



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

Final Audit Report

**AUDIT OF BLUE CROSS BLUE SHIELD OF
MINNESOTA**

**Report Number 1A-10-78-18-028
January 24, 2019**

EXECUTIVE SUMMARY

Audit of Blue Cross Blue Shield of Minnesota

Report No. 1A-10-78-18-028

January 24, 2019

Why Did We Conduct the Audit?

The objectives of our audit were to determine whether Blue Cross Blue Shield of Minnesota (Plan) charged costs to the Federal Employees Health Benefits Program (FEHBP) and provided services to FEHBP members in accordance with the terms of the Blue Cross Blue Shield Association's (Association) contract with the U.S. Office of Personnel Management (OPM). Specifically, our objective was to determine whether the Plan complied with contract provisions relative to health benefit payments.

What Did We Audit?

Under Contract CS 1039, the Office of the Inspector General has completed a performance audit of the FEHBP operations of Blue Cross Blue Shield of Minnesota. The audit covered claim payments from January 1, 2015, through March 31, 2018, as reported in the Association's Government-wide Service Benefit Plan Annual Accounting Statements.



Michael R. Esser
*Assistant Inspector General
for Audits*

What Did We Find?

Our performance audit identified minimal exceptions and determined that Blue Cross Blue Shield of Minnesota is pricing claim payments properly on behalf of the FEHBP. Therefore, we conclude that Blue Cross Blue Shield of Minnesota is in compliance with the terms of its contract with OPM and industry standards.

ABBREVIATIONS

Association	Blue Cross Blue Shield Association
BCBS	Blue Cross and Blue Shield
FEHBP	Federal Employees Health Benefits Program
FEP	Federal Employee Program
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	BlueCross BlueShield of Minnesota

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
ABBREVIATIONS	ii
I. BACKGROUND	1
II. OBJECTIVES, SCOPE, AND METHODOLOGY	3
III. AUDIT REVIEWS AND CONCLUSION	5
A. Claims Pricing Review	5
B. Claims System Processing Review	6
APPENDIX: Blue Cross Blue Shield Association’s November 13, 2018, response to the Draft Audit Report, issued November 9, 2018.	
REPORT FRAUD, WASTE AND MISMANAGEMENT	

I. BACKGROUND

This final report details the audit reviews and conclusion resulting from our audit of the Federal Employees Health Benefits Program (FEHBP) operations at Blue Cross Blue Shield of Minnesota (Plan). The Plan is located in Eagan, Minnesota. The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

The FEHBP was established by the Federal Employees Health Benefits Act, 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 Act are implemented by OPM through regulations, which are codified in Title 5, Part 890 of the Code of Federal Regulations (CFR). Health insurance coverage is made available through contracts with various health insurance carriers.

The Blue Cross Blue Shield Association (Association), on behalf of participating Blue Cross and Blue Shield (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 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. The 36 companies are comprised of 64 local BCBS plans.

The Association has established a Federal Employee Program (FEP) Director's Office in Washington, D.C. to provide centralized management for the Service Benefit Plan.¹ 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 Blue Cross Blue Shield, located in Owings Mills, Maryland. These activities include acting as fiscal intermediary between the Association and member plans, verifying subscriber eligibility, approving or disapproving the reimbursement of local Plan payments of FEHBP claims (using computerized system edits), maintaining a history file of all FEHBP claims, and maintaining an accounting of all program funds.

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 Association and Plan management. Also, management of each BCBS Plan is responsible for establishing and maintaining a system of internal controls.

The most recent audit report issued that covered claim payments for Blue Cross Blue Shield of Minnesota was Report No. 1A-10-78-10-002, dated March 30, 2010. All findings from the previous audit have been resolved.

The results of this current audit were discussed with Plan and Association officials throughout the audit and at an exit conference dated November 7, 2018. The Plan'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.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

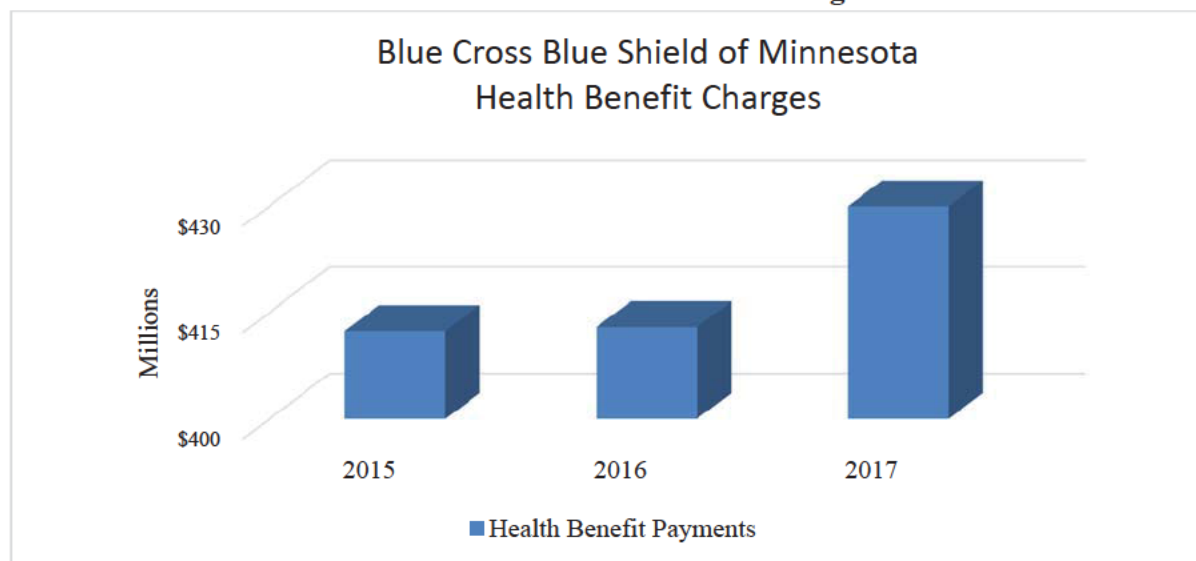
The objectives of our audit were to determine whether the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract. Specifically, our objective was to determine whether the Plan complied with contract provisions relative to health benefit payments.

SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with the U.S. Government Accountability Office's 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.

We reviewed the Association's Government-wide Service Benefit Plan Annual Accounting Statements as they pertain to Plan codes 220 and 720 (Blue Cross Blue Shield of Minnesota) for contract years 2015 through 2017² (see Exhibit I) and determined the Plan paid approximately \$1.2 billion in health benefit charges.

Exhibit I – Health Benefit Charges



² Although the audit scope covered January 1, 2015, through March 31, 2018, the Association's Government-wide Service Benefit Plan Annual Accounting Statement for 2018 was not available at the time this report was issued.

From this population of claims reimbursed from January 1, 2015, through March 31, 2018 we judgmentally selected various samples for review. We reviewed approximately 195 claims, totaling \$7.2 million in payments, for the period of January 1, 2015, through March 31, 2018, for proper adjudication. The determination of our audit findings is based on the FEHBP contract, the 2015 through 2018 Service Benefit Plan brochures, the Plan's provider agreements, and the Association's FEP Administrative Procedures Manual. The results of these samples were not projected to the universe of claims.

In planning and conducting our audit, we obtained an understanding of the Plan's internal control structure to help determine the nature, timing, and extent of our auditing procedures. Our audit approach consisted mainly of substantive tests of transactions and not tests of controls. Based on our testing, we did not identify any significant matters involving the Plan's internal control structure and its operations. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Plan's system of internal controls taken as a whole.

We also conducted tests to determine whether the Plan had complied with the contract and the laws and regulations governing the FEHBP as they relate to claim payments. The results of our tests indicate that, with respect to the items tested, the Plan is in compliance with the provisions of the contract relative to claim payments. A summary of our reviews was noted and explained in detail in the "Audit Reviews and Conclusion" section of this audit report. With respect to the items not tested, nothing came to our attention that caused us to believe that the Plan had not complied, in all material respects, with those provisions.

In conducting our audit, we relied to varying degrees on computer-generated data provided by the FEP Director's Office, the FEP Operations Center, and the Plan. Through audits and a reconciliation process, we have verified the reliability of the BCBS claims data in our data warehouse, which was used to identify the universe of claims for each type of review. The BCBS claims data is provided to us on a monthly basis by the FEP Operations Center, and after a series of internal steps, uploaded into our data warehouse. However, due to time constraints, we did not verify the reliability of the data generated by the Plan's local claims system. 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.

Audit fieldwork was performed at our offices in Washington, D.C.; Cranberry Township, Pennsylvania; and Jacksonville, Florida from May through November 2018.

III. AUDIT REVIEWS AND CONCLUSION

Our audit review did not detect any significant concerns with the Plan’s process for pricing and paying FEHBP claims, and we conclude that the Plan is in compliance with the terms of its contract with the U.S. Office of Personnel Management and industry standards. The sections below summarize the results of the reviews we performed on claim payments made by Blue Cross Blue Shield of Minnesota. As mentioned in the “scope” section above, all of our samples were selected from claim payments for services reimbursed between January 1, 2015, and March 31, 2018.

A. Claims Pricing Review

Population

We reviewed a sample of claims where the FEHBP paid as the primary insurer to determine whether the Plan’s local claims system properly processed and priced these claims in accordance with contract CS 1039. See Exhibit II for a summary of our Claims Pricing Review.

Exhibit II – Summary of Claims Pricing Review

Population		Samples		Errors	
Claim Lines	Amounts	Claims	Amounts	Claims	Amounts
6,271,751	\$1,244,892,985	195	\$ 7,184,384	2	\$7,248

Sample Selection Criteria

We selected our sample from an OIG-generated “Place of Service Report” that stratified the claims by place of service, such as provider office, and payment category, such as \$50 to \$99. Using this report, we judgmentally selected a total of 195 claims from the various stratum.

We also judgmentally selected 62 participating and preferred providers in our sample to verify whether their contract rates were accurately updated in the Plan’s local network pricing system.

Review Summary

The Plan incorrectly paid two claims, resulting in net overcharges of \$7,248 to the FEHBP. These claims were paid incorrectly due to manual processing errors. The Plan has taken the necessary actions required by CS 1039 to correct these claim payment errors. No further action is required.

B. Claims System Processing Review

The claims system processing review provided an opportunity to test a sample of claims to ensure that the Plan's local claim processing system is properly pricing and paying claims. During the claim cycle process, the Plan's local system adjudicates claims for pricing and medical editing, and the FEP Express system applies FEP member benefits.

Using the 62 samples selected for contract review, we slightly modified each claim sample to replicate the reprocessing of common claim scenarios to test the Plan's local and FEP Express systems for adjudicating claims. The exercise involved processing our sample test claims through the Plan's local system and FEP Express, and evaluating the manner in which both systems adjudicated the claims.

Our test did not identify any issues. Therefore, we conclude that the Plan's local claims' system is properly validating and paying claims.

APPENDIX

Blue Cross and Blue Shield of Minnesota

P.O. Box 64560
St. Paul, MN 55164-0560
(651) 662-8000 / (800) 382-2000



Manager, Operational Risk Management

E –

November 13, 2018

OPM Office of the Inspector General
300 N. Hogan Street, Suite 9-111
Jacksonville, FL 32202

Re: Office of Personnel Management, Office of the Inspector General FEHBP Performance Audit
Blue Cross and Blue Shield of Minnesota
Audit Period: January 1, 2015-March 31, 2018

Dear

Thank you for providing the draft audit report for our review. We appreciate the opportunity to participate in the United States Office of Personnel Management, Office of the Inspector General review of our FEHB program administration. We would also like to thank the staff that was assigned to our plan with regard to the courtesy and professionalism exhibited during the audit.

The draft audit report accurately reflects our understanding of the audit outcome. We look forward to continuing our successful administration of the Federal Employee Health Benefit (FEHB) Program.

If you have any questions regarding this response, please contact me at the phone number or email listed above. Thank you.

Sincerely,

cc: BCBSMN
BCBSMN
BCBSMN
BCBSA

bluecrossmn.com



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