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

# Final Audit Report

**Subject:**

## AUDIT ON GLOBAL CLAIMS WHERE AMOUNTS PAID EXCEEDED COVERED CHARGES FOR BLUECROSS AND BLUESHIELD PLANS

**Report No. 1A-99-00-10-030**

**Date:** January 11, 2011

**--CAUTION--**

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

# AUDIT REPORT

Federal Employees Health Benefits Program
Service Benefit Plan Contract CS 1039
BlueCross BlueShield Association
Plan Code 10

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Global Claims where Amounts Paid Exceeded Covered Charges
BlueCross and BlueShield Plans

REPORT NO. 1A-99-00-10-030 DATE: January 11, 2011

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

# EXECUTIVE SUMMARY

Federal Employees Health Benefits Program
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Global Claims where Amounts Paid Exceeded Covered Charges
BlueCross and BlueShield Plans

REPORT NO. 1A-99-00-10-030 DATE: January 11, 2011

This final audit report on the Federal Employees Health Benefits Program (FEHBP) operations at all BlueCross and BlueShield (BCBS) plans questions $2,216,234 in health benefit charges. The BlueCross BlueShield Association and/or BCBS plans agreed with $1,655,291 and disagreed with $560,943 of the questioned charges.

Our limited scope audit was conducted in accordance with Government Auditing Standards. The audit covered health benefit payments from January 1, 2008 through January 31, 2010 as reported in the Annual Accounting Statements. Specifically, we reviewed all facility claims that were reimbursed during this period where the amounts paid exceeded covered charges by $9,500 or more. Based on our review, we determined that the BCBS plans incorrectly paid 85 claims, resulting in net overcharges of $2,216,234 to the FEHBP. Specifically, the BCBS plans overpaid 82 claims by $2,234,710 and underpaid 3 claims by $18,476.

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# I. INTRODUCTION AND BACKGROUND

## INTRODUCTION

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 all BlueCross and BlueShield (BCBS) plans.

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

## BACKGROUND

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 BCBS plans, has entered into a Government-wide Service Benefit Plan contract (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. There are approximately 63 local BCBS plans participating in the FEHBP.

The Association has established a Federal Employee Program (FEP[1]) 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 BlueCross BlueShield, located in Washington, D.C. These activities include acting as fiscal intermediary between the Association and member plans, verifying subscriber eligibility, approving or disapproving the reimbursement of local plan payments of FEHBP claims (using computerized system edits), maintaining a history file of all FEHBP claims, and maintaining an accounting of all program funds.

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

[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.

This is our first global audit of claims where the amounts paid exceeded covered charges for the BCBS plans. Our preliminary results for this audit were presented in detail in a draft report, dated April 15, 2010. The Association's comments offered in response to the draft report were considered in preparing our final report and are included as the Appendix to this report. Also, additional documentation provided by the Association and BCBS plans on various dates through October 27, 2010 was considered in preparing our final report.

## II. OBJECTIVE, SCOPE, AND METHODOLOGY

### OBJECTIVE

The objective of this audit was to determine whether the BCBS plans properly charged the FEHBP for claims where the amounts paid exceeded covered charges.

### 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audit covered health benefit payments from January 1, 2008 through January 31, 2010 as reported in the Annual Accounting Statements. Specifically, we reviewed facility claims that were reimbursed during this period where the amounts paid exceeded covered charges. Based on our claim variance report, we identified 96,998 facility claims for this period where the amounts paid exceeded covered charges by a total of $135,043,267 (also referred to as variances or potential overpayments).[2] From this universe, we selected and reviewed all facility claims where the amounts paid exceeded covered charges by $9,500 or more. Our sample included 2,599 facility claims, totaling $57,410,745 in variances or potential overpayments, for 49 of the 63 BCBS plans (See Schedule A for the summary of the claim sample selections by plan).

We did not consider each BCBS plan's internal control structure in planning and conducting our auditing procedures. Our audit approach consisted mainly of substantive tests of transactions and not tests of controls. Therefore, we do not express an opinion on each BCBS plan's system of internal controls taken as a whole.

We also conducted tests to determine whether the BCBS plans had complied with the contract and the laws and regulations governing the FEHBP as they relate to claim payments where the amounts paid exceeded covered charges. The results of our tests indicate that, with respect to the items tested, the BCBS plans did not fully comply with the provisions of the contract relative to claim payments where the amounts paid exceeded covered charges. Exceptions noted in the areas reviewed are set forth in detail in the "Audit Finding 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 BCBS plans 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, the FEP Operations Center, and the BCBS plans. 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

[2] This universe excludes facility claims where the amounts paid exceeded covered charges for the BCBS plans' years that were previously audited by the OIG.

testing, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objective.

The audit was performed at our offices in Washington, D.C.; Cranberry Township, Pennsylvania; and Jacksonville, Florida from August 2010 through November 2010.

## METHODOLOGY

To test each BCBS plan's compliance with the FEHBP health benefit provisions related to claim payments where the amounts paid exceeded covered charges, we selected all facility claims where the amounts paid exceeded covered charges by $9,500 or more that were identified in a computer search. Specifically, we selected for review a judgmental sample of 2,599 facility claims, totaling $57,410,745 in variances or potential overpayments (out of 96,998 facility claims, totaling $135,043,267 in variances or potential overpayments).

The facility claims selected for review were submitted to each applicable BCBS plan for their review and response. We then conducted a limited review of the plans' agreed responses and an expanded review of their disagreed responses to determine the appropriate questioned amount. We did not project the sample results to the universe.

The determination of the questioned amount is based on the FEHBP contract, the Service Benefit Plan brochure, and the Association's FEP administrative manual.

## III. AUDIT FINDING AND RECOMMENDATIONS

**Claims where Amounts Paid Exceeded Covered Charges** **$2,216,234**

The BCBS plans incorrectly paid 85 claims, resulting in net overcharges of $2,216,234 to the FEHBP. Specifically, the BCBS plans overpaid 82 claims by $2,234,710 and underpaid 3 claims by $18,476.

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." Part II, section 2.3(g) states, "If the Carrier or OPM determines that a Member's claim has been paid in error for any reason . . . the Carrier shall make a prompt and diligent effort to recover the erroneous payment . . . ."

Contract CS 1039, Part II, section 2.6 states, "(a) The Carrier shall coordinate the payment of benefits under this contract with the payment of benefits under Medicare . . . (b) The Carrier shall not pay benefits under this contract until it has determined whether it is the primary carrier . . . ."

Section 6(h) of the FEHB Act provides that rates should reasonably and equitably reflect the costs of benefits provided.

We performed a computer search on the BCBS claims database, using our data warehouse function, to identify facility claims reimbursed during the period January 1, 2008 through January 31, 2010 where the amounts paid exceeded covered charges. Based on our claim variance report, we identified 96,998 claims for this period where the amounts paid exceeded covered charges by a total of $135,043,267.[3] From this universe, we selected and reviewed all facility claims where the amounts paid exceeded covered charges by $9,500 or more, and determined if the BCBS plans paid these claims correctly. Our sample included 2,599 facility claims, totaling $57,410,745 in variances or potential overpayments, for 49 of the 63 BCBS plans (See Schedule A for the summary of the claim sample selections by plan).

Based on our review, we determined that 85 of these claims were paid incorrectly, resulting in net overcharges of $2,216,234 to the FEHBP.[4] Specifically, the BCBS plans overpaid 82 claims by $2,234,710 and underpaid 3 claims by $18,476 (See Schedule B for a summary of the claim payment errors by plan).

[3] This universe excludes facility claims for the BCBS plans' years that were previously audited by the OIG.

[4] In addition, there were 60 claim payment errors, totaling $3,049,560 in overpayments, that were identified by the BCBS plans before the start of the audit (i.e., April 15, 2010) and adjusted or voided by the Association's response date (i.e., June 30, 2010) to the draft report. Since these overpayments were identified by the BCBS plans before the start of our audit and adjusted or voided by the Association's response date to the draft report, we did not question these overpayments in the final report.

These claim payment errors resulted from the following:

- The BCBS plans paid 54 claims using the incorrect pricing allowances or methodologies, resulting in net overcharges of $1,398,327 to the FEHBP. These errors were due to the plans using the incorrect per diems, diagnosis related grouping rates, or percent of charges when pricing the claims, or not applying the lesser of billed charges. Consequently, the BCBS plans overpaid 51 claims by $1,416,803 and underpaid 3 claims by $18,476.

- The BCBS plans paid seven claims where the procedure line charges were incorrectly bundled, resulting in overcharges of $223,933 to the FEHBP.

- The BCBS plans inadvertently paid duplicate charges for eight claims, resulting in overcharges of $172,141 to the FEHBP.

- The BCBS plans did not properly coordinate eight claims with Medicare, resulting in overcharges of $151,279 to the FEHBP.

- The BCBS plans incorrectly priced four claims due to provider billing errors, resulting in overcharges of $129,623 to the FEHBP.

- In one instance, WellPoint BCBS of Georgia paid a claim using the incorrect number of days when pricing the claim, resulting in an overcharge of $91,634 to the FEHBP.

- In two instances, Wellpoint BCBS of Colorado and Mountain State BCBS inadvertently paid for unallowable services, resulting in overcharges of $37,720 to the FEHBP.

- In one instance, Wellpoint BCBS of Indiana overpaid a claim by $11,577 due to an incorrectly loaded hospital rate in the plan's local pricing system.

Of the $2,216,234 in questioned charges, $545,222 (25 percent) were identified by the BCBS plans before the start of our audit (i.e., April 15, 2010). However, since the BCBS plans had not completed the recovery process and/or adjusted or voided these claim payment errors by the Association's response date (i.e., June 30, 2010) to the draft report, we are continuing to question these overcharges. The remaining questioned charges of $1,671,012 (75 percent) were identified as a result of our audit.

**Association's Response:**

The Association agrees with $1,306,946 of the questioned overcharges and states that the BCBS plans have recovered $605,889 of the overpayments as of June 30, 2010.

Regarding the contested amount to the draft report, the Association disagrees with these potential overcharges for the following reasons:

- The claim payment errors were adjusted or voided prior to the start of the audit (April 15, 2010).

- The claim payment errors were adjusted or voided and the letter of credit account adjustments were made on or after April 15, 2010, but by the response date (June 30, 2010) to the draft report.

- The claim payments errors were identified and recoveries were initiated prior to April 15, 2010, but the recovery process had not been completed as of June 30, 2010.

- The claims were paid correctly according to the plans' pricing methodologies.

Regarding corrective actions, the Association states, "our analysis identified that the Validity and Compatibility Edit C92 (High Dollar) in FEPExpress is being generated based upon the Covered Charges as opposed to the Plan's allowances. Because the claims for this audit are based upon the Plan's allowances exceeding the Covered Charges . . . there were claims that should have stopped prior to payment for verification of the allowances that did not defer. Had these claims deferred for investigation of the Plan Allowance field, there is the likelihood that they could have been corrected prior to payment. A modification to the FEPExpress claims system to defer claims based upon the Plan Allowances has been requested for implementation by 1st quarter 2011. . . .

To reduce these types of claim errors from occurring in the future, Plans and the Association perform the following:

- Use confirmed audit errors as training tools to enhance the proficiency of claims examiners. The Plans periodically conduct refresher training on the correct methods for coding, pricing and the submission requirements for all types of claims along with any exceptions noted since the previous training session.

- Use various Plan meetings, on-line webinars, audit alerts, Bulletins, Plan visits and the FEP Administrative Manual as tools to educate Plan staff on various components of the claims adjudication process.

- Continue to conduct the Association's System Wide Claim Review process to identify claims on a post-payment basis where the amount paid is greater than charges for Plans to review and correct as necessary.

While these measures are not absolute they provide reasonable assurances that such items will be identified and corrected. Accordingly, to the extent that errors did occur, the payments are good faith erroneous benefits payments and fall within the context of CS 1039, Section 2.3(g). . . .

To further reduce these types of claims errors in the future, the BCBSA will implement the following by August 31, 2010:

- Modify Plans' pre-payment quality review processes to review a percentage of claims prior to submission to the FEP Operations Center, with emphasis on the impact of coding accuracy in the payment process.

- Add claims that cover two benefit periods to the Association System Wide Claim Review process.

- Increase the claims sample size to validate that Plans have accurately evaluated claims provided during the System Wide Claim Review process.

BCBSA will also evaluate the feasibility of implementing . . . additional controls by the 4th quarter of 2010 and implementation, if determined to be feasible, no later than 2nd quarter of 2011."

**OIG Comments:**

After reviewing the Association's response and additional documentation provided by the BCBS plans, we revised the questioned charges from our draft report to $2,216,234. Based on the Association's response and the BCBS plans' additional documentation, we determined that the Association and/or plans agree with $1,655,291 and disagree with $560,943 of the questioned charges. Although the Association only agrees with $1,306,946 in its written response, the BCBS plans' documentation supports concurrence with $1,655,291.

Based on the Association's response and/or the BCBS plans' documentation, the contested amount of $560,943 represents the following items:

- $545,222 of the contested amount represents 11 claims where recovery efforts were initiated by three BCBS plans (BCBS of Florida, WellPoint BlueCross of California, and BCBS of Delaware) before the audit started. However, the plans had not recovered these overpayments and adjusted or voided the claims by the Association's response date to the draft report. Since these overpayments had not been recovered and returned to the FEHBP by the Association's response date, we are continuing to question this amount in the final report.

- $15,721 of the contested amount represents one claim that was priced incorrectly by BCBS of Wyoming due to a provider billing error. As a result of our audit, the Plan voided this claim on May 18, 2010 to correct the overpayment error.

**Recommendation 1**

We recommend that the contracting officer disallow $2,234,710 for claim overcharges and verify that the BCBS plans return all amounts recovered to the FEHBP.

**Recommendation 2**

We recommend that the contracting officer allow the BCBS plans to charge the FEHBP $18,476 if additional payments are made to the providers to correct the underpayments.

**Recommendation 3**

Although the Association has developed a corrective action plan to reduce payment errors relating to claims where amounts paid exceeded covered charges, we recommend that the contracting officer instruct the Association to ensure that the BCBS plans are following the corrective action plan. Also, we recommend that the contracting officer verify the additional correction actions included in the Association's response that have or will be implemented as a result of our audit finding. The status of these corrective actions will also be evaluated during future audits scheduled by the OIG.

## IV. MAJOR CONTRIBUTORS TO THIS REPORT

Experience-Rated Audits Group

[redacted] Auditor-In-Charge

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## V. SCHEDULES

### GLOBAL CLAIMS WHERE AMOUNTS PAID EXCEEDED COVERED CHARGES
### BLUECROSS AND BLUESHIELD PLANS

### SUMMARY OF CLAIM SAMPLE SELECTIONS BY PLAN

| Plan Site Number | Plan Name | State | Period Subject to Audit | SAMPLE | | | |
|---|---|---|---|---|---|---|---|
| | | | | Number of Claims | Total Covered Charges | Total Amounts Paid | Potential Overcharges (Variances) |
| 003 | BCBS of New Mexico | NM | January 1, 2008 - January 31, 2010 | 16 | $115,245 | $349,719 | $234,474 |
| 005 | WellPoint BCBS of Georgia | GA | January 1, 2008 - January 31, 2010 | 57 | 1,498,943 | 2,644,913 | 1,145,969 |
| 006 | CareFirst BCBS (Maryland Service Area) | MD | January 1, 2009 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 007 | BCBS of Louisiana | LA | January 1, 2008 - January 31, 2010 | 2 | 66,972 | 139,380 | 72,409 |
| 009 | BCBS of Alabama | AL | January 1, 2008 - January 31, 2010 | 82 | 2,471,739 | 3,971,528 | 1,499,789 |
| 010 | BC of Idaho Health Service | ID | January 1, 2008 - January 31, 2010 | 31 | 491,179 | 960,166 | 468,987 |
| 011 | BCBS of Massachusetts | MA | January 1, 2008 - January 31, 2010 | 339 | 10,756,264 | 19,738,312 | 8,982,048 |
| 012 | BCBS of Western New York | NY | January 1, 2008 - January 31, 2010 | 18 | 353,532 | 830,110 | 476,578 |
| 013 | Highmark BCBS | PA | January 1, 2008 - January 31, 2010 | 21 | 715,207 | 1,698,385 | 983,179 |
| 015 | BCBS of Tennessee | TN | January 1, 2008 - January 31, 2010 | 69 | 1,889,041 | 3,496,135 | 1,607,094 |
| 016 | BCBS of Wyoming | WY | January 1, 2008 - January 31, 2010 | 26 | 347,287 | 775,390 | 428,103 |
| 017 | BCBS of Illinois | IL | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 021 | WellPoint BCBS of Ohio | OH | January 1, 2008 - January 31, 2010 | 63 | 561,443 | 1,633,019 | 1,071,576 |
| 024 | BCBS of South Carolina | SC | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 027 | WellPoint BCBS of New Hampshire | NH | January 1, 2008 - January 31, 2010 | 25 | 1,031,848 | 1,481,614 | 449,767 |
| 028 | BCBS of Vermont | VT | January 1, 2008 - January 31, 2010 | 11 | 187,424 | 340,841 | 153,417 |
| 029 | BCBS of Texas | TX | January 1, 2008 - January 31, 2010 | 68 | 1,842,113 | 3,022,771 | 1,180,658 |
| 030 | WellPoint BCBS of Colorado | CO | January 1, 2008 - January 31, 2010 | 10 | 140,081 | 437,628 | 297,547 |
| 031 | Wellmark BCBS of Iowa | IA | January 1, 2008 - January 31, 2010 | 31 | 999,659 | 1,624,970 | 625,311 |
| 032 | BCBS of Michigan | MI | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 033 | BCBS of North Carolina | NC | January 1, 2008 - January 31, 2010 | 123 | 3,774,536 | 6,152,828 | 2,378,292 |
| 034 | BCBS of North Dakota | ND | January 1, 2008 - January 31, 2010 | 26 | 515,120 | 886,970 | 371,850 |
| 036 | Capital BlueCross | PA | January 1, 2008 - January 31, 2010 | 27 | 491,335 | 1,000,045 | 508,711 |
| 037 | BCBS of Montana | MT | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 038 | BCBS of Hawaii | HI | January 1, 2008 - January 31, 2010 | 17 | 262,208 | 675,179 | 412,972 |
| 039 | WellPoint BCBS of Indiana | IN | January 1, 2008 - January 31, 2010 | 114 | 1,074,118 | 2,946,034 | 1,871,917 |
| 040 | BCBS of Mississippi | MS | January 1, 2008 - January 31, 2010 | 1 | 4,540 | 40,838 | 36,298 |
| 041 | BCBS of Florida | FL | January 1, 2008 - January 31, 2010 | 58 | 1,224,472 | 2,637,488 | 1,413,016 |
| 042 | BCBS of Kansas City | MO | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 043 | Regence BS of Idaho | ID | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 044 | Arkansas BCBS | AR | January 1, 2008 - January 31, 2010 | 3 | 83,659 | 119,276 | 35,617 |
| 045 | WellPoint BCBS of Kentucky | KY | January 1, 2008 - January 31, 2010 | 14 | 225,325 | 586,831 | 361,506 |
| 047 | WellPoint BCBS United of Wisconsin | WI | January 1, 2008 - January 31, 2010 | 2 | 60,369 | 169,398 | 109,029 |
| 048 | Empire BCBS | NY | January 1, 2008 - January 31, 2010 | 215 | 10,369,137 | 16,862,280 | 6,493,143 |
| 049 | Horizon BCBS of New Jersey | NJ | January 1, 2009 - January 31, 2010 | 8 | 258,751 | 409,393 | 150,642 |
| 050 | WellPoint BCBS of Connecticut | CT | January 1, 2008 - January 31, 2010 | 19 | 486,197 | 942,517 | 456,321 |
| 052 | WellPoint BC of California | CA | January 1, 2008 - January 31, 2010 | 23 | 1,429,565 | 1,980,790 | 551,225 |
| 053 | BCBS of Nebraska | NE | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 054 | Mountain State BCBS | WV | January 1, 2008 - January 31, 2010 | 73 | 2,080,314 | 3,307,699 | 1,227,385 |
| 055 | Independence BC | PA | January 1, 2008 - January 31, 2010 | 26 | 458,084 | 832,287 | 374,203 |
| 056 | BCBS of Arizona | AZ | January 1, 2008 - January 31, 2010 | 76 | 1,461,589 | 4,156,238 | 2,694,649 |
| 058 | Regence BCBS of Oregon | OR | January 1, 2008 - January 31, 2010 | 126 | 2,888,997 | 5,438,338 | 2,549,341 |
| 059 | WellPoint BCBS of Maine | ME | January 1, 2008 - January 31, 2010 | 37 | 470,410 | 1,062,001 | 591,591 |
| 060 | BCBS of Rhode Island | RI | January 1, 2008 - January 31, 2010 | 10 | 136,352 | 307,735 | 171,383 |
| 061 | WellPoint BCBS of Nevada | NV | January 1, 2008 - January 31, 2010 | 7 | 53,192 | 170,746 | 117,554 |
| 062 | WellPoint BCBS of Virginia | VA | January 1, 2008 - January 31, 2010 | 274 | 6,262,132 | 11,724,898 | 5,462,765 |
| 064 | Excellus BCBS of the Rochester Area | NY | January 1, 2008 - January 31, 2010 | 5 | 264,767 | 367,465 | 102,698 |
| 066 | Regence BCBS of Utah | UT | January 1, 2008 - January 31, 2010 | 8 | 320,263 | 538,015 | 217,752 |
| 067 | BS of California | CA | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 069 | Regence BS of Washington | WA | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 070 | BCBS of Alaska | AK | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 074 | Wellmark BCBS of South Dakota | SD | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 075 | Premera BC (Washington) | WA | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 076 | WellPoint BCBS of Missouri | MO | January 1, 2008 - January 31, 2010 | 1 | 3,621 | 18,849 | 15,228 |
| 078 | BCBS of Minnesota | MN | January 1, 2008 - January 31, 2010 | 29 | 353,376 | 780,642 | 427,267 |

V. SCHEDULES

GLOBAL CLAIMS WHERE AMOUNTS PAID EXCEEDED COVERED CHARGES
BLUECROSS AND BLUESHIELD PLANS

SUMMARY OF CLAIM SAMPLE SELECTIONS BY PLAN

| Plan Site Number | Plan Name | State | Period Subject to Audit | SAMPLE | | | |
|---|---|---|---|---|---|---|---|
| | | | | Number of Claims | Total Covered Charges | Total Amounts Paid | Potential Overcharges (Variances) |
| 079 | Excellus BCBS of Central New York | NY | January 1, 2008 - January 31, 2010 | 13 | $413,348 | $648,198 | $234,850 |
| 082 | BCBS of Kansas | KS | January 1, 2008 - January 31, 2010 | 0 | 0 | 0 | 0 |
| 083 | BCBS of Oklahoma | OK | January 1, 2008 - January 31, 2010 | 191 | 2,948,950 | 6,147,231 | 3,198,281 |
| 084 | Excellus BCBS of Utica-Watertown | NY | January 1, 2008 - January 31, 2010 | 8 | 103,995 | 225,463 | 121,467 |
| 085 | CareFirst BCBS (DC Service Area) | DC | January 1, 2009 - January 31, 2010 | 188 | 6,217,995 | 11,152,743 | 4,934,748 |
| 088 | BC of Northern Pennsylvania | PA | January 1, 2008 - January 31, 2010 | 6 | 172,125 | 263,413 | 91,288 |
| 089 | BCBS of Delaware | DE | January 1, 2008 - January 31, 2010 | 1 | 2,250 | 29,250 | 27,000 |
| 092 | CareFirst BCBS (Overseas) | | January 1, 2009 - January 31, 2010 | 1 | 4,410 | 28,260 | 23,850 |
| TOTAL | | | | 2,599 | $68,343,476 | $125,754,221 | $57,410,745 |

## GLOBAL CLAIMS WHERE AMOUNTS PAID EXCEEDED COVERED CHARGES
## BLUECROSS AND BLUESHIELD PLANS

### QUESTIONED CHARGES BY PLAN

| Plan Site Number | Plan Name | State | Total Questioned | | Amounts Questioned by Year | | | Plan | Plan |
|---|---|---|---|---|---|---|---|---|---|
| | | | Claims | Charges | 2008 | 2009 | 2010 | Agrees | Disagrees |
| 003 | BCBS of New Mexico | NM | 0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 005 | WellPoint BCBS of Georgia | GA | 2 | 101,383 | 91,634 | 9,749 | 0 | 101,383 | 0 |
| 006 | CareFirst BCBS (Maryland Service Area) | MD | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 007 | BCBS of Louisiana | LA | 1 | 35,320 | 35,320 | 0 | 0 | 35,320 | 0 |
| 009 | BCBS of Alabama | AL | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 010 | BC of Idaho Health Service | ID | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 011 | BCBS of Massachusetts | MA | 1 | 44,013 | 0 | 44,013 | 0 | 44,013 | 0 |
| 012 | BCBS of Western New York | NY | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 013 | Highmark BCBS | PA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 015 | BCBS of Tennessee | TN | 1 | 18,508 | 0 | 18,508 | 0 | 18,508 | 0 |
| 016 | BCBS of Wyoming | WY | 1 | 15,721 | 0 | 15,721 | 0 | 0 | 15,721 |
| 017 | BCBS of Illinois | IL | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 021 | WellPoint BCBS of Ohio | OH | 12 | 145,181 | 9,894 | 105,022 | 30,265 | 145,181 | 0 |
| 024 | BCBS of South Carolina | SC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 027 | WellPoint BCBS of New Hampshire | NH | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 028 | BCBS of Vermont | VT | 1 | 19,958 | 19,958 | 0 | 0 | 19,958 | 0 |
| 029 | BCBS of Texas | TX | 3 | 53,068 | 15,011 | 29,548 | 8,509 | 53,068 | 0 |
| 030 | WellPoint BCBS of Colorado | CO | 1 | 16,327 | 0 | 16,327 | 0 | 16,327 | 0 |
| 031 | Wellmark BCBS of Iowa | IA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 032 | BCBS of Michigan | MI | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 033 | BCBS of North Carolina | NC | 2 | 42,017 | 7,997 | 34,020 | 0 | 42,017 | 0 |
| 034 | BCBS of North Dakota | ND | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 036 | Capital BlueCross | PA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 037 | BCBS of Montana | MT | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 038 | BCBS of Hawaii | HI | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 039 | WellPoint BCBS of Indiana | IN | 8 | 196,466 | 177,548 | 13,103 | 5,814 | 196,466 | 0 |
| 040 | BCBS of Mississippi | MS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 041 | BCBS of Florida | FL | 7 | 450,928 | 0 | 450,928 | 0 | 93,151 | 357,777 |
| 042 | BCBS of Kansas City | MO | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 043 | Regence BS of Idaho | ID | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 044 | Arkansas BCBS | AR | 2 | 44,899 | 0 | 44,899 | 0 | 44,899 | 0 |
| 045 | WellPoint BCBS of Kentucky | KY | 1 | 11,267 | 0 | 0 | 11,267 | 11,267 | 0 |
| 047 | WellPoint BCBS United of Wisconsin | WI | 1 | 97,111 | 97,111 | 0 | 0 | 97,111 | 0 |
| 048 | Empire BCBS | NY | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 049 | Horizon BCBS of New Jersey | NJ | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 050 | WellPoint BCBS of Connecticut | CT | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 052 | WellPoint BC of California | CA | 4 | 160,445 | 82,913 | 77,532 | 0 | 0 | 160,445 |
| 053 | BCBS of Nebraska | NE | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 054 | Mountain State BCBS | WV | 2 | 27,641 | 0 | 27,641 | 0 | 27,641 | 0 |
| 055 | Independence BC | PA | 2 | 39,296 | 39,296 | 0 | 0 | 39,296 | 0 |
| 056 | BCBS of Arizona | AZ | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 058 | Regence BCBS of Oregon | OR | 5 | 24,724 | 17,830 | 6,894 | 0 | 24,724 | 0 |
| 059 | WellPoint BCBS of Maine | ME | 1 | (5,118) | (5,118) | 0 | 0 | (5,118) | 0 |
| 060 | BCBS of Rhode Island | RI | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 061 | WellPoint BCBS of Nevada | NV | 1 | 27,444 | 27,444 | 0 | 0 | 27,444 | 0 |
| 062 | WellPoint BCBS of Virginia | VA | 10 | 193,208 | 13,623 | 179,585 | 0 | 193,208 | 0 |
| 064 | Excellus BCBS of the Rochester Area | NY | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 066 | Regence BCBS of Utah | UT | 1 | 26,253 | 26,253 | 0 | 0 | 26,253 | 0 |
| 067 | BS of California | CA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 069 | Regence BS of Washington | WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 070 | BCBS of Alaska | AK | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 074 | Wellmark BCBS of South Dakota | SD | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 075 | Premera BC (Washington) | WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 076 | WellPoint BCBS of Missouri | MO | 1 | 17,000 | 0 | 17,000 | 0 | 17,000 | 0 |
| 078 | BCBS of Minnesota | MN | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## GLOBAL CLAIMS WHERE AMOUNTS PAID EXCEEDED COVERED CHARGES
## BLUECROSS AND BLUESHIELD PLANS

### QUESTIONED CHARGES BY PLAN

| Plan Site Number | Plan Name | State | Total Questioned Claims | Total Questioned Charges | Amounts Questioned by Year 2008 | 2009 | 2010 | Plan Agrees | Plan Disagrees |
|---|---|---|---|---|---|---|---|---|---|
| 079 | Excellus BCBS of Central New York | NY | 0 | $0 | $0 | $0 | $0 | $0 | $0 |
| 082 | BCBS of Kansas | KS | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 083 | BCBS of Oklahoma | OK | 2 | 26,273 | 26,273 | 0 | 0 | 26,273 | 0 |
| 084 | Excellus BCBS of Utica-Watertown | NY | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 085 | CareFirst BCBS (DC Service Area) | DC | 9 | 310,354 | 0 | 282,114 | 28,239 | 310,354 | 0 |
| 088 | BC of Northern Pennsylvania | PA | 1 | 25,696 | 25,696 | 0 | 0 | 25,696 | 0 |
| 089 | BCBS of Delaware | DE | 1 | 27,300 | 0 | 27,300 | 0 | 300 | 27,000 |
| 092 | CareFirst BCBS (Overseas) | | 1 | 23,552 | 0 | 23,552 | 0 | 23,552 | 0 |
| | Total | | 85 | $2,216,234 | $708,683 | $1,423,456 | $84,095 | $1,655,291 | $560,943 |

APPENDIX

BlueCross BlueShield Association

An Association of Independent Blue Cross and Blue Shield Plans

Federal Employee Program
1310 G Street, N.W.
Washington, D.C. 20005
202.942.1000
Fax 202.942.1125

June 30, 2010

[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 20415-1100

**Reference:** **OPM DRAFT AUDIT REPORT**
**Global Amount Paid Exceeded Covered Charges**
**Audit Report #1A-99-00-10-030**
**(Report dated and received 04/15/2010)**

Dear [redacted]:

This is in response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report concerning the Global Amount Paid Exceeded Covered Charges for claims paid from January 1, 2008 through January 31, 2010, with potential overpayments totaling $57,410,745. Our comments concerning the findings in this report are as follows:

**Recommendation 1 and 2 and BCBSA Response**

The OPM OIG auditors recommended that the Blue Cross Blue Shield Association (Association) and/or BCBS Plans review the sample of 2,599 facility claims, totaling $57,410,745 to determine whether the claims were paid properly. For all claim payment errors, the BCBS plans should initiate recovery efforts immediately as required by the FEHBP contract, and return all amounts recovered to the FEHBP. After reviewing the listings of Amount Paid Exceeded Covered Charges potential overpayments totaling $57,410,745, the Association does not contest that 122 claims totaling $1,306,946 in claim payments were made. As of June 30, 2010, the Plans have recovered and returned $605,889 to the Program for these overpayments. This represents .0013 percent of the 96,998 facility claims reviewed and .0096 percent of the facility claims where the amounts paid exceeded covered charges of $135,043,267. For the period of the audit, it represents 0.00007 percent of total facility claims paid of $19,358,037,860.

We contest the remaining 2,477 claims totaling $56,103,799 (support provided) for the following reasons:

- $ 2,018,192 in claim payments were voided and/or adjusted prior to the start of the audit (April 15, 2010).
- $152,833 in claim payments were adjusted or voided and LOCA adjusted on or after April 15, 2010 but by June 30, 2010.
- $421,354 in claim payments error were identified and recovery was initiated prior to the start of this audit (April 15, 2010) but the recovery process had not been completed as of June 30, 2010.
- The remaining $53,511,420 in questioned claim payments were paid correctly according to the Plan's pricing methodology.

**Recommendation 3 and Response**

The OIG Auditors recommended that the contracting officer instruct the Association to have the BCBS Plans identify the root cause(s) of the claim payment errors and implement corrective actions/procedures to prevent these types of errors in the future. Based on our review of the Plan's confirmed overpayments, our analysis identified that the Validity and Compatibility Edit C92 (High Dollar) in FEPExpress is being generated based upon the Covered Charges as opposed to the Plan's allowances. Because the claims for this audit are based upon the Plans' allowances exceeding the Covered Charges (Charged/Billed Amount), there were claims that should have stopped prior to payment for verification of the allowances that did not defer. Had these claims deferred for investigation of the Plan Allowance field, there is the likelihood that they could have been corrected prior to payment. A modification to the FEPExpress claims system to defer claims based upon the Plan Allowance has been requested for implementation by 1st quarter 2011.

Our analysis of the Plans' results identified the following:

- 64 claims totaling $661,388 were paid incorrectly as a result of processor error in pricing the claim using incorrect DRGs, Per Diems, allowances or bundling claim lines for payment.
- 55 claims totaling $601,955 were paid incorrectly as a result of processor error in incorrect data or provider billing errors.

To reduce these types of claim errors from occurring in the future, Plans and the Association perform the following:

- Use confirmed audit errors as training tools to enhance the proficiency of claims examiners. The Plans periodically conduct re-fresher training on the correct methods for coding, pricing and the submission requirements for all types of claims along with any exceptions noted since the previous training session.
- Use various Plan meetings, on-line webinars, audit alerts, Bulletins, Plan visits and the FEP Administrative Manual as tools to educate Plan staff on various components of the claims adjudication process.
- Continue to conduct the Association's System Wide Claim Review process to identify claims on a post payment basis where the amount paid is greater than charges for Plans to review and correct as necessary.

While these measures are not absolute, they provide reasonable assurances that such items will be identified and corrected. Accordingly, to the extent that errors did occur, the payments are good faith erroneous benefits payments and fall within the context of CS 1039, Section 2.3(g). Any benefit payments the Plan is unable to recover are allowable charges to the Program. In addition, as good faith erroneous payments, lost investment income does not apply to the payments identified in this finding.

To further reduce these types of claims errors in the future, BCBSA will implement the following by August 31, 2010:

- Modify Plans' pre-payment quality review processes to review a percentage of claims prior to submission to the FEP Operations Center, with emphasis on the impact of coding accuracy in the payment process.
- Add claims that cover two benefit periods to the Association System Wide Claim Review process.
- Increase the claims sample size to validate that Plans have accurately evaluated claims provided during the System Wide Claim Review process.

BCBSA will also evaluate the feasibility of implementing the following additional controls by the 4th quarter of 2010 and implementation, if determined to be feasible, no later than 2nd quarter of 2011.

- Defer claims for verification of the Plan Allowance when the Allowance exceeds the Covered Charges (Billed Charges) by $25,000 or more. It

should be noted that the Amount Paid is not determined until the claim passes all edits and as a result cannot be included in a pre-payment edit process.

- Defer direct data entry claims, special pricing claims and Plan calculated claims over a dollar maximum ($50,000) to allow Plans' to perform a quality review prior to the claim being released to FEP for processing.
- Defer for claims that cover more than one benefit period for management review before submitting the claim for processing.

We appreciate the opportunity to provide our response to each of the findings and request that our comments be included in their entirety as part of the Final Audit Report.

Sincerely,

[redacted]

Executive Director, Program Integrity
Federal Employee Program

Attachment

cc: [redacted]