

## **MESSAGE FROM THE DIRECTOR**

The Office of the Inspector General (OIG) of the U.S. Office of Personnel Management (OPM) has completed its Semiannual Report for the period April 1, 2007 to September 30, 2007. I am transmitting the Report to Congress as required by law, along with the Management Response containing additional information on certain portions of the report where further clarification may be helpful.

This report shows OPM continues to ensure Federal Employees Health Benefits Program (FEHBP) carrier compliance with Federal regulations, policies and laws. The report also demonstrates OPM's commitment to combating fraud, waste, and abuse. By design, OIG audits of community-rated and experience-rated health care providers check for carrier compliance with premium rates outlined in their contracts and that they remain within the boundaries of Federal guidelines. During this period, the OIG conducted 20 community-rated plan and 6 experience-rated plan audits resulting in recommendations to return \$33.5 million to the FEHBP.

Additionally, the OIG conducted health care and retirement fraud investigations that resulted in indictments, arrests and millions in restitution to FEHBP, the Federal Employees Retirement Fund, and the Civil Service Retirement and Disability Fund. The OIG's investigations led to 21 arrests, 41 indictments, 27 convictions and the recovery of over \$11 million.

The OIG has another key role in issuing administrative sanctions against healthcare providers who commit violations impacting FEHBP and its enrollees. For this period, the OIG issued 408 administrative sanctions resulting in suspensions and disbarments of offending health care providers. These types of OIG efforts support strong stewardship of FEHBP.

Each year Federal employees are called upon to voluntarily participate in the Combined Federal Campaign (CFC). The OIG audits the administration of local campaigns to ensure compliance with CFC regulations and OPM guidance, including controls over the eligibility of local charities participating in the CFC. OIG auditors identified violations of CFC regulations and guidelines leading to corrective actions and program improvements.

Sound financial statements and strong information security controls are high OPM priorities. I have ensured that OPM managers have been alerted to IT and financial management improvements and enhancements. We have updated our policy on information security and privacy, sent out reminders to all OPM employees on the importance of protecting personally identifiable information, expanded our encryption capabilities, established privacy/PII web pages and strengthened our process for reviewing and handling potential security incidents and data base breaches.

I have always believed that the quality of an organization's employees is the single most important factor in determining its success and effectiveness. I am pleased to convey the OPM OIG Semiannual Report. The Report demonstrates the high quality and commitment of the OPM team.

Linda M. Springer  
Director

**MANAGEMENT RESPONSE  
TO THE INSPECTOR GENERAL'S SEMIANNUAL REPORT  
TO CONGRESS**

**November 2007**

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## **HEALTH AND LIFE INSURANCE CARRIER AUDITS**

### **AUDIT RESOLUTION**

The resolution of audit report findings issued by the OIG continues to be a priority. The charts at the end of this management report summarize insurance audit resolution activity for the period April 1, 2007, through September 30, 2007.

We began this period with 12 audit reports pending agency decisions totaling \$31.5 million. The OIG issued 22 new reports with unresolved monetary findings totaling \$34.0 million, bringing the work-in-process to \$65.5 million and relates to 34 audit reports. Management's decisions on OIG recommendations during this period were \$41.5 million and related to 18 audit reports. This amount is a combination of \$34.2 million in "disallowed costs" (requiring payment to OPM) and \$7.3 million in "costs not disallowed" (no required payment to OPM). The balance at the end of the period totals \$24.0 million and relates to 16 audit reports.

### **COLLECTION OF DISALLOWED COSTS**

At the beginning of the period there were 29 audit reports which had been previously resolved, with \$36.2 million to be collected from the insurance carriers. Management decisions were made on 5 reports requiring the insurance carriers to pay \$43.1 million. This brought the number of audit reports with collection action to 34, totaling \$79.3 million including interest and adjustments. During this period, we collected \$34.9 million relating to 4 audit reports. We also made an adjustment to one audit report totaling \$12.1 million, which leaves a balance of 29 audit reports and \$32.3 million to be collected.

The following table on final action of audits with disallowed costs provides a summary of collection activity for the period April 1, 2007, through September 30, 2007.

**MANAGEMENT REPORT ON FINAL ACTION ON AUDITS  
WITH DISALLOWED COSTS REPORTING PERIOD ENDING  
SEPTEMBER 30, 2007**

Action	Number of Audit Reports	Disallowed Costs (in thousands)
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period (4/1/2007)	29	\$36,247
B. 1. Audit reports on which management decisions were made during the period (4/1/2007 - 9/30/2007)	5	\$43,103
2. Interest assessed during period	0	0
C. Total audit reports pending final action during period (total of A and B)	<b>34</b>	<b>\$79,350</b>
D. Audit reports on which final action was taken during the period		
1. Recoveries		
(a) Collections and offsets	4	\$34,929
(b) Property	0	0
(c) Other	1	\$12,109*
2. Write-offs, waiver	0	0
3. Total of 1 and 2	<b>5</b>	<b>\$47,038</b>
E. Audit reports needing final action at the end of the period (9/30/2007) (subtract D3 from C)	<b>29</b>	<b>\$32,312</b>

\* This represents adjustments to original debt.

**STATUS OF THE INSURANCE AUDITS HIGHLIGHTED IN THE OFFICE OF THE INSPECTOR GENERAL'S REPORT**

**REPORT, REPORT NUMBER, AND DATE**

**STATUS**

MVP Health Care – Central Region  
Schenectady, New York  
1C-M9-00-06-064  
May 17, 2007

Reviewing Plan's response to the outstanding issues. We expect to resolve all issues within the 180 day standard.

UPMC Health Plan  
Pittsburgh, Pennsylvania  
1C-8W-00-05-036  
June 14, 2007

All outstanding audit issues have been resolved and the FEHB Program has been reimbursed for \$4,082,935.

WellPoint BlueCross BlueShield of Colorado  
Indianapolis, Indiana and Mason, Ohio  
1A-10-30-05-069  
April 25, 2007

Reviewing Plan's response to the outstanding issues. We to expect resolve all issues within the 180 day standard.

BlueCross BlueShield of Tennessee  
Chattanooga, Tennessee  
1A-10-15-05-046  
July 25, 2007

Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

Federal Blue HMO  
Mason, Ohio  
1D-R5-00-06-069  
July 25, 2007

Reviewing Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

Long Term Care Partners, LLC  
Portsmouth, New Hampshire  
1G-LT-00-07-005  
September 26, 2007

Awaiting Plan's response to the outstanding issues. We expect to resolve all outstanding issues within the 180 day standard.

**STATUS OF THE INSURANCE AUDITS HIGHLIGHTED IN THE OFFICE OF THE INSPECTOR GENERAL'S REPORT**

**REPORT, REPORT NUMBER, AND DATE**

Information Systems General and Application  
Controls at Mid-Atlantic Health Plans  
of United Healthcare  
Frederick, Maryland  
1C-JP-00-07-011  
July 18, 2007

Information Systems General and Application  
Controls at American Postal Workers Union  
Health Plan  
Glen Burnie, Maryland  
1B-47-00-06-072  
May 18, 2007

**STATUS**

Reviewing Plan's response to the outstanding issues. We will coordinate corrective actions taken by the Plan on a quarterly basis until all recommendations have been completed.

Reviewing Plan's response to the outstanding issues. We will coordinate corrective actions taken by the Plan on a quarterly basis until all recommendations have been completed.

**MANAGEMENT DECISIONS NOT IMPLEMENTED WITHIN ONE YEAR**

**Blue Cross and Blue Shield Audits**

<b>Report Date</b>	<b>Determination Date</b>	<b>Audit Number</b>	<b>Audit Name</b>	<b>Receivables as of September 30, 2007</b>
11/09/2004	09/26/2005	10-00-03-102	BCBS Global COB (Tier 2)	\$ 8,381,745
03/31/2004	09/24/2004	10-00-03-013	BCBS Global COB (Tier 1)	1,278,515
10/01/2002	09/25/2003	10-15-02-007	BCBS of Tennessee	109,099
08/23/2004	02/22/2005	10-17-02-048	BCBS of Illinois	56,945
05/04/2004	02/22/2005	10-18-03-003	Anthem BCBS - Ohio	517,448
07/28/2004	02/22/2005	10-29-02-047	BCBS of Texas	973,540
05/03/2004	03/11/2005	10-41-03-031	BCBS of Florida	1,828,511
11/17/2004	09/26/2005	10-45-03-012	Anthem BCBS - Kentucky	625,520
12/15/2004	09/26/2005	10-55-04-010	Independence BCBS	20,190
08/02/2004	02/11/2005	10-61-04-009	Anthem BCBS of Nevada	238,760
10/17/2005	01/17/2006	10-83-05-002	BCBS of Oklahoma	692,642
08/19/2005	02/08/2006	10-85-03-103	Carefirst BCBS (DC Service Area)	267,959
07/27/2005	11/10/2005	10-85-04-007	BCBS Global COB	1,309,895
			<b>Subtotal</b>	<b>\$16,300,769</b>

**Other Insurance Carriers**

<b>Report Date</b>	<b>Determination Date</b>	<b>Audit Number</b>	<b>Audit Name</b>	<b>Receivables as of September 30, 2007</b>
06/20/2005	12/05/2005	80-00-04-058	Group Health Incorporated	3,772,057
			<b>Subtotal</b>	<b>\$ 3,772,057</b>
			<b>Grand Total</b>	<b>\$20,072,826*</b>

\* Management Decisions pending on \$1,798,753.

The information above comes from OPM's Audit Report and Receivables Tracking System (ARRTS). The receivables listed were determined more than one year and one month prior to September 30, 2007, making them more than one year delinquent.



## **COMMENTS ON UNRESOLVED MANAGEMENT DECISIONS OVER ONE YEAR OLD**

Of the \$20,072,826 for which a management decision was not implemented within one year, 90.2 percent, or \$18,100,627, relate to health benefit overpayment issues and the Carriers are in the process of collecting them. Contractually, the Carriers must follow normal business practices and make a concerted attempt to collect the overpayments. Therefore, until the funds have been recovered or until it has been determined that the funds are uncollectible and must be written-off, the receivable must remain on OPM's book of record.

**SIGNIFICANT MANAGEMENT DECISIONS APRIL 1, 2007 THROUGH SEPTEMBER 30, 2007 ON FINAL REPORTS ISSUED BY THE OFFICE OF THE INSPECTOR GENERAL**

<b><u>REPORT AND REPORT NUMBER</u></b>	<b><u>AUDIT FINDINGS</u></b>	<b><u>MANAGEMENT RESULTS</u></b>	<b><u>AMOUNT RECOVERED</u></b>
Group Health Incorporated New York, New York ID-80-00-04-058 June 20, 2005	Coordination of Benefits with Medicare	Initial negotiations with the Carrier were not successful. As a result, the Contracting Officer issued a Final Decision based upon the findings in the Office of the Inspector General's Final Audit Report. We will attain final Resolution through continued negotiations or the legal process.	We have not determined the total amount to be recovered on this audit since the legal process is still in progress.