



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

Final Audit Report

**AUDIT OF
AGING REFUNDS, FRAUD RECOVERIES, AND
MEDICAL DRUG REBATES FOR A SAMPLE OF
BLUECROSS AND/OR BLUESHIELD PLANS**

**Report Number 1A-99-00-16-010
January 31, 2017**

-- CAUTION --

This report has been distributed to Federal officials who are responsible for the administration of the subject program. This non-public version may contain confidential and/or proprietary information, including information protected by the Trade Secrets Act, 18 U.S.C. § 1905, and the Privacy Act, 5 U.S.C. § 552a. Therefore, while a redacted version of this report is available under the Freedom of Information Act and made publicly available on the OIG webpage (<http://www.opm.gov/our-inspector-general>), this non-public version should not be further released unless authorized by the OIG.

EXECUTIVE SUMMARY

Audit of Aging Refunds, Fraud Recoveries, and Medical Drug Rebates for a Sample of BlueCross and/or BlueShield Plans

Report No. 1A-99-00-16-010

January 31, 2017

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that the BlueCross and/or BlueShield (BCBS) plans are complying with the provisions of the Federal Employees Health Benefits Act and regulations pertaining to health benefit refunds, fraud recoveries, and medical drug rebates that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP). Specifically, the objectives of our audit were to determine whether the 24 BCBS plans in our sample returned aging Federal Employee Program (FEP) health benefit refunds, fraud recoveries, and medical drug rebates to the FEHBP in accordance with the terms of the contract and applicable regulations.

What did we audit?

Our focused audit covered aging FEP health benefit refunds as of June 30, 2015, for a sample of 24 BCBS plans, as well as fraud recoveries and medical drug rebates from 2012 through June 30, 2015, for these plans.



Michael R. Esser
Assistant Inspector General
for Audits

What did we find?

We questioned \$208,659 in aging health benefit refunds, fraud recoveries, medical drug rebates, and lost investment income (LII) for nine BCBS plans. We also identified a procedural finding regarding corporate funds that were held in the dedicated FEP investment account by a BCBS plan. The BlueCross BlueShield Association and applicable BCBS plans agreed with all of the questioned amounts as well as the procedural finding.

Our audit results are summarized as follows:

- Aging Health Benefit Refunds – Our audit determined that two BCBS plans had not returned \$7,160 in aging FEP refunds to the FEHBP as of June 30, 2015. As a result, we questioned \$7,160 for these aging FEP refunds and \$26 for LII on these refunds. We also questioned \$5,281 for unidentified refunds that were held in the FEP investment account by a BCBS plan and identified a procedural finding regarding corporate funds that were held in the FEP investment account by another BCBS plan. We noted that the BCBS plans have returned all of these questioned amounts to the FEHBP.
- Fraud Recoveries – We questioned \$7,824 for fraud recoveries that had not been returned to the FEHBP as June 30, 2015, by two BCBS plans, and \$1,081 for LII on fraud recoveries that were returned untimely to the FEHBP during the audit scope by another BCBS plan. We verified that these BCBS plans have returned all of these questioned amounts to the FEHBP.
- Medical Drug Rebates – Our audit determined that five BCBS plans had not returned \$182,051 in medical drug rebates to the FEHBP as of June 30, 2015. As a result, we questioned \$182,051 for these medical drug rebates and \$5,236 for LII on these rebates. We subsequently verified that these BCBS plans have returned all of these questioned amounts to the FEHBP.

ABBREVIATIONS

Association	BlueCross BlueShield Association
BC	BlueCross
BCBS	BlueCross BlueShield <u>or</u> BlueCross and/or BlueShield
CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulations
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefits Program
FEP	Federal Employee Program
LOCA	Letter of Credit Account
LII	Lost Investment Income
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
ABBREVIATIONS	ii
I. BACKGROUND	1
II. OBJECTIVES, SCOPE, AND METHODOLOGY	3
III. AUDIT FINDINGS AND RECOMMENDATIONS	6
A. Aging Health Benefit Refunds.....	6
B. Fraud Recoveries	9
C. Medical Drug Rebates.....	12
IV. SCHEDULES	
A. SUMMARY OF AGING HEALTH BENEFIT REFUNDS - UNIVERSE TOTALS, SAMPLE SELECTIONS, AND QUESTIONED AMOUNTS	
B. SUMMARY OF FRAUD RECOVERIES - UNIVERSE TOTALS, SAMPLE SELECTIONS, AND QUESTIONED AMOUNTS	
C. SUMMARY OF MEDICAL DRUG REBATES - UNIVERSE TOTALS, SAMPLE SELECTIONS, AND QUESTIONED AMOUNTS	
APPENDIX: BlueCross BlueShield Association’s Draft Report Response, dated September 1, 2016	
REPORT FRAUD, WASTE, AND MISMANAGEMENT	

I. BACKGROUND

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 a sample of 24 BlueCross and/or BlueShield (BCBS) plans, pertaining to aging health benefit refunds, fraud recoveries, and medical drug rebates.

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

The FEHBP was established by the Federal Employees Health Benefits (FEHB) Act (Public Law 86-382), enacted on September 28, 1959. The FEHBP was created to provide health insurance benefits for federal employees, annuitants, and dependents. OPM's Healthcare and Insurance Office has overall responsibility for administration of the FEHBP. The provisions of the FEHB Act are implemented by OPM through regulations, which are codified in Title 5, Chapter 1, Part 890 of the Code of Federal Regulations (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 36 BCBS companies participating in the FEHBP. These 36 companies include 64 local BCBS plans.

The Association has established a Federal Employee Program (FEP¹) 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 Owings Mills, Maryland and Washington, D.C. These activities include acting as intermediary for claims processing between the Association and local BCBS plans, processing and maintaining subscriber eligibility, adjudicating member claims on behalf of BCBS plans, 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 claims payment data and related financial data in support of the Association's accounting of all program funds.

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.

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

This is our first focused audit of aging FEP refunds, fraud recoveries, and medical drug rebates for these 24 BCBS plans. The results of this audit were discussed with the Association and BCBS plan officials throughout the audit and at an exit conference on June 10, 2016. The Association's comments offered in response to the draft report were considered in preparing our final report and are included as an Appendix to this report. Also, additional documentation provided by the Association and BCBS plans on various dates through November 7, 2016, was considered in preparing our final report.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of this audit were to determine whether the 24 BCBS plans in our sample returned health benefit refunds, fraud recoveries, and medical drug rebates to the FEHBP in accordance with the terms of the contract and applicable regulations. Specifically, our objectives were as follows:

- To determine whether these BCBS plans held FEP refunds as of June 30, 2015, that had not been deposited into the FEP investment account within 30 days after receipt and/or returned to the FEHBP within 60 days after receipt.
- To determine whether these BCBS plans properly allocated (if applicable) and timely returned fraud recoveries and medical drug rebates to the FEHBP.

SCOPE

We conducted our limited scope performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

For a sample of 24 BCBS plans, the audit covered all aging FEP health benefit refunds that were held by these plans as of June 30, 2015, as well as fraud recoveries and medical drug rebates that were received by these plans from 2012 through June 30, 2015.² Our sample included all BCBS plans with FEHBP health benefit payments of \$350 million or less in contract year 2014 (except for several BCBS plans that are part of multi-plan companies, such as Anthem Inc. and Regence). For the 24 BCBS plans in our sample, the aging FEP health benefit refunds totaled \$5,331,111 as of June 30, 2015; and the fraud recoveries and medical drug rebates for FEP totaled \$2,783,480 and \$1,162,363, respectively, from 2012 through June 30, 2015. Specifically, we reviewed these BCBS plans' aging health benefit refund schedules to determine if there were FEP refunds held by the plans as of June 30, 2015, that had not been deposited into the FEP

² Our sample consisted of the following BCBS plans: BCBS of Arkansas, Highmark BCBS of Delaware, BCBS of Hawaii, BCBS of Idaho, Wellmark BCBS (Iowa/South Dakota), BCBS of Kansas, BCBS of Louisiana, BCBS of Michigan, BCBS of Mississippi, BCBS of Kansas City (Missouri), BCBS of Montana, BCBS of Nebraska, BCBS of Western New York, Excellus BCBS (New York), BCBS of North Dakota, Capital BlueCross (Pennsylvania), Independence BlueCross (Pennsylvania), BlueCross of Northeastern Pennsylvania, Triple-S, Inc. of Puerto Rico, BCBS of Rhode Island, BCBS of South Carolina, BCBS of Vermont, Highmark BCBS of West Virginia, and BCBS of Wyoming.

investment account within 30 days after receipt and/or returned to the FEHBP letter of credit account (LOCA) within 60 days after receipt. We also reviewed these BCBS plans' fraud recoveries and medical drug rebates for the purpose of determining if the applicable FEP amounts were timely deposited into the FEP investment account within 30 days after receipt and returned to the LOCA within 60 days after receipt.

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 conducted tests to determine whether the BCBS plans in our sample had complied with the contract, the applicable procurement regulations (i.e., Federal Acquisition Regulations (FAR) and Federal Employees Health Benefits Acquisition Regulations), and the laws and regulations governing the FEHBP as they specifically relate to health benefit refunds, fraud recoveries, and medical drug rebates. 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 and applicable regulations relative to health benefit refunds, fraud recoveries, and medical drug rebates. Exceptions noted in the areas reviewed are set forth in detail in the "Audit Findings and Recommendations" section of this audit report. With respect to the items not tested, nothing came to our attention that caused us to believe that the 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 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, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives.

The audit was performed at our office in Jacksonville, Florida from January 25, 2016, through June 10, 2016. During the fieldwork phase, we also made short on-site visits to BCBS of South Carolina from February 17th – 19th and BCBS of Louisiana from March 15th – 17th. Throughout the audit process, we encountered numerous instances where the BCBS plans and/or FEP Director's Office responded untimely, or initially provided incomplete responses, to various requests for supporting documentation. As a result, completion of our audit fieldwork and issuance of our draft and final reports were delayed.

METHODOLOGY

We reviewed the BCBS plans' policies, procedures, and accounting records during our audit of aging FEP health benefit refunds, fraud recoveries, and medical drug rebates. To test the BCBS plans' compliance with the contract provisions and applicable regulations relative to the return of health benefit refunds, fraud recoveries, and medical drug rebates to the FEHBP, we selected for review the following FEP items from the 24 BCBS plans in our sample:

- 117 aging health benefit refunds, totaling \$1,525,139, from a universe of [REDACTED] aging refunds, totaling \$ [REDACTED], that were held by these BCBS plans as of June 30, 2015 (see Schedule A for a summary of the universe totals and sample selections).³
- 107 fraud recoveries, totaling \$1,673,642, from a universe of [REDACTED] fraud recoveries, totaling \$ [REDACTED], that were received by these BCBS plans from 2012 through June 30, 2015 (see Schedule B for a summary of the universe totals and sample selections).⁴
- All [REDACTED] medical drug rebate amounts, totaling \$ [REDACTED] that were received by these BCBS plans from 2012 through June 30, 2015 (see Schedule C for a summary of the universe totals and sample selections).

We reviewed these samples to determine if the health benefit refunds, fraud recoveries, and medical drug rebates were timely deposited into the FEP investment account and returned to the FEHBP. The results of these samples were not projected to the applicable FEP universes of aging health benefit refunds, fraud recoveries, and/or medical drug rebates.

³ After analyzing the BCBS plans' FEP refund aging schedules, we judgmentally selected for review all aging refunds greater than \$55,000 for Highmark BCBS of West Virginia; \$10,000 for Highmark BCBS of Delaware; \$3,500 for BCBS of South Carolina; \$3,000 for Wellmark BCBS and BCBS of Nebraska; \$1,500 for BCBS of Idaho, BCBS of Kansas City, and BCBS of Louisiana; \$1,000 for BCBS of Arkansas, BCBS of Michigan, Capital BlueCross, Independence BlueCross, BCBS of Rhode Island, BCBS of Vermont, and BCBS of Wyoming; and \$100 for BCBS of Hawaii, BCBS of Kansas, Excellus BCBS, and BCBS of North Dakota.

⁴ After analyzing the BCBS plans' FEP fraud recovery schedules, we judgmentally selected for review all fraud recoveries greater than \$30,000 for Wellmark BCBS and BCBS of Mississippi; \$10,000 for BCBS of Nebraska; \$5,000 for BCBS of Louisiana, BCBS of Michigan, and BCBS of North Dakota; \$3,000 for Capital BlueCross, BCBS of Rhode Island, and BCBS of Vermont; \$1,000 for BCBS of Arkansas, BCBS of Hawaii, BCBS of Idaho, BCBS of Kansas, BCBS of Kansas City, BCBS of Montana, Excellus BCBS, and BCBS of South Carolina. For BCBS of Western New York, we selected for review all of this plan's FEP fraud recoveries.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. AGING HEALTH BENEFIT REFUNDS

\$12,467

Our audit determined that two BCBS plans had not returned \$7,160 in aging FEP health benefit refunds to the FEHBP as of June 30, 2015. These questioned aging FEP refunds consist of \$5,674 for BCBS of Arkansas and \$1,486 for BCBS of Rhode Island. As a result, we questioned \$7,160 for these aging FEP refunds and \$26 for lost investment income (LII) on these refunds. Also, we questioned \$5,281 for unidentified refunds that were held in the dedicated FEP investment account by BCBS of Vermont and identified a procedural finding regarding corporate funds that were held in the dedicated FEP investment account by BCBS of Idaho. We noted that the BCBS plans of Arkansas, Rhode Island, and Vermont returned all of these questioned amounts to the FEHBP more than 60 days after receipt, after receiving our audit notification letter (dated July 1, 2015), and/or as a result of our audit.

Contract CS 1039, Part II, Section 2.3 (i) states, "All health benefit refunds and recoveries, including erroneous payment recoveries, must be deposited into the working capital or investment account within 30 days and returned to or accounted for in the FEHBP letter of credit account within 60 days after receipt by the Carrier." Part III, Section 3.5 (a) of this contract states, "The Carrier and/or its underwriter shall keep all FEHBP funds for this contract (cash and investments) physically separate from funds obtained from other sources."

48 CFR 52.232-17(a) states, "all amounts that become payable by the Contractor . . . shall bear simple interest from the date . . . The interest rate shall be the interest rate established by the Secretary of the Treasury as provided in 41 U.S.C. 7109, which is applicable to the period in which the amount becomes due, as provided in paragraph (e) of this clause, and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid."

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, "Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification."

Only 19 of the 24 BCBS plans in our sample reported aging FEP refunds as of June 30, 2015. We judgmentally selected and reviewed 117 of these aging FEP refunds, totaling \$1,525,139, from a universe of [REDACTED] aging FEP refunds, totaling \$ [REDACTED], for these 19 BCBS plans (see Schedule A for a summary of the universe totals and sample selections by BCBS plan for the aging FEP refunds). Based on our review of these sample selections, we determined that the BCBS plans of Arkansas and Rhode Island had not returned aging FEP refunds,

totaling \$7,160, to the FEHBP as of June 30, 2015, in accordance with the terms of the contract.

For the sample of 24 BCBS plans, we also reviewed each plan’s quarterly FEP investment account reconciliation (as of June 30, 2015) to identify possible aging refunds that may have been held in the plan’s dedicated FEP investment account. Based on this review, we determined that BCBS of Vermont held unidentified refunds of \$5,281 in the dedicated FEP investment account as of June 30, 2015.

The following schedule summarizes the questioned refunds and applicable LII for these three BCBS plans.

BCBS Plan	Questioned Refunds	Questioned LII	Total Questioned
BCBS of Arkansas	\$5,674	\$0	\$5,674
BCBS of Rhode Island	1,486	26	1,512
BCBS of Vermont	5,281	0	5,281
Total	\$12,441	\$26	\$12,467

As part of our review, we verified the following corrective actions by these three BCBS plans:

- For BCBS of Arkansas, the plan returned the questioned aging FEP refunds of \$5,674 to the FEHBP in July 2015, more than 60 days after receipt (i.e., 26 days late) and after receiving our audit notification letter. However, since our calculated LII on these questioned refunds is immaterial, we did not include LII for this finding.
- For BCBS of Rhode Island, the plan returned the questioned aging FEP refund of \$1,486 to the FEHBP in August 2015, more than 60 days after receipt (i.e., 264 days late) and after receiving our audit notification letter. Also, the plan calculated and returned LII of \$26 to the FEHBP in August 2015. We reviewed and accepted the Plan’s LII calculation.
- For BCBS of Vermont, the plan returned the questioned unidentified refunds of \$5,281 to the FEHBP in August 2016, as a result of this audit.

The BCBS plans returned the questioned refund amounts of \$12,441 and applicable LII of \$26 to the FEHBP.

In total, we are questioning \$12,441 for refunds that were returned to the FEHBP more than 60 days after receipt, after receiving our audit notification letter, and/or as a result of our audit. We are also questioning \$26 for applicable LII on aging FEP refunds that were returned untimely to the FEHBP.

While reviewing BCBS of Idaho's quarterly FEP investment account reconciliation, we also identified that this plan held excess corporate funds of \$5,733 in the dedicated FEP investment account. According to the plan, these corporate funds were bank fee reimbursements for October 2014 through June 2015 that were inadvertently not transferred to the plan's corporate account. As a result, we are including this exception as a procedural finding since only necessary funds should be maintained in the plan's dedicated FEP investment account.

Association Response:

The Association agrees with this finding. The Association states that the FEP Director's Office will also work with BCBS of Idaho to develop corrective actions regarding the plan's dedicated FEP investment account.

OIG Comment:

We verified that the BCBS plans of Arkansas, Rhode Island, and Vermont returned \$12,467 to the FEHBP for this audit finding, consisting \$7,160 for the questioned aging FEP refunds, \$5,281 for the questioned unidentified refunds, and \$26 for applicable LII.

Recommendation 1

We recommend that the contracting officer require the BCBS plans to return \$7,160 to the FEHBP for the questioned aging FEP refunds. (These questioned aging FEP refunds consist of \$5,674 for BCBS of Arkansas and \$1,486 for BCBS of Rhode Island.) However, since we verified that these BCBS plans returned \$7,160 to the FEHBP for the questioned aging FEP refunds, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require BCBS of Vermont to return \$5,281 to the FEHBP for the questioned unidentified refunds. However, since we verified that this BCBS plan returned \$5,281 to the FEHBP for these questioned unidentified refunds, no further action is required for this amount.

Recommendation 3

We recommend that the contracting officer require BCBS of Rhode Island to return \$26 to the FEHBP for LII on aging FEP refunds that were returned untimely to the FEHBP. However, since we verified that this BCBS plan returned \$26 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 4

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that BCBS of Idaho implements corrective actions so that only necessary funds are maintained in the FEP investment account, and corporate funds (such as approved LOCA drawdown reimbursements) are timely transferred to the plan's corporate account.

B. FRAUD RECOVERIES

\$8,905

Our audit determined that two BCBS plans had not returned fraud recoveries, totaling \$7,824, to the FEHBP as of June 30, 2015. These questioned fraud recoveries consist of \$5,603 for BCBS of Louisiana and \$2,221 for BCBS of Idaho. These BCBS plans subsequently returned the questioned fraud recoveries to the FEHBP more than 60 days after receipt and after receiving our audit notification letter (dated July 1, 2015). Additionally, BCBS of Western New York untimely returned fraud recoveries to the FEHBP during the audit scope and prior to receiving our audit notification letter. As a result of our audit, these BCBS plans returned \$8,905 to the FEHBP for this audit finding, consisting of \$7,824 for the questioned fraud recoveries and \$1,081 for LII on fraud recoveries returned untimely to the FEHBP.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the FEP investment account within 30 days and returned to the FEHBP within 60 days after receipt by the Carrier. As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

Only 18 of the 24 BCBS plans in our sample reported FEP fraud recoveries for the period 2012 through June 30, 2015. We judgmentally selected and reviewed 107 of these fraud recoveries, totaling \$1,673,642, from a universe of ██████ FEP fraud recoveries, totaling \$██████, that were received by these 18 BCBS plans (see Schedule B for a summary of the universe totals and sample selections by BCBS plan for fraud recoveries). Based on our review, we determined that the BCBS plans of Idaho and Louisiana had not returned fraud recoveries, totaling \$7,824, to the FEHBP as of June 30, 2015; and BCBS of Western New York untimely returned fraud recoveries to the FEHBP during the audit scope.

The following schedule summarizes the questioned fraud recovery and/or LII amounts for these three BCBS plans.

BCBS Plan	Questioned Recoveries	Questioned LII	Total Questioned
BCBS of Louisiana	\$5,603	\$0	\$5,603
BCBS of Idaho	2,221	0	2,221
BCBS of Western New York	0	1,081	1,081
Total	\$7,824	\$1,081	\$8,905

As part of our review, we verified the following corrective actions by these three BCBS plans:

- For BCBS of Louisiana, the plan returned the questioned fraud recovery of \$5,603 to the FEHBP in March 2016, approximately 2 ¾ years late and after receiving our audit notification letter. However, since our calculated LII on this questioned fraud recovery is immaterial, we did not include LII for this finding.
- For BCBS of Idaho, the plan returned the questioned fraud recovery of \$2,221 to the FEHBP in February 2016, approximately 2 ½ years late and after receiving our audit notification letter. However, since our calculated LII on this questioned fraud recovery is immaterial, we did not include LII for this finding.

- For BCBS of Western New York, the plan untimely returned fraud recoveries of \$22,601 to the FEHBP during the audit scope (i.e., from 19 to 1,113 days late). Since the plan returned these fraud recoveries to the FEHBP during the audit scope and prior to receiving our audit notification letter, we did not question these amounts as a monetary finding. However, since these fraud recoveries were returned untimely to the FEHBP, we are questioning LII of \$1,081 on these funds. As a result of this finding, the plan returned this questioned LII to the FEHBP in November 2016.

The BCBS plans returned the questioned fraud recoveries of \$7,824 and LII of \$1,081 to the FEHBP.

In total, we are questioning \$7,824 for fraud recoveries returned to the FEHBP late and after receiving our audit notification letter. We are also questioning \$1,081 for LII on the fraud recoveries that were returned untimely to the FEHBP during the audit scope.

Association Response:

The Association agrees with this finding.

OIG Comment:

After reviewing the Association's response and additional documentation provided by the Association and/or BCBS plans, we revised the questioned amount from our draft report to \$8,905 for this audit finding, consisting of \$7,824 for fraud recoveries and \$1,081 for applicable LII. We verified that the BCBS plans of Idaho, Louisiana, and Western New York returned \$8,905 to the FEHBP, consisting of \$7,824 for the questioned fraud recoveries and \$1,081 for the questioned LII.

Recommendation 5

We recommend that the contracting officer require the BCBS plans to return \$7,824 to the FEHBP for the questioned fraud recoveries. (These questioned fraud recoveries consist of \$5,603 for BCBS of Louisiana and \$2,221 for BCBS of Idaho.) However, since we verified that these BCBS plans returned \$7,824 to the FEHBP for the questioned fraud recoveries, no further action is required for this amount.

Recommendation 6

We recommend that the contracting office require BCBS of Western New York to return \$1,081 to the FEHBP for LII on fraud recoveries that were returned untimely to the FEHBP. However, since we verified that this BCBS plan returned \$1,081 to the FEHBP for the questioned LII, no further action is required for this LII amount.

C. MEDICAL DRUG REBATES

\$187,287

Our audit determined that five BCBS plans had not returned \$182,051 in medical drug rebates to the FEHBP as of June 30, 2015. The questioned medical drug rebates consist of \$142,140 for BCBS of Western New York; \$15,196 for BCBS of Michigan; \$15,017 for BCBS Rhode Island; \$7,173 for Highmark BCBS of Delaware; and \$2,525 for BlueCross (BC) of Northeastern Pennsylvania. These BCBS plans subsequently returned these questioned medical drug rebate amounts to the FEHBP more than 60 days after receipt, after receiving our audit notification letter (dated July 1, 2015), and/or as a result of our audit. In total, we are questioning \$187,287 for this audit finding, consisting of \$182,051 for medical drug rebates and \$5,236 for applicable LII on rebates returned untimely to the FEHBP.

48 CFR 31.201-5 states, “The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund.”

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the FEP investment account within 30 days and returned to the FEHBP within 60 days after receipt by the Carrier. As previously cited from FAR 52.232-17(a), all amounts that become payable by the Carrier should include simple interest from the date due.

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

Many of the BCBS plans participate in medical drug rebate programs with various drug manufacturers. The drug rebates are determined based on medical claims for the applicable drugs, which are primarily administered in a physician’s office. These medical drug rebates are received multiple times a year (usually on a quarterly basis) by the BCBS plans and credited to the participating groups, including the FEP.

From 2012 through June 30, 2015, only 12 of the 24 BCBS plans in our sample participated in medical drug rebate programs. During this period, these 12 BCBS plans received [REDACTED] medical drug rebate amounts, totaling \$ [REDACTED], for all of the participating groups. Of these amounts, \$ [REDACTED] were allocated to the FEP by these BCBS plans. We selected and reviewed all of the FEP medical drug rebate amounts, and specifically determined if the BCBS plans properly allocated and timely returned these FEP rebate amounts to the FEHBP (see Schedule C for a summary of the universe totals and sample selections by BCBS plan for medical drug rebates).

Based on our review, we determined that five BCBS plans had not returned FEP medical drug rebate amounts, totaling \$182,051, to the FEHBP as of June 30, 2015. The following schedule summarizes these questioned medical drug rebate amounts and the applicable LII amounts for these five BCBS plans.

BCBS Plan	Questioned Drug Rebates	Questioned LII	Total Questioned
BCBS of Western New York	\$142,140	\$4,265	\$146,405
BCBS of Michigan	15,196	358	15,554
BCBS of Rhode Island	15,017	0	15,017
Highmark BCBS of Delaware	7,173	613	7,786
BC of Northeastern Pennsylvania	2,525	0	2,525
Total	\$182,051	\$5,236	\$187,287

As part of our review, we verified the following corrective actions by these five BCBS plans:

- For BCBS of Western New York, the plan returned the questioned medical drug rebates of \$142,140 to the FEHBP through multiple LOCA drawdown adjustments in March and May 2016, more than 60 days after receipt (i.e., from 309 to 1,647 days late) and after receiving our audit notification letter. Also, the plan returned the questioned LII of \$4,265 to the FEHBP through a LOCA drawdown adjustment in August 2016.
- For BCBS of Michigan, the plan returned the questioned medical drug rebates of \$15,196 to the FEHBP through a LOCA drawdown adjustment in September 2015, more than 60 days after receipt (i.e., from 273 to 443 days late) and after receiving our audit notification letter. Also, the plan returned the questioned LII of \$358 to the FEHBP through a LOCA drawdown adjustment in October 2015.

- For BCBS of Rhode Island, the plan inadvertently excluded the FEP in the medical drug rebate collection process. As a result of our audit, the plan submitted the FEP medical drug claims to the drug manufacturer and attempted to collect the applicable FEP rebates. The plan recovered \$15,017 in FEP medical drug rebates from the drug manufacturer, applicable to claims that were incurred from October 2014 through June 2015. However, the plan could not recover \$11,976 in FEP medical drug rebates applicable to claims that were incurred from 2012 through September 2014, due to the plan's untimely submission of these claims for rebate collection. The plan returned the recovered medical drug rebates of \$15,017 to the FEHBP through multiple LOCA drawdown adjustments in December 2015 and February 2016.
- For Highmark BCBS of Delaware, the plan returned the questioned medical drug rebates of \$7,173 to the FEHBP through a LOCA drawdown adjustment in March 2016, more than 60 days after receipt (i.e., approximately 4 years late) and after receiving our audit notification letter. Also, the plan returned the questioned LII of \$613 to the FEHBP through a LOCA drawdown adjustment in March 2016.
- For BC of Northeastern Pennsylvania, the plan returned the questioned medical drug rebates of \$2,525 to the FEHBP through a LOCA drawdown adjustment in January 2016, more than 60 days after receipt (i.e., from 181 to 272 days late) and after receiving our audit notification letter. However, since our calculated LII on these questioned medical drug rebates is immaterial, we did not include LII for this finding.

The BCBS plans returned the questioned medical drug rebates of \$182,051 and LII of \$5,236 to the FEHBP.

In total, we are questioning \$182,051 for medical drug rebates returned to the FEHBP more than 60 days after receipt, after receiving our audit notification letter, and/or as a result of our audit. We are also questioning \$5,236 for applicable LII on medical drug rebates that were returned untimely to the FEHBP.

Association Response:

The Association agrees with this finding.

OIG Comment:

We verified that the BCBS plans of Delaware, Michigan, Western New York, Northeastern Pennsylvania, and Rhode Island returned \$187,287 to the FEHBP for this audit finding, consisting of \$182,051 for the questioned medical drug rebates and \$5,236 for applicable LII.

Recommendation 7

We recommend that the contracting officer require the BCBS plans to return \$182,051 to the FEHBP for the questioned medical drug rebates. (These questioned medical drug rebates consist of \$142,140 for BCBS of Western New York; \$15,196 for BCBS of Michigan; \$15,017 for BCBS Rhode Island; \$7,173 for Highmark BCBS of Delaware; and \$2,525 for BC of Northeastern Pennsylvania.) However, since we verified that these BCBS plans returned \$182,051 to the FEHBP for the questioned medical drug rebate amounts, no further action is required for this amount.

Recommendation 8

We recommend that the contracting officer require the BCBS plans to return \$5,236 to the FEHBP for LII on the questioned medical drug rebates. (The LII for the questioned medical drug rebates consists of \$4,265 for BCBS of Western New York, \$613 for Highmark BCBS of Delaware, and \$358 for BCBS of Michigan.) However, since we verified that these BCBS plans returned \$5,236 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 9

Since only 12 of the 24 BCBS plans in our sample participated in medical drug rebate programs during the audit scope, we recommend that the contracting officer instruct the Association to ensure that all BCBS plans are aware of and/or participate in medical drug rebate programs that are offered by various drug manufacturers.

Recommendation 10

We recommend that the contracting officer instruct the Association to verify that BCBS of Rhode Island has implemented the necessary controls to ensure that the FEP is included in the medical drug rebate collection process.

IV. SCHEDULES

SCHEDULE A

AGING REFUNDS, FRAUD RECOVERIES, AND MEDICAL DRUG REBATES

SAMPLE OF BLUECROSS AND/OR BLUESHIELD PLANS

SUMMARY OF AGING HEALTH BENEFIT REFUNDS - UNIVERSE TOTALS, SAMPLE SELECTIONS, AND QUESTIONED AMOUNTS

Plan Codes	State or Territory	Plan Name	Aging Refunds (as of June 30, 2015)					Questioned Amounts		
			Universe		Sample Selections			Refunds Returned Untimely*		
			Count	Amount	Count	Amount	Selection Methodology	Refunds	LII	Total
020/520	AR	BCBS of Arkansas	█	████	5	\$11,672	Judgmentally selected all refunds greater than \$1,000.	\$5,674	\$0	\$5,674
070/570	DE	Highmark BCBS of Delaware	█	████	11	268,896	Judgmentally selected all refunds greater than \$10,000.	0	0	0
471/971	HI	BCBS of Hawaii	█	████	5	2,086	Judgmentally selected all refunds greater than \$100.	0	0	0
140/640/889	IA/SD	Wellmark BCBS	█	████	7	40,914	Judgmentally selected all refunds greater than \$3,000.	0	0	0
110/610	ID	BCBS of Idaho	█	████	4	9,866	Judgmentally selected all refunds greater than \$1,500.	0	0	0
150/650	KS	BCBS of Kansas	█	████	3	2,798	Judgmentally selected all refunds greater than \$100.	0	0	0
170/670	LA	BCBS of Louisiana	█	████	7	29,889	Judgmentally selected all refunds greater than \$1,500.	0	0	0
210/710	MI	BCBS of Michigan	█	████	6	45,994	Judgmentally selected all refunds greater than \$1,000.	0	0	0
240/740	MO	BCBS of Kansas City	█	████	4	6,886	Judgmentally selected all refunds greater than \$1,500.	0	0	0
230/730	MS	BCBS of Mississippi	█	█	0	0	N/A	0	0	0
250/751	MT	HCSC – BCBS of Montana	█	█	0	0	N/A	0	0	0
320/820	ND	BCBS of North Dakota	█	████	1	1,030	Judgmentally selected all refunds greater than \$100.	0	0	0
260/760	NE	BCBS of Nebraska	█	████	6	42,339	Judgmentally selected all refunds greater than \$3,000.	0	0	0
301/800/801	NY	BCBS of Western New York	█	█	0	0	N/A	0	0	0
304/305/306/804/805/806	NY	Excellus BCBS	█	████	9	5,038	Judgmentally selected all refunds greater than \$100.	0	0	0
361	PA	Capital BC	█	████	2	2,391	Judgmentally selected all refunds greater than \$1,000.	0	0	0
362	PA	Independence BC	█	████	2	45,058	Judgmentally selected all refunds greater than \$1,000.	0	0	0
364	PA	BC of Northeastern PA	█	█	0	0	N/A	0	0	0
973	PR	Triple-S, Inc.	█	█	0	0	N/A	0	0	0
370/870	RI	BCBS of Rhode Island	█	████	6	15,147	Judgmentally selected all refunds greater than \$1,000.	1,486	26	1,512
380/880	SC	BCBS of South Carolina	█	████	11	152,164	Judgmentally selected all refunds greater than \$3,500.	0	0	0
415/915	VT	BCBS of Vermont	█	████	2	30,183	Judgmentally selected all refunds greater than \$1,000.	5,281	0	5,281
443/943	WV	Highmark BCBS of West Virginia	█	████	21	802,157	Judgmentally selected all refunds greater than \$55,000.	0	0	0
460/960	WY	BCBS of Wyoming	█	████	5	10,631	Judgmentally selected all refunds greater than \$1,000.	0	0	0
Totals			█	████	117	\$1,525,139		\$12,441	\$26	\$12,467

* Untimely returned refunds are refunds that were not deposited into the FEP investment account within 30 days of receipt and/or not returned to the LOCA within 60 days of receipt.

N/A - These BCBS plans did not have aging FEP refunds as of June 30, 2015.

Report No. 1A-99-00-16-010

SCHEDULE B

AGING REFUNDS, FRAUD RECOVERIES, AND MEDICAL DRUG REBATES

SAMPLE OF BLUECROSS AND/OR BLUESHIELD PLANS

SUMMARY OF FRAUD RECOVERIES - UNIVERSE TOTALS, SAMPLE SELECTIONS, AND QUESTIONED AMOUNTS

Plan Codes	State or Territory	Plan Name	Fraud Recoveries (January 1, 2012 through June 30, 2015)					Questioned Amounts		
			Universe		Sample Selections			Fraud Recoveries Returned Untimely**		
			Count	Amount	Count	Amount	Selection Methodology	Recoveries	LII	Total
20/520	AR	BCBS of Arkansas	█	█	2	\$5,826	Judgmentally selected all fraud recoveries greater than \$1,000.	\$0	\$0	\$0
070/570	DE	Highmark BCBS of Delaware	█	█	0	0	N/A	0	0	0
471/971	HI	BCBS of Hawaii	█	█	3	30,378	Judgmentally selected all fraud recoveries greater than \$1,000.	0	0	0
140/640/889	IA/SD	Wellmark BCBS	█	█	6	335,639	Judgmentally selected all fraud recoveries greater than \$30,000.	0	0	0
110/610	ID	BCBS of Idaho	█	█	4	16,926	Judgmentally selected all fraud recoveries greater than \$1,000.	2,221	0	2,221
150/650	KS	BCBS of Kansas	█	█	2	58,443	Judgmentally selected all fraud recoveries greater than \$1,000.	0	0	0
170/670	LA	BCBS of Louisiana	█	█	7	147,158	Judgmentally selected all fraud recoveries greater than \$5,000.	5,603	0	5,603
210/710	MI	BCBS of Michigan	█	█	7	132,949	Judgmentally selected all fraud recoveries greater than \$5,000.	0	0	0
240/740	MO	BCBS of Kansas City	█	█	3	9,181	Judgmentally selected all fraud recoveries greater than \$1,000.	0	0	0
230/730	MS	BCBS of Mississippi	█	█	5	255,117	Judgmentally selected fraud recoveries greater than \$30,000.*	0	0	0
250/751	MT	HCSC – BCBS of Montana	█	█	4	22,300	Judgmentally selected all fraud recoveries greater than \$1,000.	0	0	0
320/820	ND	BCBS of North Dakota	█	█	3	20,522	Judgmentally selected all fraud recoveries greater than \$5,000.	0	0	0
260/760	NE	BCBS of Nebraska	█	█	8	486,701	Judgmentally selected all fraud recoveries greater than \$10,000.	0	0	0
140/640/889	NY	BCBS of Western New York	█	█	25	22,601	Selected all fraud recoveries.	0	1,081	1,081
304/305/306/804/805/806	NY	Excellus BCBS	█	█	6	15,714	Judgmentally selected all fraud recoveries greater than \$1,000.	0	0	0
361	PA	Capital BC	█	█	2	26,951	Judgmentally selected all fraud recoveries greater than \$3,000.	0	0	0
362	PA	Independence BC	█	█	0	0	N/A	0	0	0
364	PA	BC of Northeastern PA	█	█	0	0	N/A	0	0	0
973	PR	Triple-S, Inc.	█	█	0	0	N/A	0	0	0
370/870	RI	BCBS of Rhode Island	█	█	6	44,831	Judgmentally selected all fraud recoveries greater than \$3,000.	0	0	0
380/880	SC	BCBS of South Carolina	█	█	10	28,516	Judgmentally selected all fraud recoveries greater than \$1,000.	0	0	0
415/915	VT	BCBS of Vermont	█	█	4	13,889	Judgmentally selected all fraud recoveries greater than \$3,000.	0	0	0
443/943	WV	Highmark BCBS of West Virginia	█	█	0	0	N/A	0	0	0
460/960	WY	BCBS of Wyoming	█	█	0	0	N/A	0	0	0
Totals			█	█	107	\$1,673,642		\$7,824	\$1,081	\$8,905

* Judgmentally selected one fraud recovery greater than \$30,000 (if applicable) from each semi-annual period.

** Untimely returned fraud recoveries are recoveries that were not deposited into the FEP investment account within 30 days of receipt and/or not returned to the LOCA within 60 days of receipt.

N/A - These BCBS plans did not have fraud recoveries for the period January 1, 2012 through June 30, 2015.

SCHEDULE C

AGING REFUNDS, FRAUD RECOVERIES, AND MEDICAL DRUG REBATES

SAMPLE OF BLUECROSS AND/OR BLUESHIELD PLANS

SUMMARY OF MEDICAL DRUG REBATES - UNIVERSE TOTALS, SAMPLE SELECTIONS, AND QUESTIONED AMOUNTS

Plan Codes	State or Territory	Plan Name	Universe			Questioned Amounts		
			Medical Drug Rebates (January 1, 2012 through June 30, 2015)			Medical Drug Rebates Returned Untimely*		
			Count	Amount	Selection Methodology	Rebates	LII	Total
20/520	AR	BCBS of Arkansas	█	█	N/A	\$0	\$0	\$0
070/570	DE	Highmark BCBS of Delaware	█	█	Selected all medical drug rebate amounts for review.	7,173	613	7,786
471/971	HI	BCBS of Hawaii	█	█	N/A	0	0	0
140/640/889	IA/SD	Wellmark BCBS	█	█	N/A	0	0	0
110/610	ID	BCBS of Idaho	█	█	N/A	0	0	0
150/650	KS	BCBS of Kansas	█	█	Selected all medical drug rebate amounts for review.	0	0	0
170/670	LA	BCBS of Louisiana	█	█	Selected all medical drug rebate amounts for review.	0	0	0
210/710	MI	BCBS of Michigan	█	█	Selected all medical drug rebate amounts for review.	15,196	358	15,554
240/740	MO	BCBS of Kansas City	█	█	N/A	0	0	0
230/730	MS	BCBS of Mississippi	█	█	N/A	0	0	0
250/751	MT	HCSC – BCBS of Montana	█	█	Selected all medical drug rebate amounts for review.	0	0	0
320/820	ND	BCBS of North Dakota	█	█	N/A	0	0	0
260/760	NE	BCBS of Nebraska	█	█	Selected all medical drug rebate amounts for review.	0	0	0
301/800/801	NY	BCBS of Western New York	█	█	Selected all medical drug rebate amounts for review.	142,140	4,265	146,405
304/305/306/804/805/806	NY	Excellus BCBS	█	█	Selected all medical drug rebate amounts for review.	0	0	0
364	PA	Capital BC	█	█	Selected all medical drug rebate amounts for review.	2,525	0	2,525
362	PA	Independence BC	█	█	N/A	0	0	0
361	PA	BC of Northeastern PA	█	█	N/A	0	0	0
973	PR	Triple-S, Inc.	█	█	N/A	0	0	0
370/870	RI	BCBS of Rhode Island	█	█	Selected all medical drug rebate amounts for review.	15,017	0	15,017
380/880	SC	BCBS of South Carolina	█	█	N/A	0	0	0
415/915	VT	BCBS of Vermont	█	█	N/A	0	0	0
443/943	WV	Highmark BCBS of West Virginia	█	█	Selected all medical drug rebate amounts for review.	0	0	0
460/960	WY	BCBS of Wyoming	█	█	Selected all medical drug rebate amounts for review.	0	0	0
Totals			█	█		\$182,051	\$5,236	\$187,287

* Untimely returned medical drug rebates are rebates that were not deposited into the FEP investment account within 30 days of receipt and/or not returned to the LOCA within 60 days of receipt.
N/A - These BCBS plans did not have medical drug rebates for the period January 1, 2012 through June 30, 2015.



**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

APPENDIX

September 1, 2016

[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 20415-11000

**Reference: OPM DRAFT AUDIT REPORT
AGING REFUNDS, FRAUD RECOVERIES, AND MEDICAL
DRUG REBATES
For a Sample of Blue Cross Blue Shield Plans
Audit Report Number 1A-99-00-16-010**

Dear [REDACTED]:

This is the Blue Cross and Blue Shield Association's response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees' Health Benefits Program (FEHBP) Pension and Postretirement Benefit costs for a sample of Blue Cross Blue Shield Plans. Our comments concerning the findings in the report are as follows:

Medical Drug Rebates \$187,287

Recommendation

We recommend that the contracting officer require the plans to return \$182,051 to the FEHBP for the questioned medical drug rebates. The questioned medical drug rebates consist of \$142,140 for BCBS of Western New York; \$15,196 for BCBS of Michigan; \$15,017 for BCBS Rhode Island; \$7,173 for Highmark BCBS of Delaware and \$2,525 for BC of Northeastern Pennsylvania. However, since we verified that the plans returned \$182,051 to the FEHBP for these questioned medical drug rebate amounts, no further action is required for this amount.

BCBSA Response

BCBSA agrees with this recommendation.

Recommendation

We recommend that the contracting office require the plans to return \$5,236 to the FEHBP for LII on the questioned medical drug rebates. The LII for the questioned medical drug rebates consist of \$4,265 for BCBS of Western New York; \$613 for

Report No. 1A-99-00-16-010

Highmark BCBS of Delaware and \$358 for BCBS of Michigan. Since we verified that Highmark BCBS of Delaware returned \$613 for the LII, no further action is required for this questioned amount. However, the FEHBP is due \$4,265 for BCBS of Western New York and \$358 BCBS of Michigan for LII on questioned medical drug rebates.

BCBSA Response

BCBSA agrees with this recommendation. Blue Cross of Western New York submitted a Special Plan Invoice (SPI) for LII in the amount of \$4,265 on June 17, 2016. The Plan will submit documentation to substantiate the return of the LII to the Program once the funds are returned. BCBS Michigan submitted a SPI in the amount of \$358 for the LII related to the untimely deposit of Medical Drugs Rebates to the FEP Investment Account and returned the LII to the Program on October 20, 2015.

Fraud Recoveries

\$31,506

Recommendation

We recommend that the contracting officer require the plans to return \$30,425 to the FEHBP for the questioned fraud recoveries. These questioned fraud recoveries consist of \$22,601 for BCBS of Western New York; \$5,603 for BCBS of Louisiana and \$2,221 for BCBS of Idaho. We verified that BCBS of Louisiana returned \$5,603 and BCBS of Idaho returned \$2,221 to the FEHBP for these questioned fraud recoveries. No further action is required for these questioned amounts. However, the FEHBP is due \$22,601 for fraud recoveries not returned by BCBS of Western New York.

BCBSA Response

Blue Cross Blue Shield of Western New York submitted SPIs for the Fraud Recoveries in the amount of \$22,601 and the Plan returned the funds to the Program on June 4, 2015 and June 30, 2015. No further action is required for the remaining Plans referred to in the recommendation.

Recommendation

We recommend that the contracting office require BCBS of Western New York to return \$1,081 to the FEHBP for LII (calculated through June 30, 2016) for fraud recoveries not returned to the FEHBP.

BCBSA Response

The Plan agrees with this recommendation and will submit a SPI for LII in the amount of \$1,081 for Fraud Recoveries not returned timely to the Program by September 30, 2016.

Aging Health Benefit Refunds

\$12,467

Recommendation

We recommend that the contracting officer require the Plans to return \$7,186 to the FEHBP for the questioned aging FEP health benefit refunds and applicable LII. The questioned amounts consist of \$5,674 for BCBS of Arkansas and \$1,512 for BCBS of Rhode Island. Since we verified that BCBS of Arkansas returned \$5,674 and BCBS of Rhode Island returned \$1,512 to the FEHBP for these questioned aging health benefit refunds and applicable LII, no further action is required for these questioned amounts.

BCBSA Response

BCBSA agrees with this recommendation.

Recommendation

We recommend that the contracting officer instruct BCBS of Vermont to immediately return the questioned excess funds of \$5,281 to the FEHBP (unless the plan can provide evidence or supporting documentation that these funds are not FEHBP funds).

BCBSA Response

The Plan agreed with this recommendation and submitted a SPI for the unidentified funds in the FEP Investment Account and will return the funds to the Program by September 30, 2016.

Recommendation

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that BCBS of Idaho implements corrective actions so that only necessary funds are maintained in the FEP investment account, and corporate funds (such as reimbursements for the plan) are timely transferred to the plan's corporate account.


Report No. 1A-99-00-16-010

BCBSA Response

BCBSA will work with the Plan to develop corrective actions to address the Plan's FEP Investment Account.

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,

, CISA
Managing Director, Program Assurance

Report No. 1A-99-00-16-010



Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

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

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

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

Report No. 1A-99-00-16-010

-- CAUTION --

This report has been distributed to Federal officials who are responsible for the administration of the subject program. This non-public version may contain confidential and/or proprietary information, including information protected by the Trade Secrets Act, 18 U.S.C. § 1905, and the Privacy Act, 5 U.S.C. § 552a. Therefore, while a redacted version of this report is available under the Freedom of Information Act and made publicly available on the OIG webpage (<http://www.opm.gov/our-inspector-general>), this non-public version should not be further released unless authorized by the OIG.