



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

Final Audit Report

Subject:

AUDIT OF INFORMATION SYSTEMS
GENERAL AND APPLICATION CONTROLS AT
BLUECROSS BLUESHIELD OF ALABAMA

Report No. 1A-10-09-09-020

Date: November 5, 2009

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

Audit Report

**FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM
CONTRACT CS 1039
BLUECROSS BLUESHIELD OF ALABAMA
PLAN CODES 010/510
BIRMINGHAM, ALABAMA**

Report No. 1A-10-09-09-020

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A handwritten signature in black ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits



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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This final report discusses the results of our audit of general and application controls over the information systems at BlueCross BlueShield of Alabama (BCBSAL).

Our audit focused on the claims processing applications used to adjudicate Federal Employees Health Benefits Program (FEHBP) claims for BCBSAL, as well as the various processes and information technology (IT) systems used to support these applications. We documented controls in place and opportunities for improvement in each of the areas below.

Security Management

BCBSAL has established a comprehensive series of IT policies and procedures to create an awareness of IT security at the Plan. BCBSAL has also implemented an adequate risk assessment methodology, incident response capabilities, and IT security-related human resources controls.

Access Controls

We found that BCBSAL has implemented numerous physical controls to prevent unauthorized access to its facilities, as well as logical controls to prevent unauthorized access to its information systems.

Configuration Management

BCBSAL has established policies and procedures to ensure that modifications to application software occur in a controlled environment. In addition, BCBSAL has implemented a thorough system software change control methodology that calls for the utilization of a change management tool to control and track changes.

Contingency Planning

We reviewed BCBSAL's business continuity plans and concluded that they contained many of the key elements suggested by relevant guidance and publications. We also determined that these documents are reviewed, updated, and tested on a periodic basis.

Application Controls

BCBSAL has implemented many controls in its claims adjudication process to ensure that FEHBP claims are processed accurately. However, we recommended that BCBSAL implement several system modifications to ensure that its claims processing systems adjudicate FEHBP claims in a manner consistent with the OPM contract and other regulations.

Health Insurance Portability and Accountability Act (HIPAA)

Nothing came to our attention that caused us to believe that BCBSAL is not in compliance with the HIPAA security, privacy, and national provider identifier regulations.

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I. Introduction

This final report details the findings, conclusions, and recommendations resulting from the audit of general and application controls over the information systems responsible for processing Federal Employees Health Benefits Program (FEHBP) claims at BlueCross BlueShield of Alabama (BCBSAL).

The audit was conducted pursuant to Contract CS 1039; 5 U.S.C. Chapter 89; and 5 Code of Federal Regulations (CFR) Chapter 1, Part 890. 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.

Background

The FEHBP was established by the Federal Employees Health Benefits Act (the Act), enacted on September 28, 1959. The FEHBP was created to provide health insurance benefits for federal employees, annuitants, and qualified dependents. The provisions of the Act are implemented by OPM through regulations codified in Title 5, Chapter 1, Part 890 of the CFR. Health insurance coverage is made available through contracts with various carriers that provide service benefits, indemnity benefits, or comprehensive medical services.

BCBSAL headquarters is located in Birmingham, Alabama. Employees responsible for processing FEHBP (also, Federal Employee Program or FEP) claims are located at the Plan's facility in Birmingham, Alabama. BCBSAL's local claims processing system is housed in a mainframe environment with the Z/OS operating platform and IBM's Resource Allocation Control Facility (RACF) as its security server.

This was the OIG's first audit of general and application controls at BCBSAL. BCBSAL's compliance with the Health Insurance Portability and Accountability Act (HIPAA) was also reviewed.

All BCBSAL personnel that worked with the auditors were particularly helpful and open to ideas and suggestions. They viewed the audit as an opportunity to examine practices and to make changes or improvements as necessary. Their positive attitude and helpfulness throughout the audit was greatly appreciated.

Objectives

The objectives of this audit were to evaluate controls over the confidentiality, integrity, and availability of FEHBP data processed and maintained in BCBSAL's IT environment.

These objectives were accomplished by reviewing the following areas:

- Security management;
- Access controls;
- Configuration management;
- Segregation of duties;

- Contingency planning;
- Application controls specific to BCBSAL's claims processing systems; and
- HIPAA compliance.

Scope

This performance audit was conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Accordingly, the OIG obtained an understanding of BCBSAL's internal controls through interviews and observations, as well as inspection of various documents, including information technology and other related organizational policies and procedures. This understanding of BCBSAL's internal controls was used in planning the audit by determining the extent of compliance testing and other auditing procedures necessary to verify that the internal controls were properly designed, placed in operation, and effective.

The OIG evaluated the confidentiality, integrity, and availability of BCBSAL's computer-based information systems used to process FEHBP claims, and found that there are opportunities for improvement in the information systems' internal controls. These areas are detailed in the "Audit Findings and Recommendations" section of this report.

The scope of this audit centered on the claims processing systems that process FEHBP claims for BCBSAL, as well as the business structure and control environment in which they operate. These systems include the local claims processing system owned and operated by BCBSAL, and the FEP Express system owned and operated by the BlueCross BlueShield Association (BCBSA). BCBSAL is an independent licensee of the BCBSA.

In conducting our audit, we relied to varying degrees on computer-generated data provided by BCBSAL. Due to time constraints, we did not verify the reliability of the data used to complete some of our audit steps, but we determined that it was adequate to achieve our audit objectives. However, when our objective was to assess computer-generated data, we completed audit steps necessary to obtain evidence that the data was valid and reliable.

The audit was performed at BCBSAL offices in Birmingham, Alabama. These on-site activities were performed in February through April 2009. The OIG completed additional audit work before and after the on-site visits at OPM's office in Washington, D.C. The findings, recommendations, and conclusions outlined in this report are based on the status of information system general and application controls in place at BCBSAL as of April 17, 2009.

Methodology

In conducting this review the OIG:

- Gathered documentation and conducted interviews;
- Reviewed BCBSAL's business structure and environment;
- Performed a risk assessment of BCBSAL's information systems environment and applications, and prepared an audit program based on the assessment and the Government

Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM); and

- Conducted various compliance tests to determine the extent to which established controls and procedures were functioning as intended. As appropriate, the auditors used judgmental sampling in completing their compliance testing.

Various laws, regulations, and industry standards were used as a guide to evaluating BCBSAL's control structure. This criteria includes, but is not limited to, the following publications:

- Office of Management and Budget (OMB) Circular A-130, Appendix III;
- OMB Memorandum 07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information;
- Information Technology Governance Institute's CobiT: Control Objectives for Information and Related Technology;
- GAO's Federal Information System Controls Audit Manual;
- National Institute of Standards and Technology's Special Publication (NIST SP) 800-12, Introduction to Computer Security;
- NIST SP 800-14, Generally Accepted Principles and Practices for Securing Information Technology Systems;
- NIST SP 800-30, Risk Management Guide for Information Technology Systems;
- NIST SP 800-34, Contingency Planning Guide for Information Technology Systems;
- NIST SP 800-41, Guidelines on Firewalls and Firewall Policy;
- NIST SP 800-53 Revision 2, Recommended Security Controls for Federal Information Systems;
- NIST SP 800-61, Computer Security Incident Handling Guide;
- NIST SP 800-66 Revision 1, An Introductory Resource Guide for Implementing the HIPAA Security Rule; and
- HIPAA Act of 1996.

Compliance with Laws and Regulations

In conducting the audit, the OIG performed tests to determine whether BCBSAL's practices were consistent with applicable standards. While generally compliant with respect to the items tested, BCBSAL was not in complete compliance with all standards, as described in the "Audit Findings and Recommendations" section of this report.

II. Audit Findings and Recommendations

A. Security Management

The security management component of this audit involved the examination of the policies and procedures that are the foundation of BCBSAL's overall IT security controls. The OIG evaluated the adequacy of BCBSAL's ability to develop security policies, manage risk, assign security-related responsibility, and monitor the effectiveness of various system-related controls.

BCBSAL has implemented a conglomeration of IT security-related policies and procedures that comprise the Plan's entity-wide security program. These policies and procedures each contained a variety of elements that would be expected in a comprehensive security plan. The Plan's Information Security department, as well as the Health Insurance Portability and Accountability Act (HIPAA) Security Official, has the responsibility to develop, maintain, and provide oversight of BCBSAL's information security policies and procedures.

The OIG also evaluated BCBSAL's risk management methodology. The Information Security department at BCBSAL is responsible for conducting ongoing threat-based risk assessments. These assessments are used as a tool to identify security threats, vulnerabilities, potential impacts, and probability of occurrence. Information Security is also responsible for verifying that all of the controls associated with a risk are implemented.

The OIG also reviewed various BCBSAL security-related human resources policies and procedures. It was determined that the Plan has adequately incorporated IT security controls into the following human resources functions: hiring, termination, transfers, conflict of interest, training, and standards of conduct.

B. Access Controls

Access controls are the policies, procedures, and techniques management has put in place to prevent or detect unauthorized physical or logical access to sensitive resources.

The OIG examined the physical controls of BCBSAL's Birmingham, Alabama facility, as well as the additional controls protecting the data center within this facility. The Plan appeared to have adequate controls to ensure that only BCBSAL employees can access the facility, and that the only individuals who can access the data center are those whose job description requires access.

The OIG also examined the logical controls protecting BCBSAL's network environment and claims processing related applications. During this review, the following controls were documented:

- Procedures for appropriately granting and disabling access to information systems;
- Procedures for reviewing existing system access for appropriateness;
- Adequate intrusion detection capabilities;
- Policies to govern the use of firewalls;
- Procedures for sanitizing media containing sensitive information;

- Procedures for appropriately authorizing system and physical access to new employees;
- Procedures for appropriately removing system and physical access for terminated employees;
- Adequate authentication controls for the local and FEP Express applications;
- Secure remote and wireless network access; and
- Procedures for monitoring and filtering network activity.

The OIG also examined the physical controls of BCBSAL's facilities. Access to both of these facilities is controlled by an electronic access card system. Card readers are located on interior and exterior doors throughout the buildings, and the system is capable of limiting an individual's access to the physical areas required by their job function. The OIG also documented additional physical controls related to the data center and network operation centers within these facilities.

C. Configuration Management

BCBSAL's local claims processing system is housed in a mainframe environment with [REDACTED] as its security server.

BCBSAL has developed formal policies and procedures providing guidance to ensure that system software is appropriately configured and updated, as well as for controlling system software configuration changes. Auditors verified that these policies are being appropriately followed and did not detect any weaknesses in BCBSAL's configuration management methodology.

The OIG also conducted a limited review of the security settings of BCBSAL's [REDACTED] database and did not identify any weaknesses in the configuration settings.

D. Contingency Planning

The OIG reviewed BCBSAL's service continuity program to determine if (1) procedures were in place to protect information resources and minimize the risk of unplanned interruptions, and (2) a plan existed to recover critical operations should interruptions occur.

In an effort to assess BCBSAL's contingency planning capabilities, we evaluated documentation related to the Plan's procedures that ensure continuity of the FEHBP business unit, including:

- BCBSAL's Business Continuity Plan Supplemental Guide;
- The Incident Management Team Guide; and
- Several business units' continuity plans including the claims department and check printing plans.

The OIG found that each of these documents contain a majority of the key elements of a comprehensive service continuity program suggested by NIST SP 800-34, "Contingency Planning Guide for IT Systems." BCBSAL's service continuity documentation explicitly identifies the systems that are critical to continuing business operations, prioritizes these systems, and outlines the specific resources needed to support each system.

Each of these documents are reviewed, updated, and tested regularly. Each business unit is responsible for documenting the results of the annual disaster recovery test. The results are passed to the business recovery coordinator who is responsible for compiling the results.

E. Application Controls

Application Configuration Management

The OIG evaluated the policies and procedures governing software development and change control of the Plan's claims processing application.

BCBSAL has adopted a traditional System Development Life Cycle methodology that IT personnel follow during routine software modifications. The Plan also provided evidence indicating that an approval process is in place for change requests. The following controls related to testing and approvals of software modifications were observed:

- BCBSAL has adopted practices that allow FEP modifications to be tracked;
- Use of parallel and unit testing is conducted in accordance with industry standards; and
- BCBSAL programmers conduct walkthroughs of the modifications as a way of testing the data.

The OIG also observed the following controls related to software libraries:

- BCBSAL utilizes a tool called Panvalet to store source code;
- BCBSAL clearly segregates application development and change control activities along organizational lines; and
- BCBSAL utilizes versioning of the source code to determine if appropriate changes are implemented as expected.

Claims Processing System

The OIG evaluated the input, processing, and output controls associated with BCBSAL's local claims processing system and the BCBSAL's FEP Express system. In terms of input controls, the OIG documented the policies and procedures adopted by BCBSAL to help ensure that: 1) there are controls over the inception of claims data into the system; 2) the data received comes from the appropriate sources; and 3) the data is entered into the claims database correctly. BCBSAL's methods for reconciling processing totals against input totals and for evaluating the accuracy of its processes were also reviewed. Auditors also examined the security of physical input and output (paper claims, checks, explanation of benefits, etc.).

Application Controls Testing

To validate the claims processing controls, a testing exercise was conducted on the BCBSAL local system and FEP Express system. This test was conducted at BCBSAL's Birmingham, Alabama facility with the assistance of BCBSAL personnel. The exercise involved developing a test plan that included real life situations to present to BCBSAL personnel in the form of institutional and professional claims. All test scenarios were processed through the BCBSAL local claims processing system, and where appropriate, the FEP Express system. The test plan included expected results for each test case. Upon conclusion of the testing exercise, the expected results were compared with the actual results obtained during the exercise.

The sections below document the opportunities for improvement that were noted related to application controls.

1. Procedure to Diagnosis Inconsistency

A test claim was processed where benefits were paid for a procedure associated with an inappropriate diagnosis.

The OIG entered a test claim into the BCBSAL local system with a procedure code for a [REDACTED]. Despite the diagnosis/procedure inconsistency, the claim processed through the local system without encountering any edits, and was sent to FEP Express. FEP Express also processed and paid the claim without triggering any edits.

This system weakness increases the risk that benefits are being paid for procedures associated with a diagnosis that may not warrant such treatment.

Recommendation 1

We recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that claims with procedure/diagnosis inconsistencies are flagged for review.

BCBSAL Response:

"We disagree with this recommendation. BCBSAL has implemented and maintains detective system controls to ensure claims with diagnosis inconsistencies are reviewed prior to processing. In addition, BCBSAL has a comprehensive medical policy program that applies necessary controls to ensure services are medically appropriate before approved to pay. These controls were developed through extensive research which includes analysis of provider filing practices and medical records. The Plan's medical policy edits have been streamlined to ensure that only historically questionable services are pended..."

[REDACTED]
there are hundreds of edits in place that pay, reject or suspend for review procedures based on the diagnosis submitted. BCBSAL continuously reviews and updates its edit criteria.

Although we do not believe that it is cost effective for these types of edits to be housed in both the local Plan system and the FEP claim system, BCBSA will investigate the feasibility of implementing limited edits to identify services that are not related to the diagnosis. The development of service and diagnosis groupings will require a vast amount of work. We do not expect the analysis to be completed until 2nd quarter 2009."

OIG Reply:

We understand/acknowledge that BCBSAL may not need across-the-board medical edits. However, we intentionally did not use “normal day-to-day type of billing occurrences” to test whether the system could detect extreme cases such as the one used in the test. In addition, the response did not address the fact that not all BCBS Plans have diagnosis/procedure compatibility edits in their local systems, and some Plans enter claims directly into FEP Express. The OIG continues to believe that these vulnerabilities warrant modifications to FEP Express.

2. Provider Invalid for Procedure

Two test claims were processed where a provider was paid for services outside the scope of their license.

The OIG entered a test claim for professional services into the BCBSAL local system. This claim indicated that an [REDACTED] performed a [REDACTED] procedure. This procedure would generally be performed by an [REDACTED]. Despite the provider/procedure inconsistency, the claim was processed by the BCBSAL local system and FEP Express without encountering any edits.

The OIG also entered an institutional/facility test claim into the BCBSAL local system. This claim indicated that a [REDACTED]. This procedure would generally be performed by a surgeon. Despite the provider/procedure inconsistency, the claim was processed by the BCBSAL local system and FEP Express without encountering any edits.

This system weakness increases the risk that providers are being paid for services outside the scope of their license. The fact that Alabama is a “medically underserved area” does not justify this anomaly. The BCBS benefit brochure states that in medically underserved areas, “we cover any licensed medical practitioner for any covered service performed *within the scope of that license.*”

Recommendation 2

We recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that medical providers are not paid for services outside the scope of their license.

BCBSAL Response:

“We disagree with this recommendation, given that BCBSAL has implemented and maintains appropriate system controls to ensure that medical providers are not paid for services outside the scope of their license on a post payment basis. BCBSAL has been designated a Medically Underserved Area (MUA). The designation of a MUA references the lack of licensed providers available in an area for contracting purposes and the intent to contract with all that are available. Therefore, in many areas of the state, the extent of the services provided by a single physician may be very wide-ranging. Most physicians declare a specialty and often receive board certification, but with additional training and

or experience in other specialty areas, can through the life of the practice change their practice specialty to a subset or other areas of interest. Edits exist to keep limited license practitioners such as [REDACTED] from performing medical services outside their scope of practice and controls are in place which helps ensure that medical providers are paid for services within the scope of their license. The Health Care Networks Division of BCBSAL establishes the contracting relationship with providers and oversees the credentialing and verification of all providers, including their licensure and specialty information. The Health Management of Blue Cross Blue Shield of Alabama Division is responsible for medical policy creation, utilization review, detection and investigation, recovery of overpayment and potential prosecution of cases involving unlawful activity against the local Plan.

[REDACTED]

OIG Reply:

The fact that Alabama is a medically underserved area does not mean that existing benefit limitations are waived. It means, additional providers may be able to be paid for providing those existing benefits as outlined on page 12 of the brochure. The brochure states:

“Medically underserved areas. In the states OPM determines are “medically underserved:

Under Standard Option, we cover any licensed medical practitioner for any covered service performed within the scope of that license.

Under Basic Option, we cover any licensed medical practitioner who is Preferred for any covered service performed within the scope of that license.”

In addition, detective controls are not as effective and are more costly than preventative controls. We continue to recommend that system modifications be made to ensure that medical providers are not paid for services outside the scope of their license.

3. Anesthesia Benefits

A test claim was processed where a standard option member was overcharged for anesthesia services.

According to the 2009 BCBS benefit brochure, a standard option member’s liability for anesthesia services at a non-participating provider is “100% of the billed amount up to a maximum of \$800 per anesthetist per day.”

The OIG entered a test claim into the BCBSAL local system with a standard option member receiving anesthesia services from a non-participating provider. The claim was processed by the local system and by FEP Express, and the member’s liability was appropriately capped at

\$800. However, a similar claim was also entered where an accidental injury was indicated on the claim form, and the member liability for this claim was \$1,209.

Nothing in the benefit brochure indicates that the \$800 limit for anesthesia services at a non-participating provider is affected by the involvement of an accidental injury. This system weakness increases the risk that members will be liable for charges in excess of the limits outlined in the benefit brochure.

Recommendation 3

We recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that a member's liability for anesthesia service is limited to the amounts outlined in the benefit brochure.

BCBSAL Response:

"We agree with this recommendation. The determination of a member's cost-sharing amount is a function of the FEP claims system. Effective January 1, 2009, FEP modified the payment of benefits for anesthesia services provided by non-participating providers to limit the member's out-of-pocket expense to a per day maximum of \$800. However, when the updates were made in the FEP claims system to reflect this benefit change all applicable scenarios did not properly accumulate to limit the member's daily out-of-pocket expense to the \$800 maximum. The FEP claims system is scheduled to have a system correction implemented on October 17, 2009.

Proactively, a preliminary listing was generated to identify those members that have exceeded the daily coinsurance limit for anesthesia services performed by non-participating providers during the period of January 1, 2009 through June 30, 2009. A minimal number of members have been underpaid as a result of this system processing error. Once this system correction has been successfully implemented, adjustments will be made to the impacted claims and additional payments will be issued to the members."

OIG Reply:

As part of the audit resolution process, we recommend that BCBSAL provide OPM's CRIS with appropriate supporting documentation indicating the steps taken to address this recommendation. We will evaluate the effectiveness of the planned October 17, 2009 system correction implementation as part of a follow-up review or during the next audit.

4. OBRA93 Assistant Surgeon

An OBRA93 test claim was priced incorrectly.

The OIG entered a test claim into the BCBSAL local system with the patient receiving services from an assistant surgeon ('AS' modifier). The patient has Medicare A only, and the claim is subject to OBRA93 pricing.

The claim was processed by the local system and FEP Express, and the assistant surgeon was paid 100 percent of the amount allowed by the Medicare fee schedule for the primary surgeon (minus the deductible and coinsurance). This resulted in an overpayment to the provider, as the Center for Medicare Services Medicare Claims Processing Manual states that assistant surgeon claims should only be paid at 13.6 percent of the Medicare fee schedule for a regular surgeon.

This system weakness was brought to the attention of BCBSA during a prior audit of the FEP Express system. BCBSA responded to the audit finding by indicating that the problem was corrected in May 2008. However, this test case indicates that the weakness still exists.

Recommendation 4

We recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that OBRA 93 claims are priced appropriately.

BCBSAL Response:

“We disagree with this recommendation. OBRA '93 pricing is handled by an outside vendor, Palmetto. The incorrect pricing of AS (Assistant Surgeon) modifier claims has been cited in several previous audits. This problem resulted from Palmetto not pricing these claims due to the complex nature of the pricing components. On May 26, 2008, Palmetto started generating pricing allowances for these claims.

The claim in question was processed on the FEP Test System, not the Production System. Claims processed in the Test System are not sent to Palmetto for pricing. In the FEP Test System, a simulator is used to identify which claims are subject to OBRA '93 pricing and the allowance and provider data may not always be updated. Because we do not have the screen input to show the data submitted by the OPM auditors, we could not determine whether all data fields were correctly populated. However, we did randomly select a claim from our FEP Production System to demonstrate that the pricing of AS Modifier is performed correctly by Palmetto. Attached is a copy of the claim from the FEP Production System that shows that it was priced according to the Medicare Fee Schedule as illustrated Attachment 4.A.”

OIG Reply:

BCBSAL/BCBSA has copies of all screen input to show the data submitted by OPM/OIG auditors. Furthermore, BCBSAL personnel took the screenshots and later provided them to OPM/OIG auditors for analysis. The simulator should represent the production environment. OPM/OIG suggests using the original data to research whether there is a problem with the simulator or with Palmetto's pricing of OBRA93 claims. We continue to recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that OBRA 93 claims are priced appropriately.

5. Chiropractor Office Visits and X-rays

The 2009 BCBS benefit brochure allows for [REDACTED] and one [REDACTED] [REDACTED] each calendar year. However, a test scenario paid benefits for a member receiving multiple [REDACTED] and [REDACTED]s in a single calendar year.

The OIG entered two test claims into the BCBSAL local system for a standard-option member. The first claim indicated the patient received an initial [REDACTED] and an [REDACTED] in 2009. The second claim indicated that the same patient received a second [REDACTED] and [REDACTED] from a [REDACTED] in the same calendar year. The local system and FEP Express processed and paid benefits for both claims.

This system weakness increases the risk that [REDACTED] benefits are being paid in excess of the amount outlined in the benefit brochure. Nothing from the brochure indicates that [REDACTED] benefit limitations are waived for medically underserved states such as Alabama.

Recommendation 5

We recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that chiropractic benefits are paid in accordance with the BCBS benefit brochure.

BCBSAL Response:

"We agree with this finding. Effective January 1, 2009, FEP implemented a benefit change to limit [REDACTED] to one per year. When this change was implemented, the limitation was applied only to those Plans not designated as Medically Underserved (MUA) by OPM. In MUA service areas, [REDACTED] are allowed to perform covered professional services that are normally provided by physicians. These professional services include office visits. It has been difficult to determine the requirements to limit [REDACTED] in MUA service areas to one visit per year in the FEP claims system because office visits often have multiple diagnoses that also include manipulations. It would be incorrect not to allow these visits for MUA service areas.

We continue to explore how to limit [REDACTED] in MUA service areas to one per year. During the period of January 1, 2009 to June 30, 2009, a total of 97,722 visits have been processed with procedure codes for some form of office visit. To stop each claim for manual review would impact member service and increase member inquiries. The FEP Director Office's staff will continue to pursue a resolution of this issue with the Contracting Officer."

OIG Reply:

We acknowledge the steps being taken to ensure that chiropractic benefits are paid in accordance with the BCBS benefit brochure. As part of the audit resolution process, we recommend that BCBSAL/BCBSA provide OPM's CRIS with appropriate supporting documentation indicating the steps taken to address this recommendation.

6. OBRA90 with Status Code 43

An OBRA90 claim with a patient status code of 43 was incorrectly priced.

The OIG entered a test claim for services provided in 2008 into the BCBSAL local system with a patient who is enrolled in Medicare part B only; this claim is subject to OBRA90 pricing. The local system processed this claim and passed it to FEP Express. FEP Express appropriately suspended the claim for Medicare information. The claims processors entered into the system the Medicare Explanation of Benefit information provided by the auditors. The claim was then processed and priced by FEP Express.

Auditors priced this claim with the current version of the 2008 PC CMS PRICER program and found that the Medicare Diagnosis Related Group amount produced by the PRICER did not match the amount indicated in the test claim. In past audits, OIG determined that FEP Express has inappropriately priced claims with status code 43 as a "transfer." However, pricing this claim as a transfer on the PC PRICER does not yield the amount produced in the test case.

Recommendation 6

We recommend that BCBSAL/BCBSA implement the appropriate system modifications to ensure that OBRA90 claims are priced appropriately.

BCBSAL Response:

"We disagree with this recommendation. The issue of reducing the DRG Allowance for patient status codes other than "02" was identified in several previous FEP EDP Audits in the past. As a result, system changes were made to the FEP claims system to limit the application of the OBRA '90 Transfer Pricing Reduction to Patient Status 02. This system correction was implemented in the FEP claims system on April 4, 2009. We have adjudicated two claims on our claims test system with the same condition to demonstrate that the FEP Mainframe OBRA '90 Pricer was functioning according to CMS regulations. One of the claims was for Patient Status 01 (discharged to home or self care /routine discharge) and the other one was for Patient Status 43 (Discharged/transferred to federal care facility). These results are in Attachments 6.A (Patient Status 01) and 6.B (Patient Status 43). The attached results indicate that the same DRG Allowances were generated for Patient Status 01 and Patient Status 43. There was no reduction in the DRG Allowance for these claims. These test claims support our position that the system correction implemented in April 2009 and is properly pricing these claims."

OIG Reply:

Based on the information provided and the analysis of the information by OPM/OIG we were unable to determine if the appropriate system modifications to ensure that OBRA90 claims are priced appropriately have been implemented. We will evaluate modifications to the FEP claims systems as part of a follow-up review or during the next audit.

7. OBRA90 PRICER Updates

BCBSAL OBRA90 claims are being processed with an outdated version of the 2009 CMS PRICER program.

The OIG entered four test claims that are subject to OBRA90 pricing into the BCBSAL local system. The local system sent the claims to FEP Express where they were processed and priced. The auditors priced each claim with the PC CMS PRICER program and compared the Medicare DRG amount produced by the PRICER to the amount produced in the test case.

In each of the four test claims, the Medicare DRG amount produced by the current version of the 2009 PRICER did not match the amount produced in the test case. The auditors priced each claim again using the original (now outdated) version of the 2009 CMS PRICER program, and in each case the Medicare DRG amount matched that from the test case. The OIG believes that this indicates that FEP Express is processing OBRA90 claims with an outdated version of the CMS PRICER. As a result, BCBSAL/BCBSA has incorrectly priced all OBRA90 claims processed after January 1, 2009.

Recommendation 7

We recommend that BCBSAL/BCBSA implement the appropriate system modifications to ensure that OBRA90 claims are priced with the correct version of the CMS PRICER.

BCBSAL Response:

"We agree with this recommendation. The FEP Operations Center's OPM approved OBRA '90 Mainframe Pricer is the official mechanism used to price all FEP claims meeting the OBRA '90 requirements. In the past, OPM provided FEP with any updates to the OBRA '90 Pricer. Recently, FEP began obtaining the updates directly from CMS. When the first updates were received, it was discovered that the type of tape used by CMS was no longer supported by the FEP Data Center. In order to use the CMS tapes, the Operations Center had to find a vendor to convert them into an alternative tape format for usage in the FEP claims system Mainframe OBRA '90 Pricer. This process resulted in a delay in implementing the CMS updates. All updates received first and second quarters 2009 were updated by July 17, 2009, and re-pricing of the impacted OBRA '90 claims will occur prior to year-end 2009.

Attachment 7.A is a schedule of when the updates were received from the various sources and the dates that the changes were implemented into the FEP Mainframe OBRA '90 Pricer. Since there was a delay to the April 4, 2009 update to the OBRA '90 Pricer, this could account for the different pricing generated during the claims testing process."

OIG Reply:

As part of the audit resolution process, we recommend that BCBSAL/BCBSA provide OPM's CRIS with appropriate supporting documentation indicating the steps taken to address this recommendation. We will evaluate the effectiveness of the 2009 updates as part of a follow-up review or during the next audit.

F. Health Insurance Portability and Accountability Act

The OIG reviewed BCBSAL's efforts to maintain compliance with the security, privacy, and national provider identifier standards of HIPAA. Nothing came to our attention that caused us to believe that BCBSAL is not in compliance with the various requirements of these HIPAA regulations.

BCBSAL has implemented a series of IT security policies and procedures to adequately address the requirements of the HIPAA security rule. BCBSAL has also developed a series of privacy policies and procedures that directly addresses all requirements of the HIPAA privacy rule. The documents related to the HIPAA privacy and security rules are readily available to all BCBSAL employees via the company's Intranet. BCBSAL employees receive privacy and security related training during new hire orientation, as well as periodic subsequent training as needed.

In addition, the OIG documented that BCBSAL has adopted the national provider identifier as the standard unique health identifier for health care providers, as required by HIPAA.

III. Major Contributors to This Report

This audit report was prepared by the U.S. Office of Personnel Management, Office of Inspector General, Information Systems Audits Group. The following individuals participated in the audit and the preparation of this report:

- [REDACTED], Group Chief
- [REDACTED], Auditor-In-Charge
- [REDACTED], IT Auditor
- [REDACTED], IT Auditor

Appendix



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

August 11, 2009

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

██████████ Chief
Chief, Information Systems Audits Group
Insurance Service Programs
Office of Personnel Management
1900 E Street, N.W., Room 6400
Washington, D.C. 20415

**Reference: OPM DRAFT EDP AUDIT REPORT
Alabama Blue Cross Blue Shield
Audit Report Number 1A-10-09-09-020**

Dear ██████████:

This report is in response to the above-referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees' Health Benefits Program (FEHBP) Audit of Information Systems General and Application Controls for Alabama Blue Cross Blue Shield Plan's interface with the FEP claims processing system, access and security controls. Our comments regarding the findings in the report are as follows:

A. APPLICATION CONTROLS

1. Procedure to Diagnosis Inconsistency

The OIG recommended that Blue Cross Blue Shield of Alabama (BCBSAL) and Blue Cross Blue Shield Association (BCBSA) make appropriate system modifications to ensure that claims with procedures/diagnosis inconsistencies are flagged for review.

We disagree with this recommendation. BCBSAL has implemented and maintains defective system controls to ensure claims with diagnosis inconsistencies are reviewed prior to processing. In addition, BCBSAL has a comprehensive medical policy program that applies necessary controls to ensure services are medically appropriate before approved to pay. These controls were developed through extensive research which includes analysis of provider filing practices and medical records. The Plan's medical policy edits have been streamlined to ensure that only historically questionable services are pended, thus limiting payment delays and the corresponding impact to member and provider service

and satisfaction. Several years ago the Plan broadened its "procedure to diagnosis" consistency edits; however, over time found that a very high percentage of pended claims were determined to be medically necessary. Also, often providers do not flag each line of the claim with the specific diagnosis for that service, but instead use the presenting diagnosis for all services rendered.

While BCBSAL no longer has across-the-board edits for diagnosis/procedure consistency, there are hundreds of edits in place that pay, reject or suspend for review procedures based on the diagnosis submitted. BCBSAL continuously reviews and updates its edit criteria. The guidelines and criteria are reviewed in relation to (1) changes in current medical practices/medical policy (2) Blue Cross Blue Shield or FEP bulletins and recommendations from the BCBSAL Medical Director. BCBSAL also has comprehensive edits and analysis in place to identify actual provider and member fraud.

BCBSAL takes its responsibility for determining whether or not covered services, medical treatments/procedures, supplies and drugs meet the criteria for medical necessity very seriously. The BCBSAL Plan's extensive experience and proven performance in accurately processing claims is based on a thorough yet targeted approach to identifying those situations that warrant review. The situations used by the auditors were not the normal day-to-day types of billing occurrences. No process is absolute but provides reasonable assurance that the controls are effective. Blue Cross and Blue Shield of Alabama believes that their edits are sufficient to identify services submitted that are not related to the diagnosis.

Although we do not believe that it is cost effective for these types of edits to be housed in both the local Plan system and the FEP claim system, BCBSA will investigate the feasibility of implementing limited edits to identify services that are not related to the diagnosis. The development of service and diagnosis groupings will require a vast amount of work. We do not expect the analysis to be completed until 2nd quarter 2009.

2. Provider Invalid for Procedure

The OIG recommended that BCBSAL make appropriate system modifications to ensure that medical providers are not paid for services outside the scope of their license.

We disagree with this recommendation, given that BCBSAL has implemented and maintains appropriate system controls to ensure that medical providers are not paid for services outside the scope of their license on a post payment basis. BCBSAL has been designated a

Medically Undeserved Area (MUA). The designation of a MUA references the lack of licensed providers available in an area for contracting purposes and the intent to contract with all that are available. Therefore, in many areas of the state, the extent of the services provided by a single physician may be very wide-ranging. Most physicians declare a specialty and often receive board certification, but with additional training and or experience in other specialty areas, can through the life of the practice change their practice specialty to a subset or other areas of interest. Edits exist to keep limited license practitioners such as ██████████ from performing medical services outside their scope of practice and controls are in place which helps ensure that medical providers are paid for services within the scope of their license. The Health Care Networks Division of BCBSAL establishes the contracting relationship with providers and oversees the credentialing and verification of all providers, including their licensure and specialty information. The Health Management of Blue Cross Blue Shield of Alabama Division is responsible for medical policy creation, utilization review, detection and investigation, recovery of overpayment and potential prosecution of cases involving unlawful activity against the local Plan.

Also, due to the liberty allowed licensed medical professionals in its service area, the Plan does not have pre-payment edits in place to identify providers rendering services outside of the scope licensure. The Plan does have post-payment review processes conducted by its Special Investigation Unit and Utilization Review areas to identify abnormal billing practices.

3. ██████████ Benefits

The OIG recommended that BCBSAL/BCBSA make the appropriate system modifications to ensure that a member's liability for ██████████ service is limited to the amounts outlined in the benefit brochure.

We agree with this recommendation. The determination of a member's cost-sharing amount is a function of the FEP claims system. Effective January 1, 2009, FEP modified the payment of benefits for ██████████ services provided by non-participating providers to limit the member's out-of-pocket expense to a per day maximum of \$800. However, when the updates were made in the FEP claims system to reflect this benefit change all applicable scenarios did not properly accumulate to limit the member's daily out-of-pocket expense to the \$800 maximum. The FEP claims system is scheduled to have a system correction implemented on October 17, 2009.

Proactively, a preliminary listing was generated to identify those members that have exceeded the daily coinsurance limit for anesthesia services performed by non-participating providers during the period of January 1, 2009 through June 30, 2009. A minimal number of members have been underpaid as a result of this system processing error. Once this system correction has been successfully implemented, adjustments will be made to the impacted claims and additional payments will be issued to the members.

4. OBRA '93 Assistant Surgeon

The OIG recommended that BCBSAL/BCBSA make the appropriate system modifications to ensure that OBRA 93 claims are priced appropriately.

We disagree with this recommendation. OBRA '93 pricing is handled by an outside vendor, Palmetto. The incorrect pricing of AS (Assistant Surgeon) modifier claims has been cited in several previous audits. This problem resulted from Palmetto not pricing these claims due to the complex nature of the pricing components. On May 26, 2008, Palmetto started generating pricing allowances for these claims.

The claim in question was processed on the FEP Test System, not the Production System. Claims processed in the Test System are not sent to Palmetto for pricing. In the FEP Test System, a simulator is used to identify which claims are subject to OBRA '93 pricing and the allowance and provider data may not always be updated. Because we do not have the screen input to show the data submitted by the OPM auditors, we could not determine whether all data fields were correctly populated. However, we did randomly select a claim from our FEP Production System to demonstrate that the pricing of AS Modifier is performed correctly by Palmetto. Attached is a copy of the claim from the FEP Production System that shows that it was priced according to the Medicare Fee Schedule as illustrated Attachment 4.A.

5. ██████████

The OIG recommend that BCBSAL/BCBSA make the appropriate system modifications to ensure that d ██████████ are paid in accordance with the BCBS benefit brochure.

We agree with this finding. Effective January 1, 2009, FEP implemented a benefit change to limit ██████████ to one per year. When this change was implemented, the limitation was applied only to those Plans not designated as Medically Underserved (MUA) by OPM. In MUA service areas, Chiropractors are allowed to

perform covered professional services that are normally provided by physicians. These professional services include office visits. It has been difficult to determine the requirements to limit ██████████ ██████████ in MUA service areas to one visit per year in the FEP claims system because office visits often have multiple diagnoses that also include manipulations. It would be incorrect not to allow these visits for MUA service areas.

We continue to explore how to limit ██████████ ██████████ in MUA service areas to one per year. During the period of January 1, 2009 to June 30, 2009, a total of 97,722 visits have been processed with procedure codes for some form of office visit. To stop each claim for manual review would impact member service and increase member inquiries. The FEP Director Office's staff will continue to pursue a resolution of this issue with the Contracting Officer.

6. OBRA '90 with Status Code 43

The OIG recommended that BCBSAL/BCBSA implement the appropriate system modifications to ensure that OBRA90 claims are priced appropriately.

We disagree with this recommendation. The issue of reducing the DRG Allowance for patient status codes other than "02" was identified in several previous FEP EDP Audits in the past. As a result, system changes were made to the FEP claims system to limit the application of the OBRA '90 Transfer Pricing Reduction to Patient Status 02. This system correction was implemented in the FEP claims system on April 4, 2009. We have adjudicated two claims on our claims test system with the same condition to demonstrate that the FEP Mainframe OBRA '90 Pricer was functioning according to CMS regulations. One of the claims was for Patient Status 01 (discharged to home or self care /routine discharge) and the other one was for Patient Status 43 (Discharged/transferred to federal care facility). These results are in Attachments 6.A (Patient Status 01) and 6.B (Patient Status 43). The attached results indicate that the same DRG Allowances were generated for Patient Status 01 and Patient Status 43. There was no reduction in the DRG Allowance for these claims. These test claims supports our position that the system correction implemented in April 2009 and is properly pricing these claims.

7. OBRA '90 Pricer Updates

The OIG recommended that BCBSAL/BCBSA implement the appropriate system modifications to ensure that OBRA90 claims are priced with the correct version of the CMS Pricer.

We agree with this recommendation. The FEP Operations Center's OPM approved OBRA '90 Mainframe Pricer is the official mechanism used to price all FEP claims meeting the OBRA '90 requirements. In the past, OPM provided FEP with any updates to the OBRA '90 Pricer. Recently, FEP began obtaining the updates directly from CMS. When the first updates were received, it was discovered that the type of tape used by CMS was no longer supported by the FEP Data Center. In order to use the CMS tapes, the Operations Center had to find a vendor to convert them into an alternative tape format for usage in the FEP claims system Mainframe OBRA '90 Pricer. This process resulted in a delay in implementing the CMS updates. All updates received first and second quarters 2009 were updated by July 17, 2009, and re-pricing of the impacted OBRA '90 claims will occur prior to year-end 2009.

Attachment 7.A is a schedule of when the updates were received from the various sources and the dates that the changes were implemented into the FEP Mainframe OBRA '90 Pricer. Since there was a delay to the April 4, 2009 update to the OBRA'90 Pricer, this could account for the different pricing generated during the claims testing process.

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,
██████████



Attachments

cc: ██████████, OPM
██████████, OPM
██████████, BCBSAL
██████████, FEP
██████████, FEP