



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

Final Audit Report

**Audit of Florida Blue
Jacksonville, Florida**

**Report Number 1A-10-41-18-008
January 29, 2019**

EXECUTIVE SUMMARY

Audit of Florida Blue

Report No. 1A-10-41-18-008

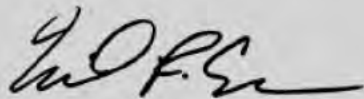
January 29, 2019

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that Florida Blue (Plan) is complying with the provisions of the Federal Employees Health Benefits Act and regulations that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP) contract. The objectives of our audit were to determine if the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract.

What did we audit?

Our audit covered miscellaneous health benefit payments and credits from 2013 through August 31, 2017, as well as administrative expenses from 2012 through 2016, as reported in the Annual Accounting Statements. We also reviewed the Plan's cash management activities and practices related to FEHBP funds from 2013 through August 31, 2017, and the Plan's Fraud and Abuse Program from 2016 through August 31, 2017.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$443,669 in medical drug rebates, administrative expenses, cash management activities, and lost investment income (LII). The BlueCross BlueShield Association and Plan agreed with all of the questioned amounts. As part of our review, we verified that the Plan subsequently returned these questioned amounts to the FEHBP.

Our audit results are summarized as follows:

- Miscellaneous Health Benefit Payments and Credits – We questioned \$186,943 for medical drug rebates that had not been returned to the FEHBP and \$4,108 for applicable LII on these drug rebates. In addition, we questioned \$58,450 for LII on [REDACTED] hospital settlement amounts that were returned untimely to the FEHBP during the audit scope.
- Administrative Expenses – We questioned \$50,252 for LII on an overcharge to the FEHBP for the 2014 Affordable Care Act health insurance provider fee.
- Cash Management – We questioned \$141,127 for United States Treasury offsets against the FEHBP letter of credit account and \$2,789 for applicable LII on these Treasury offsets.
- Fraud and Abuse Program – The Plan is in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in FEHBP Carrier Letter 2014-29.

ABBREVIATIONS

| | |
|--------------------|------------------------------------------------------------------|
| ACA | Affordable Care Act |
| Association | BlueCross BlueShield Association |
| BCBS | BlueCross and/or BlueShield |
| CFR | Code of Federal Regulations |
| FAR | Federal Acquisition Regulations |
| FEHB | Federal Employees Health Benefits |
| FEHBAR | Federal Employees Health Benefits Acquisition Regulations |
| FEHBP | Federal Employees Health Benefits Program |
| FEP | Federal Employee Program |
| FIMS | Fraud Information Management System |
| FSTS | FEP Special Investigations Unit Tracking System |
| LII | Lost Investment Income |
| OIG | Office of the Inspector General |
| OPM | U.S. Office of Personnel Management |
| Plan | Florida Blue |
| SIU | Special Investigations Unit |
| Treasury | United States Treasury |

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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 Florida Blue (Plan). The Plan is located in Jacksonville, Florida.

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 local BlueCross and/or BlueShield (BCBS) plans, has entered into a Government-wide Service Benefit Plan contract (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. The Plan is one of 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 BCBS, 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),

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.

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.

Compliance with laws and regulations applicable to the FEHBP is the responsibility of the Association and Plan management. In addition, working in partnership with the Association, management of the Plan is responsible for establishing and maintaining a system of internal controls.

All findings from our previous audit of the Plan (Report No. 1A-10-41-12-050, dated September 10, 2013), covering 2009 through February 2012, have been satisfactorily resolved.

The results of this audit were provided to the Plan in written audit inquiries; were discussed with Plan and/or Association officials throughout the audit and at an exit conference on September 13, 2018; and were presented in detail in a draft report, dated September 21, 2018. 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.

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 objectives were as follows:

Miscellaneous Health Benefit Payments and Credits

- To determine whether miscellaneous payments charged to the FEHBP were in compliance with the terms of the contract.
- To determine whether credits and miscellaneous income relating to FEHBP benefit payments were returned timely to the FEHBP.

Administrative Expenses

- To determine whether administrative expenses charged to the contract were actual, allowable, necessary, and reasonable expenses incurred in accordance with the terms of the contract and applicable regulations.

Cash Management

- To determine whether the Plan handled FEHBP funds in accordance with the contract and applicable laws and regulations concerning cash management in the FEHBP.

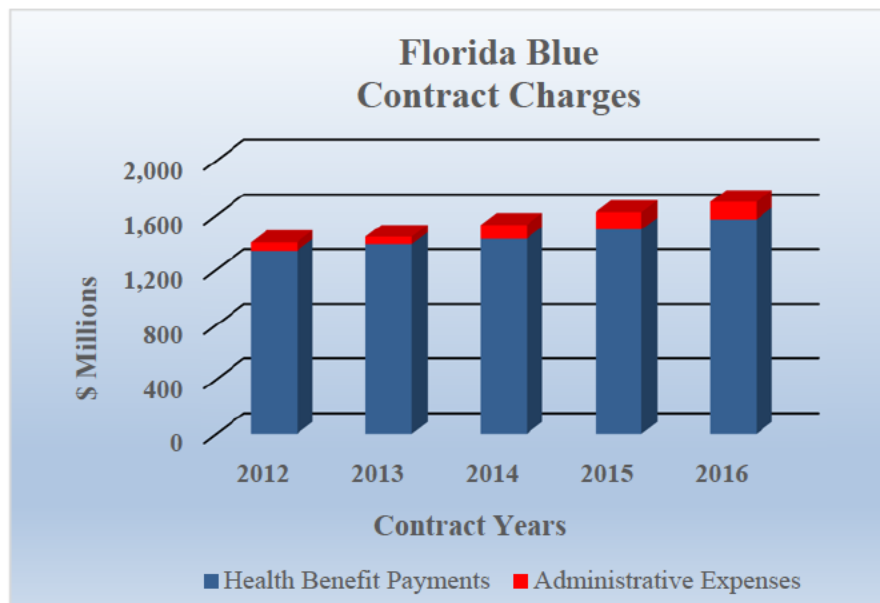
Fraud and Abuse Program

- To determine whether the Plan's communication and reporting of fraud and abuse cases complied with the terms of Contract CS 1039 and Carrier Letter 2014-29.

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.

We reviewed the BlueCross and BlueShield FEHBP Annual Accounting Statements as they pertain to Plan codes 090 and 590 for contract years 2012 through 2016. During this period, the Plan paid approximately \$7.2 billion in FEHBP health benefit payments and charged the FEHBP \$475 million in administrative expenses (see chart below).



Specifically, we reviewed miscellaneous health benefit payments and credits (such as cash receipt and auto recoupment refunds, hospital settlements, medical drug rebates, and special plan invoices) and the Plan’s cash management activities and practices from 2013 through August 31, 2017, as well as administrative expenses from 2012 through 2016. We also reviewed the Plan’s Fraud and Abuse Program activities from 2016 through August 31, 2017.

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. This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on 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, the applicable procurement regulations (i.e., Federal Acquisition Regulations (FAR) and Federal Employees Health Benefits Acquisition Regulations (FEHBAR), as appropriate), and the laws and regulations governing the FEHBP. The results of our tests indicate that, with respect to the items tested, the Plan did not comply with all provisions of the contract and federal procurement

regulations. 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 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 Plan and the FEP Director's Office. 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 the Plan's office in Jacksonville, Florida on various dates from April 3, 2018, through June 29, 2018. Audit fieldwork was also performed at our offices in Jacksonville, Florida and Washington, D.C. through September 13, 2018. Throughout the audit process, the Plan did a good job providing complete and timely responses to our numerous requests for supporting documentation. We greatly appreciated the Plan's cooperation and responsiveness during the pre-audit and fieldwork phases of this audit.

METHODOLOGY

We obtained an understanding of the internal controls over the Plan's financial, cost accounting, and cash management systems by inquiry of Plan officials.

We interviewed Plan personnel and reviewed the Plan's policies, procedures, and accounting records during our audit of miscellaneous health benefit payments and credits. For the period 2013 through August 31, 2017, we also judgmentally selected and reviewed the following FEP items:

*Health Benefit Refunds*²

- A high dollar sample of 110 FEP health benefit refund cash receipts, totaling \$16,778,960, and a statistical sample of 77 FEP health benefit refund cash receipts, totaling \$915,984 (from a universe of 124,615 FEP refund cash receipt amounts, totaling \$69,011,073, for the audit scope). Our high dollar sample included all refund cash receipt amounts greater than \$50,000 from the audit scope, and our statistical sample included refunds selected from a stratification of cash receipt amounts from \$500 through \$50,000.

² The Plan's FEP universes of cash receipt and auto recoupment refunds included items such as solicited and unsolicited refunds, subrogation recoveries, fraud recoveries, and/or provider audit recoveries from the Plan's yearly refund files.

- A high dollar sample of 75 FEP health benefit refunds returned via auto recoupments, totaling \$20,750,590 (from a universe of 213,603 FEP refunds returned via auto recoupments, totaling \$138,058,544, for the audit scope). Our high dollar sample included the 75 highest auto recoupment amounts from the audit scope.

Other Health Benefit Payments, Credits, and Recoveries

- A high dollar sample of 19 special plan invoices, totaling \$8,700,053 in net FEP payments (from a universe of 808 special plan invoices, totaling \$25,043,190 in net FEP payments, for the audit scope). We judgmentally selected these special plan invoices based on our nomenclature review of high dollar invoice amounts. Special plan invoices are used by the Plan to process miscellaneous health benefit payment and credit transactions that do not include primary claim payments or checks.
- All [REDACTED] FEP hospital settlement amounts, totaling [REDACTED] for the audit scope.
- All 65 FEP medical drug rebate amounts, totaling \$2,159,706, for the audit scope.

We reviewed these samples to determine if health benefit refunds and recoveries were timely returned to the FEHBP and if miscellaneous payments were properly charged to the FEHBP. The results of these samples were not projected to the universe of miscellaneous health benefit payments and credits, since the exceptions identified were not from statistically selected samples.

We judgmentally reviewed administrative expenses charged to the FEHBP for contract years 2012 through 2016. Specifically, we reviewed administrative expenses relating to cost centers, natural accounts, pensions, post-retirement, employee health benefits, out-of-system adjustments, prior period adjustments, gains and losses, mergers and acquisitions, executive compensation limits, and Patient Protection and Affordable Care Act fees.³ We used the FEHBP contract, the FAR, the FEHBAR, and/or the Affordable Care Act (Public Law 111-148) to determine the allowability, allocability, and reasonableness of charges.

³ In general, the Plan records administrative expense transactions to natural accounts that are then allocated through cost centers to the Plan's various lines of business, including the FEP. The Plan allocated administrative expenses of \$459,335,300 to the FEHBP from 540 cost centers that contained 69 natural accounts. From this universe, we selected a judgmental sample of 44 cost centers to review, which totaled \$102,139,002 in expenses allocated to the FEHBP. We also selected a judgmental sample of 32 natural accounts to review, which totaled \$250,918,019 in expenses allocated to the FEHBP through the cost centers. Because of the way we select and review each of these samples, there is a duplication of some of the administrative expenses tested. We selected these cost centers and natural accounts based on high dollar amounts, high dollar allocation methods, and our nomenclature review and trend analysis. We reviewed the expenses from these cost centers and natural accounts for allowability, allocability, and reasonableness. The results of these samples were not projected to the universe of administrative expenses, since we did not use statistical sampling.

We reviewed the Plan's cash management activities and practices to determine whether the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations. Specifically, we reviewed letter of credit account drawdowns, working capital calculations, adjustments and/or balances, United States Treasury offsets, and interest income transactions from 2013 through August 31, 2017, as well as the Plan's dedicated FEP investment account activity during the scope and the balance as of August 31, 2017.

We also interviewed the Plan's Special Investigations Unit regarding the compliance of the Fraud and Abuse Program, as well as reviewed the Plan's communication and reporting of fraud and abuse cases to test compliance with Contract CS 1039 and FEHBP Carrier Letter 2014-29.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Medical Drug Rebates

\$191,051

Our audit determined that the Plan had not returned three medical drug rebate amounts, totaling \$186,943, to the FEHBP as of August 31, 2017. The Plan subsequently returned these amounts to the FEHBP in October 2017, from 44 to 62 days late and after receiving our audit notification letter. Additionally, the Plan untimely returned 60 medical drug rebate amounts, totaling \$1,972,483, to the FEHBP during the audit scope. As a result, we are questioning \$191,051 for this audit finding, consisting of \$186,943 for the questioned medical drug rebates and \$4,108 for lost investment income (LII) on medical drug 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.”

Contract CS 1039, Part II, Section 2.3 (i) states, “All health benefit refunds and 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.”

FAR 52.232-17(a) states, “all amounts that become payable by the Contractor . . . shall bear simple interest from the date due . . . 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.”

The Plan had not returned medical drug rebates, totaling \$186,943, to the FEHBP as of August 31, 2017.

The Plan participates 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. The Plan receives medical drug rebates multiple times a year (usually on a quarterly basis) and credits them to the participating groups, including the FEP.

For the period 2013 through August 31, 2017, the Plan received 65 FEP medical drug rebate amounts, totaling \$2,159,706, from various drug manufacturers. From this universe, we selected and reviewed all of the FEP medical drug rebate amounts to determine if the Plan timely returned these funds to the FEHBP. Based on our review, we identified the following exceptions:

- The Plan returned three medical drug rebate amounts, totaling \$186,943, to the FEHBP in October 2017, from 44 to 62 days late and after receiving our audit notification letter (dated September 1, 2017). Therefore, we are questioning this amount as a monetary finding as well as \$529 for LII on these medical drug rebates returned untimely to the FEHBP.
- The Plan returned 60 medical drug rebate amounts, totaling \$1,972,483, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these rebate amounts into the dedicated FEP investment account from 1 to 651 days late, before returning these funds to the FEHBP letter of credit account. As a result, we are questioning \$3,579 for LII calculated on these 60 medical drug rebate amounts returned untimely to the FEHBP.

We recognize that the Plan calculated and deposited a refund advance of approximately \$1.3 million (as of February 29, 2012) into the FEHBP letter of credit account, to cover potential LII on health benefit refunds that are returned untimely to the FEHBP. However, we noted that medical drug rebates were not included in the Plan's calculation to determine the refund advance amount. Therefore, we calculated LII on the medical drug rebates that were returned untimely to the FEHBP.

In total, the Plan returned \$191,051 to the FEHBP for these medical drug rebate exceptions, consisting of \$186,943 for the questioned medical drug rebates and \$4,108 (\$529 plus \$3,579) for applicable LII on the medical drug rebates returned untimely to the FEHBP.

Association/Plan Response:

The Plan agrees with this finding.

OIG Comment:

As part of our review, we verified that the Plan returned the questioned medical drug rebates of \$186,943 to the FEHBP in October 2017. We also verified that the Plan returned the questioned LII of \$4,108 to the FEHBP in November 2018.

Recommendation 1

We recommend that the contracting officer require the Plan to return \$186,943 to the FEHBP for the questioned medical drug rebates. However, since we verified that the Plan subsequently returned \$186,943 to the FEHBP for these questioned medical drug rebates, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$4,108 to the FEHBP for the questioned LII on the medical drug rebates that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$4,108 to the FEHBP for the questioned LII, no further action is required for this LII amount.

2. Hospital Settlements – Lost Investment Income **\$58,450**

During the audit scope, the Plan untimely returned [REDACTED] hospital settlement amounts, totaling [REDACTED], to the FEHBP. As a result of this finding, the Plan subsequently returned \$58,450 to the FEHBP for LII on these hospital settlements.

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.

The Plan untimely returned hospital settlements of [REDACTED] to the FEHBP during the audit scope.

From 2013 through August 31, 2017, there were [REDACTED] hospital settlements totaling [REDACTED] in FEP recovery amounts. We reviewed these hospital settlements to determine if the Plan properly calculated and returned the FEP recovery amounts to the FEHBP. Based on our review, we determined that the FEP recovery amounts for these hospital settlements were properly calculated, but the Plan returned the recovery amounts, totaling [REDACTED] untimely to the FEHBP (i.e., from 139 to 429 days late) during the audit scope.

We recognize that the Plan calculated and deposited a refund advance of approximately \$1.3 million into the FEHBP letter of credit account, to cover potential LII on health benefit refunds that are returned untimely to the FEHBP. However, we noted that hospital settlements were not included in the Plan's calculation to determine this refund advance amount. Therefore, we calculated LII of \$58,450 on these FEP hospital settlement amounts since the funds were returned untimely to the FEHBP.

Association/Plan Response:

The Plan agrees with this finding.

OIG Comment:

As part of our review, we verified that the Plan returned \$58,450 to the FEHBP in November 2018 for the questioned LII.

Recommendation 3

We recommend that the contracting officer require the Plan to return \$58,450 to the FEHBP for the questioned LII on the hospital settlements that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$58,450 to the FEHBP for the questioned LII, no further action is required for this LII amount.

B. ADMINISTRATIVE EXPENSES

1. Affordable Care Act Fees – Lost Investment Income

\$50,252

In 2014, the Plan overcharged the FEHBP \$2,033,192 for the Affordable Care Act (ACA) health insurance provider fee. Although the Plan subsequently returned these funds to the FEHBP in 2016, the Plan did not include applicable LII. Because of this finding, the Plan subsequently returned \$50,252 to the FEHBP for questioned LII on this overcharge.

Contract CS 1039, Part III, section 3.2 (b) (1) states, “The Carrier may charge a cost to the contract for a contract term if the cost is actual, allowable, allocable, and reasonable.”

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.

Section 9010 of the ACA imposes an annual fee on health insurers for funding the health insurance exchange subsidies. This yearly fee is based on each health insurer’s share of net premiums written. The Internal Revenue Service calculates the health insurer fee based on a ratio of the health insurer’s net premiums written to the total net premiums written by all health insurance providers (i.e., industry premiums). The ACA required all health insurance providers to collectively contribute \$8 billion in health insurance provider fees for 2014. The Plan’s share of these health insurance provider fees totaled \$119,462,874 for 2014. The Plan allocated and charged \$29,902,830 of this amount to the FEHBP.

In 2014, the Plan overcharged the FEHBP for the ACA health insurance provider fee, resulting in questioned LII of \$50,252.

During a Control Performance Review, the FEP Director’s Office determined that the Plan incorrectly used 2013 data to calculate the FEP’s ACA health insurance provider fee amount for 2014, resulting in an overcharge of \$2,033,192 to the FEHBP. The Plan recalculated the FEP amount using 2014 data and determined that the FEHBP should have only been charged \$27,869,638 for the 2014 ACA health insurance

provider fee, instead of \$29,902,830. This resulted in the overcharge of \$2,033,192 (\$29,902,830 minus \$27,869,638) to the FEHBP. We noted that the Plan subsequently returned this overcharge to the FEHBP in February 2016, but did not calculate and return applicable LII. As a result, we calculated LII of \$50,252 on this overcharge, which the Plan then returned to the FEHBP in November 2018.

Association/Plan Response:

The Plan agrees with this finding.

OIG Comment:

As part of our review, we verified that the Plan returned \$50,252 to the FEHBP in November 2018 for the questioned LII.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$50,252 to the FEHBP for the questioned LII on the health insurance provider fee overcharge. However, since we verified that the Plan subsequently returned \$50,252 to the FEHBP for the questioned LII, no further action is required for this LII amount.

C. CASH MANAGEMENT

1. Treasury Offsets

\$143,916

We determined that the Plan had not returned \$141,127 to the FEHBP for seven offsets taken from the letter of credit account by the United States Treasury (Treasury) as of August 31, 2017. The Plan subsequently returned these Treasury offsets to the FEHBP on various dates from January 2018 through April 2018, from 287 to 383 days late and after receiving our audit notification letter. As a result, we are questioning \$143,916 for this audit finding, consisting of \$141,127 for the questioned Treasury offsets and \$2,789 for applicable LII on these offsets returned untimely to the FEHBP.

As previously cited from Contract CS 1039, costs charged to the FEHBP must be actual, allowable, allocable, and reasonable. 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 . . . prior to audit notification."

The Treasury will occasionally recover non-FEHBP debts from a BCBS plan by reducing letter of credit drawdowns made to the plan for FEHBP claim payments. If this occurs, the BCBS plan should make the FEHBP whole by transferring funds into the dedicated FEP investment account to replenish the funds that were taken.

The Plan had not returned \$141,127 to the FEHBP for offsets taken from the letter of credit account by the United States Treasury as of August 31, 2017.

During our review of Treasury offsets, we identified 16 instances where the Treasury offset letter of credit account drawdowns by a total of \$230,053. Of these, we determined that the Plan had not returned seven Treasury offsets, totaling \$141,127, to the FEHBP as of August 31, 2017. However, the Plan subsequently returned these Treasury offsets to the FEP investment account on various dates from January 2018 through April 2018, from 287 to 383 days late and after receiving our audit notification letter (dated September 1, 2017).

We determined that the Plan did not withdraw additional funds from the letter of credit account to cover the shortages caused by these Treasury offsets. However, the Plan inadvertently did not transfer applicable funds into the FEP investment account to cover seven of these Treasury offsets, which left the FEP investment account short by \$141,127 as of August 31, 2017.

In total, the Plan returned \$143,916 to the FEHBP for the Treasury offset exceptions, consisting of \$141,127 for the questioned Treasury offsets and \$2,789 for applicable LII on these offsets. We reviewed and accepted the Plan's LII calculation, since the LII difference between our calculation and the Plan's calculation is immaterial.

Association/Plan Response:

The Plan agrees with this finding.

OIG Comment:

As part of our review, we verified that the Plan returned the questioned Treasury offsets of \$141,127 to the FEHBP on various dates from January 2018 through April 2018. We also verified that the Plan returned the questioned LII of \$2,789 to the FEHBP in November 2018.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$141,127 to the FEHBP for the questioned Treasury offsets. However, since we verified that the Plan subsequently returned \$141,127 to the FEHBP for the questioned Treasury offsets, no further action is required for this amount.

Recommendation 6

We recommend that the contracting officer require the Plan to return \$2,789 to the FEHBP for the LII on the questioned Treasury offsets. However, since we verified that the Plan subsequently returned \$2,789 to the FEHBP for this questioned LII, no further action is required for this LII amount.

D. FRAUD AND ABUSE PROGRAM

The Plan timely entered fraud and abuse cases into the Association's FIMS and/or FSTS.

The audit disclosed no significant findings pertaining to the Plan's Fraud and Abuse Program activities and practices. For the period 2016 through August 31, 2017, the Plan opened 80 fraud and abuse cases with potential FEP exposure. From this universe, we selected and reviewed a judgmental sample of 27 cases and determined if the Plan timely entered fraud and abuse cases into the Association's Fraud Information Management System (FIMS) and/or FEP Special Investigations Unit Tracking System (FSTS).⁴ For this sample, we selected all 17 cases with potential overpayments of \$40,000 or more, and judgmentally selected 10 cases with potential overpayments less than \$40,000. Based on our review, we determined that the Plan timely entered all of the fraud and abuse cases in our sample into the Association's FIMS and/or FSTS. The sample results were not projected to the universe of fraud and abuse cases with potential FEP exposure, since we did not use statistical sampling. Overall, we determined that the Plan complied with the communication and reporting requirements for fraud and abuse cases set forth in Carrier Letter 2014-29.

⁴ FIMS is a multi-user, web-based FEP case-tracking database that the Association's FEP Special Investigations Unit (SIU) developed in-house. Prior to April 2017, FIMS was used by the local BCBS plans' SIUs and the Association's FEP SIU to track and report potential fraud and abuse activities. In April 2017, the BCBS plans started entering cases into the FSTS, which is the Association's new system for tracking and reporting potential fraud and abuse activities.

IV. SCHEDULE A - QUESTIONED CHARGES

**FLORIDA BLUE
JACKSONVILLE, FLORIDA**

QUESTIONED CHARGES

| AUDIT FINDINGS | 2013 | 2014 | 2015 | 2016 | 2017 | TOTAL |
|----------------------------------------------------------------|--------------|-----------------|-----------------|-----------------|------------------|------------------|
| A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS | | | | | | |
| 1. Medical Drug Rebates* | \$396 | \$580 | \$489 | \$1,468 | \$188,118 | \$191,051 |
| 2. Hospital Settlements - Lost Investment Income* | 4 | 0 | 31,063 | 27,383 | 0 | 58,450 |
| TOTAL MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS | \$400 | \$580 | \$31,552 | \$28,851 | \$188,118 | \$249,501 |
| B. ADMINISTRATIVE EXPENSES | | | | | | |
| 1. Affordable Care Act Fees - Lost Investment Income* | \$0 | \$50,252 | \$0 | \$0 | \$0 | \$50,252 |
| TOTAL ADMINISTRATIVE EXPENSES | \$0 | \$50,252 | \$0 | \$0 | \$0 | \$50,252 |
| C. CASH MANAGEMENT | | | | | | |
| 1. Treasury Offsets* | \$0 | \$0 | \$0 | \$0 | \$143,916 | \$143,916 |
| TOTAL CASH MANAGEMENT | \$0 | \$0 | \$0 | \$0 | \$143,916 | \$143,916 |
| D. FRAUD AND ABUSE PROGRAM | | | | | | |
| TOTAL FRAUD AND ABUSE PROGRAM | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| TOTAL QUESTIONED CHARGES | \$400 | \$50,832 | \$31,552 | \$28,851 | \$332,034 | \$443,669 |

* We included lost investment income (LII) within audit findings A1 (\$4,108), A2 (\$58,540), B1 (\$50,252), and C1 (\$3,069). Therefore, no additional LII is applicable.

APPENDIX



November 9, 2018

[REDACTED], Group Chief
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**Reference: OPM DRAFT AUDIT REPORT
Florida Blue
Audit Report No. 1A-10-41-18-008
(Dated September 21, 2018 and Received September 21, 2018)**

Dear [REDACTED]:

This is Blue Cross Blue Shield (Plan) response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees' Health Benefits Program (FEHBP). The Blue Cross and Blue Shield Association (BCBSA) and the Plan are committed to enhancing existing procedures on issues identified by OPM. Please consider this feedback when updating the OPM Final Audit Report.

Our comments concerning the findings in the report are as follows:

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Medical Drug Rebates \$191,051

Recommendation 1

We recommend that the contracting officer require the Plan to return \$186,943 to the FEHBP for the questioned medical drug rebates. However, since we verified that the Plan returned \$186,943 to the FEHBP for these questioned medical drug rebates, no further action is required for this amount.

Plan Response:

The Plan has agreed to this finding and as stated above, no further action is required.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$4,108 to the FEHBP for Lost Investment Income (LII) on the questioned medical drug rebates.

Plan Response:

The Plan has agreed to this recommendation and is in the process of returning the LII. The Plan anticipates providing the LOCA drawdown supporting documentation by November 17, 2018.

2. Hospital Settlements – Lost Investment Income **\$58,450**

Recommendation 3

We recommend that the contracting officer require the Plan to return \$58,450 to the FEHBP for questioned LII on the hospital settlements.

Plan Response:

Due to the difficulty in obtaining and reconciling the claim level overpayment data with the respective providers for the respective years, the Plan agreed that the hospital overpayment settlements were not returned to the FEHBP within timeliness requirements. The Plan has agreed to this recommendation and is in the process of returning the LII. The Plan anticipates providing the LOCA drawdown supporting documentation by November 17, 2018.

B. ADMINISTRATIVE EXPENSES

1. ACA - Health Insurance Providers Fee LII **\$50,252**

Recommendation 4

We recommend that the contracting officer require the Plan to return \$50,252 to the FEHBP for questioned LII on the Health Insurance Providers Fee.

Plan Response:

The Plan previously discovered and corrected the health insurer fee calculation and made the calculation adjustment and returned funds to the FEHBP based on the revised calculation discovery. The Plan has agreed to this recommendation and is in the process of returning the LII. The Plan anticipates providing the LOCA drawdown supporting documentation by November 17, 2018.

C. CASH MANAGEMENT

1. Treasury Offsets **\$144,196**

Recommendation 5

We recommend that the contracting officer require the Plan to return \$141,127 to the FEHBP for the questioned Treasury offsets. However, since we verified that the Plan returned \$141,127 to the FEHBP for the Treasury offsets, no further action is required for this amount.

Plan Response:

The Plan agreed to this finding and as stated above, no further action is required.

Recommendation 6

We recommend that the contracting officer require the Plan to return \$3,069 to the FEHBP for the LII on the questioned Treasury offsets.

Plan Response:

The Plan's calculation of the lost investment income owed as described in this Recommendation yields a total of \$2,789 to be returned to the Program. This amount will be returned to the Program and is agreed upon by the Plan; the Plan disagrees to the remaining amount totaling \$280. The Plan is in the process of returning the LII for \$2,789. The Plan anticipates providing the LOCA drawdown supporting documentation by November 17, 2018.

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 Signature]

[Redacted Title]

cc: [Redacted], Florida Blue
[Redacted], FEPDO
[Redacted], FEPDO



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