



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

Final Audit Report

AUDIT OF THE MULTI-STATE PLAN PROGRAM OPERATIONS AT ARKANSAS BLUE CROSS BLUE SHIELD

**Report Number 1M-0F-00-16-058
April 14, 2017**

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EXECUTIVE SUMMARY

Audit of the Multi-State Plan Program Operations at Arkansas Blue Cross Blue Shield

Report No. 1M 0F-00-16-058

April 14, 2017

Why Did We Conduct The Audit?

The primary objective of our audit was to obtain reasonable assurance that Arkansas Blue Cross Blue Shield (ABCBS) complied with the provisions of Contract MSP-BCBS-2015-02 (Contract) and applicable Federal regulations for contract year 2015.

What Did We Audit?

The Office of the Inspector General has completed a performance audit of the Multi-State Plan (MSP) Program operations at ABCBS. Our audit of ABCBS's compliance with the 2015 Contract and applicable regulations was conducted from August 29, 2016, through November 8, 2016, at ABCBS's headquarters in Little Rock, Arkansas, and our offices in Cranberry Township, Pennsylvania, and Washington, D.C.



Michael R. Esser
*Assistant Inspector General
for Audits*

What Did We Find?

Our audit of the 2015 MSP Program operations at ABCBS disclosed two procedural findings pertaining to enrollment. Specifically, we identified the following:

- ABCBS did not accurately process a Healthcare Insurance Casework System case.
- ABCBS's automated system failed to send a Summary of Benefits and Coverage (SBC) to all enrollees and members from January to June 2015. In addition, ABCBS did not attempt to obtain valid addresses for members whose SBCs were subsequently sent and returned as undeliverable.

Our audit did not disclose any findings related to rates and benefits or contract quality assurance.

ABBREVIATIONS

ABCBS	Arkansas Blue Cross Blue Shield
Affordable Care Act Association	The Patient Protection and Affordable Care Act Blue Cross Blue Shield Association
BCBS	Blue Cross Blue Shield
CIC	Change in Circumstance
CFR	Code of Federal Regulations
Contract	Contract MSP-BCBS-2015-02
DHS	Department of Human Services
HICS	Healthcare Insurance Casework System
MSP	Multi-State Plan
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
PHSA	Public Health Services Act
SBC	Summary of Benefits and Coverage
U.S.C.	United States Code

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I. BACKGROUND

This final report details the results of our performance audit of the Multi-State Plan (MSP) Program operations at Arkansas Blue Cross Blue Shield (ABCBS). The audit covered contract year 2015. It 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 audit was conducted pursuant to the provisions of Contract MSP-BCBS-2015-02 (Contract); the Patient Protection and Affordable Care Act (Affordable Care Act); Title 45 Code of Federal Regulations (CFR), Chapter VIII, Part 800; and other applicable Federal regulations. Compliance with the Contract as well as laws and regulations applicable to the MSP Program is the responsibility of the Blue Cross Blue Shield Association (Association) and ABCBS's management. Additionally, ABCBS's management is responsible for establishing and maintaining a system of internal controls and procedures. Due to inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected.

The MSP Program was established by Section 1334 of the Affordable Care Act. Under the Affordable Care Act, OPM was directed to contract with private health insurers to offer MSP products in each state and the District of Columbia. OPM negotiates contracts with MSP Program Issuers, including rates and benefits, in consultation with states and marketplaces. In addition, OPM will monitor the performance of MSP Program Issuers and oversee compliance with legal requirements and contractual terms. OPM's office of National Healthcare Operations has overall responsibility for program administration.

The Association, on behalf of participating Blue Cross Blue Shield (BCBS) plans, entered into a contract with OPM to participate in the MSP Program. Along with its participating licensees, the Association offers 172 MSP options in 33 states and the District of Columbia. ABCBS was one of 38 BCBS plans, or State-Level Issuers, participating in the MSP Program in 2015.

The Association is a national federation of 36 independent, community-based and locally operated BCBS companies. The Association grants licenses to independent companies to use the trademarks and names in exclusive geographic areas. It operates and offers health care coverage in all 50 states, the District of Columbia, and Puerto Rico, covering nearly 105 million Americans. Nationally, the Association contracts directly with more than 96 percent of hospitals and 92 percent of professional providers.

ABCBS is the largest health insurer in Arkansas. In addition to offering the three MSP options (Bronze, Silver, and Gold) on the Federally Facilitated Marketplace, they offer health and dental

insurance policies for individuals and families with a full portfolio of health management tools and resources designed to improve the health of all their members, no matter where they fall on the care continuum. ABCBS is a not-for-profit mutual insurance company.

This is our first audit of ABCBS's MSP Program. We selected ABCBS to audit based on the fact that it has the largest enrollment and percentage of marketplace enrollment for an independent BCBS state level issuer.

The preliminary results of this audit were discussed with ABCBS and the Association officials at an exit conference and in subsequent correspondence. A draft report was also provided to the Association for review and comment. The Association's comments were considered in preparation of this report and are included as an Appendix to the report.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The primary objective of this performance audit was to obtain reasonable assurance that ABCBS was in compliance with the provisions of its Contract with OPM and applicable laws and regulations governing the MSP Program for contract year 2015. Specifically, we reviewed enrollment, rates and benefits, and contract quality assurance.

SCOPE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, 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.

The audit fieldwork was performed from August 29, 2016, through November 8, 2016, at ABCBS's headquarters in Little Rock, Arkansas, and our offices in Cranberry Township, Pennsylvania, and Washington, D.C.

We obtained an understanding of ABCBS's internal control structure and used this information to determine the nature, timing, and extent of our audit procedures. Our review of internal controls was limited to the procedures that ABCBS had in place for enrollment processing, prescription drug benefits, and patient safety standards. Because our audit was focused on internal controls over specific MSP processes, we will not express an opinion on the issuer's system of internal controls as a whole.

In conducting the audit, we relied to varying degrees on computer-generated data provided by ABCBS and the Association. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our audit utilizing the computer-generated data to cause us to doubt its reliability.

METHODOLOGY

We interviewed issuer personnel and reviewed supporting documentation related to the issuer's compliance with new enrollee policies and procedures. Specifically, we evaluated how and if the

issuer mitigated the risk of members not receiving timely enrollment information. We tested a judgmental sample of Change in Circumstance (CIC) transactions from January 2015 through November 2015 to determine if the CIC transactions were processed both timely and accurately. As part of the CIC transaction review, we also reviewed the Summary of Benefits and Coverage (SBC) mail processing timeliness. The CIC transaction universe, samples, and selection methodology are summarized in Exhibit A.

Similarly, we selected a judgmental sample of Healthcare Insurance Casework System (HICS) cases from MSP HICS cases in 2015 to determine if these actions were processed timely and accurately. The HICS case universe, samples, and selection methodology are summarized in Exhibit B.

Additionally, we interviewed issuer personnel and reviewed supporting documentation related to the Formulary Inadequate Justification List. We tested a judgmental sample of drugs listed on the Formulary Inadequate Category/Class Count Supporting Documentation and Justification List to verify the drugs listed within the justification section are covered through medical benefits. The Formulary Inadequate Justification List universe, samples, and selection methodology are summarized in Exhibit C.

Finally, we interviewed ABCBS personnel and reviewed supporting documentation related to the issuer's compliance with quality improvement and patient safety standards, along with the submission of their 2015 Contract Quality Assurance Report.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. ENROLLMENT

Procedural

1. Healthcare Insurance Casework System

ABCBS was not fully in compliance with contractual requirements for enrollee processing within the exchange. Specifically, ABCBS did not accurately process a HICS case.

Contract Section 6.7(a) requires ABCBS to develop, operate, and maintain viable systems, processes, and procedures for the timely, accurate, and valid enrollment and termination of enrollee coverage within each Exchange.

We determined that 1 HICS case out of our judgmental sample of 20 cases was processed inaccurately. Specifically, we determined that the HICS case was not accurately resolved due to ABCBS failing to update the ██████ enrollment software system correctly when resolving the HICS case. This ultimately caused the member to be denied medical coverage in March of 2015. Although the member never reported the error to ABCBS, the denial of coverage may have negatively impacted the member's ability to receive necessary care.

Inaccurate processing of an enrollment case resulted in a member being denied coverage.

As a result of the HICS case error identified above, ABCBS implemented a process improvement procedure, effective May 25, 2016, to ensure HICS case resolutions were being performed accurately. Though we reviewed this procedure, we did not evaluate its effectiveness.

Issuer Response:

ABCBS agrees with the audit finding. The Association states that ABCBS has “reviewed its procedures for the resolution of HICS cases to identify deficiencies in the controls over this process. Based on this review, ABCBS implemented a corrective action that modified and updated its procedure for processing HICS cases.”

OIG Comment:

Based on our review of the corrective action plan in response to the draft report, ABCBS implemented a process improvement procedure to track HICS case resolutions end-to-end

to ensure all actions are complete and the cases are being performed accurately. This procedure includes the Appeals Analyst verifying that all requested changes are made and all fields that impact member coverage are properly updated. We were able to review this procedure, but we did not evaluate its effectiveness.

Recommendation 1

We recommend that the Contracting Officer ensure ABCBS's HICS Resolution Procedures were implemented and direct them to maintain updates as necessary to ensure the accurate processing of HICS cases.

2. Undeliverable Summary of Benefits and Coverage

ABCBS was not fully in compliance with contractual and regulatory requirements to provide an SBC to enrollees in 2015. Specifically, ABCBS's automated system failed to send SBCs to all enrollees and members from January to June 2015. In addition, ABCBS did not attempt to obtain valid addresses for members whose SBCs were subsequently sent and returned as undeliverable.

Contract Section 6.1(b)(3) requires ABCBS to provide enrollees and prospective enrollees with SBCs that comply with Public Health Services Act (PHSA) §2715. PHSA§2715(d) requires health insurance issuers to provide SBCs to enrollees at the time of application in either paper or electronic form.

A system failure prevented summaries of benefits and coverage from being sent to members from January to June 2015.

45 CFR 147.200(a)(1)(iv)(A) states that upon receiving an application, health insurance issuers must provide SBCs to enrollees within seven days.

According to ABCBS, SBCs were automatically triggered to be sent to enrollees when enrollment files were received. However, during our review of Change in Circumstance (CIC) transaction processing, 23 of 41 SBCs, or 56 percent, appeared to have been sent up to 134 days after receipt of the CIC application. ABCBS subsequently explained that on June 9, 2015, it identified a failure in its system automation that prevented Summary of Benefits and Coverage's (SBCs) from being sent to all members for the first half of 2015. They further explained that on June 12, 2015, the backlog of unsent SBCs was cleared. This gave the appearance of the unsent SBCs as being sent, which explains why the SBCs for the transactions we tested appeared to have been sent when they actually

were not sent. As a result, ABCBS was not in compliance with contractual and regulatory requirements to provide SBCs to enrollees within seven days, leaving enrollees and members at risk of not receiving important information regarding their coverage in a timely manner.

Moreover, ABCBS did not have a procedure in place to follow up on SBCs that were returned as undeliverable after the automation failure was corrected. Per its procedure, if SBCs were returned as undeliverable, ABCBS shredded the information and did not conduct additional research to identify a correct address. ABCBS noted that it did not have the ability to store and return the corrected information back to the Federally Facilitated Marketplace and the Arkansas Department of Human Services (DHS), which were considered to be the systems of record for member information, including addresses. However, by not obtaining accurate mailing addresses, ABCBS did not fully comply with contractual and regulatory requirements to provide enrollees with SBCs, further putting enrollees at risk of not receiving important information related to their coverage.

ABCBS did take corrective actions to address these issues. Regarding the system error, ABCBS independently took immediate steps to engage the automation on June 12, 2015. ABCBS stated that it continued to monitor the SBC delivery within the system manually until it released system improvements and monitoring controls in September 2015. ABCBS also implemented a policy for additional auditing measures in January 2016. Although we did not formally review the processes and procedures that ABCBS subsequently put in place, during our review of the CIC transactions we did not identify any SBC issues after June 2015.

Additional research was not conducted by ABCBS to identify correct addresses for undeliverable summaries of benefits and coverage.

In addition, ABCBS revised its procedures for handling undeliverable SBCs as a result of our audit. The revisions include following up with members to obtain valid mailing addresses and updating the mailing addresses in ABCBS's systems. According to ABCBS, changes made to the mailing address are communicated to the Federally Facilitated Marketplace via reconciliation files. Similarly, ABCBS stated that it has been reporting to Arkansas DHS on private option members whose addresses need to be updated since the end of 2015. Furthermore, by the end of 2016, ABCBS planned to implement a tracking process to scan undeliverable mail for Exchange plans and place it in queues to be processed, as appropriate. Finally, we verified that electronic copies of the SBCs are available on the ABCBS website and member portals, which would help to mitigate the risk of members.

not receiving SBCs, but only if the members had a clear understanding and knowledge of this option for accessing the information.

Issuer Response:

ABCBS agrees with these audit findings. The Association states that “Based on the OIG recommendations, [ABCBS] implemented a corrective action to modify its Policies and Procedures to track and monitor SBC mail returned as undeliverable. The revised Procedures specifically address returned SBCs. The revised Policies and Procedures document the requirements to research and update returned mail for Exchange and Off-Exchange subscribers.”

OIG Comment

As stated above, ABCBS planned to implement a tracking process to scan undeliverable mail for Exchange plans and place the mail in queues to be processed. However, after exploring the impact of this process change, there was some concern with the potential of creating a longer turn-around time than the current process. Consequently, an immediate action plan to update the procedure to research and update returned mail was implemented to include training employees in the new procedure. We have reviewed the new procedure but were unable to test its effectiveness.

Recommendation 2

We recommend that the Contracting Officer verify that ABCBS implements the procedural changes made for obtaining and updating mailing addresses for contract year 2015. During our audit, ABCBS revised its procedures for handling undeliverable SBCs. We reviewed the procedures and found them to sufficiently address the undeliverable SBC issue. However, we were unable to test the effectiveness of the procedures during this audit and will have to conduct further testing during future audits of ABCBS.

Recommendation 3

We recommend that the Contracting Officer verify that ABCBS implemented the new procedure for researching and updating undeliverable mail for Exchange plans.

B. RATES AND BENEFITS

Based on our review, we concluded that ABCBS is in compliance with the Contract and applicable criteria for pharmacy drug benefits

C. CONTRACT QUALITY ASSURANCE

Based on our review, we concluded that ABCBS is in compliance with the Contract and applicable criteria for patient safety requirements for hospitals and the 2015 contract quality assurance report.

EXHIBIT A

Change in Circumstance (CIC) Transactions Sample Selection Criteria and Methodology

Review	Universe Criteria	Universe (Number)	Sample (Number)	Sample Selection Methodology	Sample Type	Results Projected to the Universe?
CIC Transactions	Universe of MSP CICs from January - November 2015. We removed all CIC transactions with a received date of December 2015 from the original universe to reduce the likelihood of reviewing CICs related to 2016 plans.	█	41	We assigned a number to each CIC Transaction in the universe and used a random number generator from Random.org to select our sample, resulting in a random sample of 40 CIC Transactions; however 2 of the random numbers generated were duplicates, therefore we dropped the duplicate transactions, leaving us a total of 38 sampled transactions. We also judgmentally selected three sample items by picking the first transaction listed for the HIOS ID based on nomenclature.	38 Random and 3 Judgmental based on HIOS ID.	No

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EXHIBIT B

Healthcare Insurance Casework System (HICS) Sample Selection Criteria and Methodology

Review	Universe Criteria	Universe (Number)	Sample (Number)	Sample Selection Methodology	Sample Type	Results Projected to the Universe?
HICS Cases	2015 MSP HICS Cases	■	20	We assigned a number to each case in the universe and used a random number generator from Random.org to select our sample.	Random	No

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EXHIBIT C

Formulary Inadequate Justification List Sample Selection Criteria and Methodology

Review	Universe Criteria	Universe (Number)	Sample (Number)	Sample Selection Methodology	Sample Type	Results Projected to the Universe?
Formulary Inadequate Category/Class Count Supporting Documentation and Justification List	2015 Formulary Inadequate Justification List	■	19	We selected the first drug listed under the Justification heading for each Category/Class.	Judgmental	No

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APPENDIX



**BlueCross
BlueShield**

Association
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1310 G Street, N.W.
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January 16, 2017

██████████, Chief
Community-Rated Audits Group
U.S. Office of Personnel Management
Office of the Inspector General
1900 E Street NW, Rm. 6400
Washington, DC 20415-1100

**Reference: OPM Draft Audit Report of the Multi-State Plan Program Operations
Arkansas Blue Cross Blue Shield (ABCBS)
Audit Report Number 1M-0F-00-16-058
(Dated and received December 15, 2016)**

Dear ██████████:

This is the BCBSA response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Multi State Plan Program operations at Arkansas Blue Cross Blue Shield.

Our comments concerning the recommendations in the draft report are as follows:

A. ENROLLMENT REVIEW

1. Healthcare Insurance Casework System (HICS)

Procedural

Recommendation 1

We recommend that the Contracting Officer direct ABCBS to review its HICS Resolution Procedures' effectiveness and direct them to update as necessary to

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ensure the accurate processing of HICS cases.

Plan Response: The plan agrees with this recommendation. The Plan reviewed its procedures for the resolution of HICS cases to identify deficiencies in the controls over this process. Based on this review, the Plan implemented a corrective action that modified and updated its procedure for processing HICS cases. **Deleted by OIG - Not Relevant to the Final Report**

2. Undeliverable Summary of Benefits and Coverage(SBC) Procedural.

Recommendation 2

We recommend that the Contracting Officer verify that ABCBS implements the procedural changes made for obtaining and updating mailing addresses for contract year 2015. During our audit, ABCBS revised its procedures for handling undeliverable SBCs.

We reviewed the procedures and found them to sufficiently address the undeliverable SBC issue. However, we were unable to test the effectiveness of the procedures during this audit and will have to conduct further testing during any future audits of ABCBS. Consequently, no further action is required of the Issuer to address this recommendation.

Plan Response

The Plan agrees with this recommendation.

Recommendation 3

We recommend that the Contracting Officer verify that ABCBS implements the planned updates to track the process for undeliverable mail for Exchange plans.

Plan Response The plan agrees with this recommendation. Based on the OIG recommendations, the Plan implemented a corrective action to modify its Policies and Procedures to track and monitor SBC mail returned as undeliverable. The revised Procedures specifically address returned SBCs. The revised Policies and Procedures document the requirements to research and update returned mail for Exchange and Off-Exchange subscribers. **Deleted by OIG - Not Relevant to the Final Report**

B. RATES AND BENEFITS REVIEW

No recommendation

C. CONTRACT QUALITY ASSURANCE

No Recommendation

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,

[REDACTED]

[REDACTED], CISA,
Managing Director, FEP Program Assurance

Attachment

cc: [REDACTED], OPM Contracting Officer
[REDACTED], Part C and D Compliance Officer, Arkansas BCBS
[REDACTED], Director, Government Programs Delivery, BCBSA

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