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

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# **Management Advisory Report**

## **Recommendations to Prevent Foreign Claims Fraud in the Foreign Service Benefit Plan**

**Report Number P-12-00165  
September 9, 2015**

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## **INTRODUCTION**

The purpose of this Management Advisory Report is to communicate to you the Office of the Inspector General's (OIG's) recommendations for program improvement resulting from our investigation of foreign claims frauds involving the Foreign Service Benefit Plan (FSBP), a Federal Employees Health Benefits Program (FEHBP) insurance carrier. Prior to issuing these recommendations, we solicited comments from the American Foreign Service Protective Association (AFSPA), which sponsors the FSBP, and from AETNA, administrator of the FSBP. Their complete response may be found in the Appendix to this Report. We appreciate their cooperation, both in response to our recommendations and throughout the predicated investigation.

## **EXECUTIVE SUMMARY**

On December 18, 2014, a former civilian employee of the Department of Defense was sentenced in the United States District Court for the District of Columbia to 40 months of incarceration, 36 months of supervised release, and he was ordered to pay \$2,205,032 in restitution. The FEHBP trust fund will receive \$943,519 of the restitution with the remainder going to the U.S. Department of Veteran's Affairs (VA) Foreign Medical Program (FMP). This individual admitted that he illegally obtained approximately \$2.2 million in benefits from the FEHBP and from the FMP by submitting false insurance claims supported by forged invoices for pharmacy and health care services overseas. The false claims were submitted between January 2007 and April 2012.<sup>1</sup>

This case was referred to the OIG by the Coventry Health Care (Coventry) Special Investigations Unit on or about March 7, 2012. At the time of the fraud, the subject was enrolled in the FSBP. The subject resided in Germany and submitted insurance claims directly to the FSBP for services performed by German health care providers and pharmacies (foreign claims). Furthermore, due to prior military service, the subject also was eligible for health care coverage through the VA's FMP, which provides benefits for veterans working or residing abroad. Our office investigated this case jointly with the VA OIG, the Defense Criminal Investigative Service, the Army Criminal Investigations Command, and the German police. We would also like to take this opportunity to express our appreciation for the Special Investigations Unit at Coventry (now Aetna), for its outstanding efforts to ensure the successful prosecution of this case.

Subsequent to the above fraud investigation, our criminal investigators were tasked with researching the FSBP foreign claims process in order to identify potential fraud vulnerabilities. In this Report, we share with you our recommendations specific to the processing of foreign claims submitted to the FSBP

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<sup>1</sup> Reference OIG case number I-12-00314.

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## LESSONS LEARNED CONCERNING FSBP's PROCESSING OF FOREIGN CLAIMS

**BACKGROUND:** The FSBP is administered by the Claims Administration Corporation, formerly a Coventry Company, now an Aetna Company. Mutual of Omaha administered the FSBP prior to July 1, 2007. Claims submitted to the FSBP are processed in a dedicated facility located in Gastonia, North Carolina. At the time of our investigation, the Gastonia facility processed both domestic and international claims for the FSBP, as well as claims for the Rural Carrier Benefit Plan.

Approximately 16 percent of FSBP claims are foreign claims. At the time of our investigation, the Gastonia facility processed on average about 7,700 foreign claims per month, with a staff of roughly 11 dedicated foreign claims processors (an average of 5.5 claims per hour per processor).

Foreign claims are quite often in foreign languages. We were advised that the claims processors use [REDACTED] translator where possible to decipher and translate claim submissions, and also rely heavily on the cover sheet completed by the member, where they identify their medical condition, treatment rendered, reimbursement owed, monetary conversion rates, and other pertinent claim facts.

The FSBP plan brochure does not limit claim payments for treatment outside the United States to the FSBP plan allowance, which limits payments to health care providers within the United States to a form of usual and customary rates.

### **RECOMMENDATIONS:**

**1. MISSING DATA ELEMENTS IN CLAIMS DATA:** During our investigation, we found that certain important data elements were not captured in the claims processing system, such as: a) the date the claim was received by fax and b) [REDACTED]. In order to prove wire fraud, it was necessary to determine the date the invoice was electronically submitted (i.e., faxed). It was also necessary to retrieve the original invoices in order to [REDACTED]. Both tasks were difficult due to the poor quality of copies available (See Recommendation 4).

**Recommendation:** The claims processing system should accurately reflect the date the claim was received, as well as the [REDACTED].

**AFSPA/AETNA Response:** Procedures to ensure the claims processing system accurately reflects the date the claim was received have already been implemented and have been in effect since March 1, 2013. However, the AFSPA and AETNA “think that the cost to add fields for [REDACTED] would far outweigh any benefits we would receive.”

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**2. CURRENCY CONVERSION:** Foreign providers are typically paid by the member/subscriber in a foreign currency, but claims for reimbursement are processed and members are paid in US dollars. Currency conversions are based on the date of service, if identifiable. During our fraud investigation, we discovered issues with the conversion of foreign currency rates based on date of service. Conversion rates are often supplied by the member on the claim form. At the time, Coventry used a web-based program called [REDACTED] to calculate conversion rates, and claims processing staff were expected to use [REDACTED] to verify the conversion rates supplied by the FSBP member. [REDACTED]

**Recommendation:** Claims processors should confirm each and every conversion rate. The improper currency conversion rate did not greatly impact the loss amount in our fraud investigation, but it showed a lack of oversight and verification.

**AFSPA/AETNA Response:** The ASFPA and AETNA agreed that “all currency conversions should be confirmed”, and advised that the Gastonia facility “now verifies the reasonableness of the conversion rate supplied by the member using [REDACTED].” They noted that the FSBP brochure states that when submitting claims, the member may supply the exchange rate. Furthermore, the plan strives to reimburse the member at the exchange rate supplied by the member. The ASFPA and AETNA noted that “there is no single ‘correct’ currency exchange rate on any particular date”, because actual exchange rates differ depending on where and how the currency is converted. However, the [REDACTED] is consulted to determine whether the rate supplied by the member is reasonable.

**3. SHIPMENT OF CLAIMS:** At the time of our investigation, the foreign claims submitted by FSBP members originated as either paper claims faxed to FSBP in Washington, DC, or as electronic claims also transmitted to the FSBP in Washington, DC. The paper claims were stamped as received in Washington, DC, and then sent via [REDACTED] daily to the Gastonia facility for processing. The electronic claims were sent via email to Gastonia in a [REDACTED]. The goal was five working-days claims adjudication. Our investigation showed little, if any, claims processing in Washington, DC.

**Recommendation:** The FSBP should consider instructing FSBP members to send claims directly to the Gastonia claims processing facility. This could potentially produce cost savings through the reduction or elimination of shipping costs, improve the timeliness of claims processing, and reduce the potential for loss of Personally Identifiable Information (PII).

**AFSPA/AETNA Response:** The ASFPA and AETNA disagreed with this recommendation. They consider the receipt of claims “to be part of AFSPA’s member customer service responsibilities.” They advised that members “frequently submit



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**Recommendation:** We recommend an attempt to follow-up with the foreign health care provider when questionable claims and/or [REDACTED] foreign claims are submitted. Such contact may determine immediately that a claim is false or has been altered.

**AFSPA/AETNA Response:** They generally agreed with the recommendation, and stated that the Gastonia facility “has improved its overseas telephone capabilities.” There are [REDACTED] international telephone lines, and they have increased “efforts to substantiate questionable claims by electronic and postal mail as well as telephonically.

[REDACTED]

**6. INTERNAL MEDICAL REVIEW:** At the time of our investigation, if a member’s claim required medical review prior to disposition of the claim, the claims were submitted to the Coventry Health clinical staff based in Phoenix, Arizona. The FSBP referred approximately [REDACTED] claims per month for medical review or clinical consultation. This totaled approximately [REDACTED] of all FSBP claims processed (foreign and domestic claims).

During our fraud investigation, the Medical Director for Coventry performed a medical review of the subject’s claims. His findings were “The dosing frequency and administration guidelines are far exceeded for every medication standard medical practice dosing frequency...” This medical review was done after the fraud case was referred to the OIG for investigation. An earlier in-house medical review might have prevented the payment of false claims.

**Recommendation:** We recommend medical review of suspicious or high-dollar foreign claims submitted by FSBP members.

**AFSPA/AETNA Response:** They agreed with this recommendation, and advised that they “currently request medical records for any questionable claims or procedures and inpatient confinements over 30 days.”

**7. [REDACTED]:** Members or subscribers with special payment considerations are labeled [REDACTED] in the FSBP’s claims processing system. They are members with special medical necessity considerations, transplantations, special line of business considerations, or unique payment arrangements such as power of attorney, custodial issues, etc. [REDACTED]

[REDACTED] The [REDACTED] designation stops the automatic claims adjudication process and requires that claims receive additional review and approvals before they are released for payment. At the time of our investigation, the FSBP had [REDACTED] out of an estimated 22,000 FSBP members. The subject of our fraud investigation had been [REDACTED]. However this special review and attention did



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little to deter or stop the high volume of fraudulent claims received, reviewed, and paid. Some of the subject's claims were extremely high dollar claims (e.g., in excess of \$100,000).

**Recommendation:** If certain members of the FSBP are to receive special [REDACTED] review and treatment, their claims should also receive additional scrutiny.

**AFSPA/AETNA Response:** The AFSPA and AETNA stated that "the use of the [REDACTED] was unfortunate" because it implied favoritism, which was not the case. Rather, the designation simply classified members who required "a different level of assistance or scrutiny." The AFSPA and AETNA stated that they will restructure this classification, and choose a different designation for it, "to ensure its proper use and purpose, which is to provide a higher level of scrutiny over the claims process, when necessary." They further stated that they intended to create new guidelines "on the types of people/issues that warrant this designation and the types of issues that the Gastonia office can handle without referral to AFSPA and enhancing sign-off criteria for the Gastonia office and AFSPA." They also indicated their intent to review and update the guidelines annually.

**8. MANAGEMENT INTERCESSION:** On at least one occasion, senior managers at the FSBP's offices in Washington, DC ordered the plan administrator (Coventry) to pay questionable claims from the subject. Our investigation determined that the subject was given an extreme amount of latitude by the FSBP and its customer service representatives. For example, FSBP granted the subject exceptions to established rules and reimbursement policies regarding the number of injections allowed for a particular drug. Our investigation determined that senior management at the FSBP overruled its own guidelines and the objections of staff at Coventry and ordered payment of one of the subject's questionable claims.

**Recommendation:** Considering that FSBP managers ordered the plan's administrator to pay at least one high-dollar, suspicious claim later proved to be fraudulent, we suggest that the FSBP re-evaluate its guidance and procedures regarding the appropriate level of involvement by FSBP management in the review, processing, and payment of claims, and communicate that guidance to the FSBP staff and to the plan administrator.

**AFSPA/AETNA Response:** The AFSPA and AETNA stated that they accepted this recommendation and were "in the process of incorporating additional internal controls." They stated they would "communicate and train employees appropriately on that guidance as soon as it is finalized."

**9. PROCESS IMPROVEMENTS:** During our investigation, Coventry staff advised the OIG of various process enhancements or improvements which may directly impact identification of potentially fraudulent foreign claims submitted to the FSBP. These include:

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- Coventry changed the process used and approvals needed for member reimbursements. It implemented an approval process that requires [REDACTED]
- The Gastonia facility holds monthly staff meetings and foreign claims fraud awareness training will become a regular part of those meetings.
- Coventry requested an extension to the processing days in its agreement with the AFSPA. Previously five days, Coventry sought an extension to six days or more if needed to allow for appropriate review of foreign claims.
- Referrals or questions sent to the clinical staff for review are much clearer now, and include more details, such as a description of suspected fraud issues or medical necessity issues.
- Processors now request more documentation from members on proof of payment issues prior to releasing payments. For example, copies of charge slips or other payment documentation are routinely requested.
- Anything that is flagged for Special Investigations Unit review will now be sent for [REDACTED] first. This change will allow the Special Investigations Unit to more quickly analyze and work FSBP case referrals.
- At the time of our investigation, less than [REDACTED] of foreign claims were [REDACTED]. Coventry indicated an intention to increase [REDACTED] as budget allows.

**Recommendation:** Continue efforts to identify and enact these and other process improvements.

**AFSPA/AETNA Response:** They agreed with this recommendation.





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