$3,795	\$291	\$20,710
C. CASH MANAGEMENT								
1. Excess Letter of Credit Account Drawdowns*	\$0	\$0	\$45,904	\$703	\$13,401	\$1,205	\$497	\$61,710
TOTAL CASH MANAGEMENT	\$0	\$0	\$45,904	\$703	\$13,401	\$1,205	\$497	\$61,710
D. FRAUD AND ABUSE PROGRAM								
1. Special Investigations Unit (Procedural)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL FRAUD AND ABUSE PROGRAM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL QUESTIONED CHARGES	\$5,301	\$12,140	\$59,480	\$148,972	\$185,065	\$31,014	\$788	\$442,760
* We included lost investment income (LII) within audit findings B1 (\$1,378) and C1 (\$3,612). Therefore, no additional LII is applicable for these audit findings.								

APPENDIX



4361 Irwin Simpson Road
Mason, Ohio 45040

██████████
United States Office of Personnel Management
Office of the Inspector General
Experience Rated Audit Group
1900 E. Street, Room 6400
Washington, DC 20415

Reference: 2016 OPM DRAFT AUDIT REPORT
Plan Audited: 2015 HMO Blue Preferred Missouri
Report Number: 1D-9G-00-16-008
Date: December 5, 2016

Dear ██████████:

This letter is the Federal Employees Program (FEP) Audit response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the 2015 HMO Blue Preferred Missouri Audit. The Plan's responses to the audit findings are as follows:

A. HEALTH BENEFIT REFUNDS AND RECOVERIES

1. Auto Recoupments \$370,021

Plan's Response to the Draft:

The Plan is providing adequate documentation to support the disagreed amount of \$9,681.

B. ADMINISTRATIVE EXPENSES

1. Unallowable and/or Unallocable Cost Centers **\$20,710**

Plan's Response to the Draft:

The Plan agrees with the \$19,332 cost center expenses charged to the FEHBP from 2010 through 2015. The Plan returned \$20,710 to the FEHBP consisting of \$19,332 for the questioned cost centers and \$1,378 for applicable LII.

C. CASH MANAGEMENT

1. Excess Letter of Credit Account Drawdowns **\$61,710**

Plan's Response to the Draft:

The Plan agrees with the \$45,638 withdrawn from the LOCA in excess of the 2012 contractual service charge amount and \$12,460 in excess of the amount needed to cover 2014 administrative expenses. The Plan returned \$61,710 to the FEHBP consisting of \$58,098 for the excess drawdown amounts and \$3,612 for applicable LII.

D. FRAUD AND ABUSE PROGRAM

1. Special Investigations Unit **Procedural**

Plan's Response to the Draft:

Special Investigations Unit (SIU) has implemented the necessary procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2014-29 (Federal Employees Health Benefits Fraud, Waste, and Abuse). The SIU investigator will immediately notify FEP Audit & Compliance of any cases or referrals relating to FEHBP HMO membership. The SIU investigator will complete the "Attachment 3 Case Notification" and send to the Director, FEP Compliance/Internal Control. Once the Director, FEP Compliance/Internal Control, receives the completed form, it is forwarded to Office of Inspector General (OIGCaseNotifications@opm.gov), as required by our FEHBP contract.

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

Sincerely,



Director, FEP Compliance/Internal Control



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By Internet: <http://www.opm.gov/our-inspector-general/hotline-to-report-fraud-waste-or-abuse>

By Phone: Toll Free Number: (877) 499-7295
Washington Metro Area: (202) 606-2423

By Mail: Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, NW
Room 6400
Washington, DC 20415-1100