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

Final Audit Report

Audit of
HMO Missouri, Inc.
Mason, Ohio

Report Number 2024-ERAG-004
March 25, 2025

EXECUTIVE SUMMARY

Audit of HMO Missouri, Inc.

Report No. 2024-ERAG-004 **March 25, 2025**

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that HMO Missouri, Inc. (Plan), plan code 9G and doing business as Anthem Blue Cross and Blue Shield, 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 Contract CS 2838.

What did we audit?

Our audit covered health benefit refunds and recoveries, including pharmacy and medical drug rebates, for contract year 2018 through June 30, 2023, as reported in the Annual Accounting Statements. We also reviewed the Plan's cash management activities and practices related to FEHBP funds for contract year 2018 through June 30, 2023.

Michael R. Esser
Assistant Inspector General for Audits

What did we find?

We questioned $445,502 in health benefit charges, cash management activities, and lost investment income (LII), and identified procedural findings for the Plan's processing of cash receipt refunds and pharmacy and medical drug rebates. The Plan agreed with these questioned amounts and procedural findings. As part of our review, we verified that the Plan subsequently returned $267,840 of these questioned amounts to the FEHBP because of the audit. However, the FEHBP is still due a balance of $177,662 for the remaining questioned amounts.

Our audit results are summarized as follows:

- Health Benefit Refunds and Recoveries – Due to the Plan's lack of due diligence with recovery efforts, we questioned $177,662 for offset refunds where the Plan had not recovered and/or returned the funds to the FEHBP for four claim overpayments. We also questioned $162,373 for pharmacy and medical drug rebates that the Plan had not returned to the FEHBP as of June 30, 2023; $18,310 for claim overpayments that the Plan inappropriately wrote off; and $46,068 for LII calculated on applicable funds that were returned untimely to the FEHBP. Additionally, we identified procedural exceptions for cash receipt refunds and pharmacy and medical drug rebates that were returned untimely to the FEHBP during the audit scope and prior to our audit notification date. We verified that the Plan has returned $226,751 of these questioned amounts to the FEHBP. However, the FEHBP is still due $177,662 for the questioned offset refunds.

- Cash Management – We questioned $41,089 for excess FEHBP funds that the Plan held in the dedicated FEHBP investment account as of June 30, 2023. We verified that the Plan has returned these questioned excess funds to the FEHBP.

ABBREVIATIONS

Anthem	**Anthem Blue Cross and Blue Shield**
CFR	**Code of Federal Regulations**
FAR	**Federal Acquisition Regulations**
FEHB	**Federal Employees Health Benefits**
FEHBP	**Federal Employees Health Benefits Program**
HMO	**Health Maintenance Organization**
LII	**Lost Investment Income**
LOCA	**Letter of Credit Account**
OIG	**Office of the Inspector General**
OPM	**U.S. Office of Personnel Management**
Plan	**HMO Missouri, Inc.**

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I. BACKGROUND

This final report details the findings, conclusions, and recommendations from our limited scope performance audit of the Federal Employees Health Benefits Program (FEHBP) operations at HMO Missouri, Inc. (Plan), doing business as Anthem Blue Cross and Blue Shield (Anthem). The Plan's office is located in Mason, Ohio.

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.

Prior to 2023, the Plan was an experience-rated health maintenance organization (HMO) that provided health benefits to enrollees and their families.[1] Enrollment for this experience-rated HMO plan was open to all federal employees and annuitants in the Plan's service area, which included St. Louis, Missouri; Central and Southwest areas in Missouri; and St. Clair, Madison, and Monroe counties in Illinois. In 2023, the Plan discontinued as an experience-rated HMO plan in the FEHBP. As a result, the Plan is currently in the run-out phase (since January 1, 2023) for the experience-rated HMO plan.[2]

The Plan's contract (CS 2838) with OPM is experience-rated. Thus, the costs of providing benefits in the prior year, including underwritten gains and losses that have been carried forward, are reflected in current and future years' premium rates. In addition, the contract provides that in the event of termination, unexpended program funds revert to the FEHBP Trust Fund. In recognition of these provisions, the contract requires that an accounting of program funds be submitted at the end of each contract year. The accounting is made on a statement of operations known as the Annual Accounting Statement.

[1] Members of an experience-rated HMO plan have the option of using a designated network of providers or using out-of-network providers. A member's choice in selecting one healthcare provider over another has monetary and medical implications. For example, if a member chooses an out-of-network provider, the member will pay a substantial portion of the charges and covered benefits may be less comprehensive.

[2] After discontinuing the experience-rated HMO plan, the Plan is required to fulfill all of the requirements in the FEHBP contract during a run-out phase, which usually takes two or more years. For example, the Plan continues to process, pay, and/or adjust health benefit claims for services that were incurred in contract years 2022 and prior. The Plan also continues to provide customer service, process claim overpayment recoveries and pharmacy and medical drug rebates, and account for FEHBP funds.

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

All findings from our prior audit of the Plan (Report No. 1D-9G-00-16-008, dated March 13, 2017), covering contract year 2012 through June 30, 2015, have been satisfactorily resolved.

The results of this audit were provided to the Plan in written audit inquiries; were discussed with Plan officials throughout the audit and at an exit conference on September 25, 2024; and were presented in detail in a draft report, dated November 14, 2024. 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 objectives were as follows:

Health Benefit Refunds and Recoveries

- To determine whether health benefit refunds and recoveries, including pharmacy and medical drug rebates, were returned timely to the FEHBP.

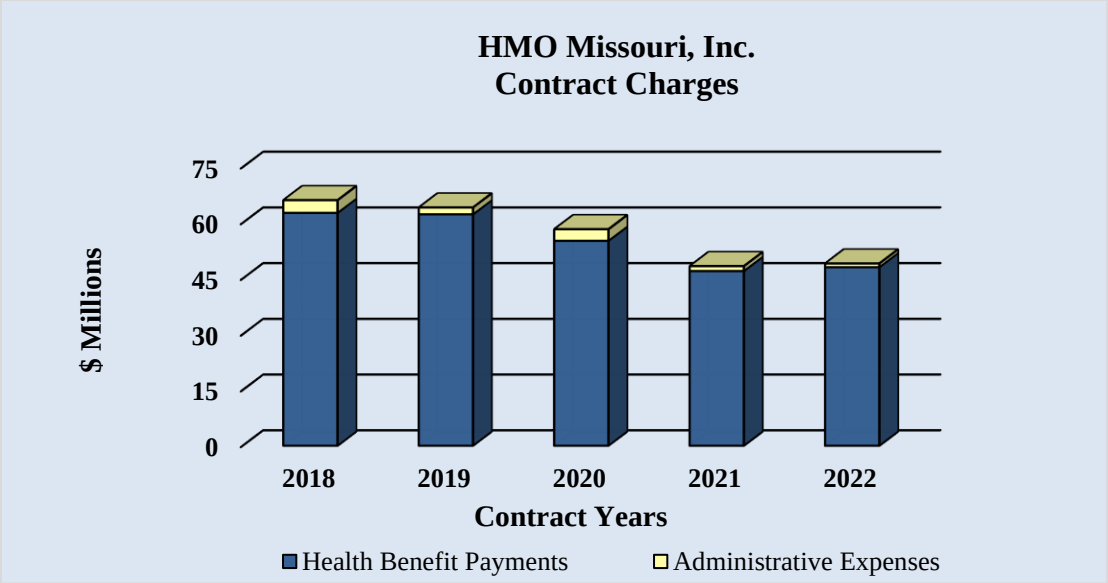
Cash Management

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

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 Plan's FEHBP Annual Accounting Statements for contract years 2018 through 2022. During this five-year period, the Plan paid approximately $275 million in FEHBP health benefit payments and charged the FEHBP approximately $11 million in administrative expenses (see chart on the next page). Specifically, we reviewed health benefit refunds and recoveries (such as cash receipt refunds, provider and member offsets, pharmacy and medical drug rebates, uncollected claim overpayments, and claim overpayment write-offs) for contract year 2018 through June 30, 2023. We also reviewed the Plan's cash management activities and practices related to FEHBP funds (such as letter of credit drawdowns, working capital calculations, adjustments and/or balances, United States Department of Treasury offsets, and interest income transactions) for contract year 2018 through June 30, 2023.



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 significant matters involving the Plan's internal control structure and 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, 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 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. 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 fieldwork was performed by staff in the Cranberry Township, Pennsylvania; Jacksonville, Florida; and Washington, D.C. offices from February 1, 2024, through

September 25, 2024, and also at the Plan's office in Mason, Ohio for three site visits from March 18 – March 21, 2024, June 3 – June 6, 2024, and July 29 – August 1, 2024. Throughout the audit process, we encountered several instances where the Plan responded untimely and/or initially provided incomplete responses to various requests for explanations and supporting documentation. As a result, completion of our audit fieldwork and issuance of our draft and final reports were delayed.

METHODOLOGY

We obtained an understanding of the internal controls over the Plan's financial 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 health benefit refunds and recoveries. For contract year 2018 through June 30, 2023, we judgmentally selected and reviewed the following FEHBP items:

Health Benefit Refunds – Cash Receipts and Offsets[3]

- A judgmental sample of 60 cash receipt health benefit refunds, totaling $2,592,751 (from a universe of 6,912 cash receipt refunds, totaling $4,744,880 for the audit scope). Our sample consisted of the 10 highest dollar cash receipt refunds from each year of the audit scope, which included refunds from $4,480 to $433,333.

- A judgmental sample of 60 health benefit refunds returned via provider or member offsets, totaling $2,222,785 (from a universe of 6,266 refunds returned via provider or member offsets, totaling $5,991,640 for the audit scope). , which included provider or member offsets from $9,041 to $157,950. Offsets occur when the Plan reduces payments to participating providers or members for the purpose of recovering refunds related to previous claim overpayments.

Other Health Benefit Credits and Recoveries

- All 65 pharmacy drug rebate amounts, totaling $22,805,089, for the audit scope.

- A judgmental sample of 24 uncollected FEHBP claim overpayments, totaling $155,708 (from a universe of 463 uncollected FEHBP claim overpayments, totaling $252,697 as of June 30, 2023). Our sample consisted of all uncollected claim overpayments of $2,000 or more. We reviewed these uncollected claim overpayments to determine if the Plan made diligent efforts to recover the applicable funds.

[3] The Plan's FEHBP universes of cash receipt and offset refunds included items such as solicited and/or unsolicited refunds (claim overpayment recoveries), subrogation recoveries, provider audit recoveries, and/or fraud recoveries.

- A judgmental sample of 12 medical drug rebate amounts, totaling $125,909 (from a universe of 174 medical drug rebate amounts, totaling $303,374 for contract years 2018, 2021, and 2022 and from January 1, 2023, through June 30, 2023). Our sample included the three highest dollar medical drug rebate amounts from each of these years. We also reviewed all 382 medical drug rebate amounts, totaling $133,766, for contract years 2019 and 2020 that the Plan initially excluded from the universe but provided at the end of our audit fieldwork phase.

- A judgmental sample of 21 claim overpayment write-offs, totaling $49,048 (from a universe of 819 claim overpayment write-offs, totaling $180,592 for the audit scope). Our sample included all FEHBP claim overpayment write-offs of $1,000 or more from the audit scope. We reviewed these claim overpayment write-offs to determine if the Plan made diligent efforts to recover the applicable funds before writing them off.

We reviewed these samples to determine if health benefit refunds and recoveries, including pharmacy and medical drug rebates, were timely returned to the FEHBP. The results of these samples were not projected to the applicable universes of health benefit refunds and recoveries, 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 2838 and applicable laws and regulations. Specifically, we reviewed letter of credit account (LOCA) drawdowns, working capital calculations, adjustments and/or balances, United States Department of Treasury offsets, and interest income transactions for contract year 2018 through June 30, 2023, as well as the Plan's dedicated FEHBP investment account activity during the scope and balance as of June 30, 2023. As part of our testing, we selected and reviewed a judgmental sample of 66 LOCA drawdowns, totaling $133,238,867 (from a universe of 1,188 LOCA drawdowns, totaling $295,942,514 for contract year 2018 through June 30, 2023), for the purpose of determining if the Plan's drawdowns were appropriate and adequately supported. Our sample included the highest dollar LOCA drawdown from each month of the audit scope. The sample results were not projected to the universe of LOCA drawdowns, since we did not use statistical sampling.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. HEALTH BENEFIT REFUNDS AND RECOVERIES

1. Pharmacy and Medical Drug Rebates $208,441

Our audit determined that the Plan had not returned pharmacy and medical drug rebates, totaling $162,373, to the FEHBP as of June 30, 2023. The Plan subsequently returned these questioned pharmacy and medical drug rebates to the FEHBP on various dates from July 2023 through November 2024, after receiving our audit notification letter, and/or because of our audit. Also, the Plan untimely returned pharmacy and medical drug rebates, totaling $22,171,079, to the FEHBP during the audit scope, ranging from 2 to 114 days late. Since the Plan returned these pharmacy and medical drug rebates during the audit scope and prior to our audit notification date, we did not question this total principal amount of $22,171,079 as a monetary finding. However, although the Plan calculated and returned lost investment income (LII) to the FEHBP on the medical drug rebates that were returned untimely to the FEHBP during the audit scope, the Plan did not calculate and return LII to the FEHBP on the pharmacy drug rebates that were returned untimely to the FEHBP. As a result, we are questioning $208,441 for this audit finding, consisting of $162,373 for the questioned pharmacy and medical drug rebates that were subsequently returned to the FEHBP after June 30, 2023, and $46,068 for applicable LII calculated on the pharmacy drug rebates that were returned untimely to the FEHBP during and/or after the audit scope.

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 2838, 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."

48 CFR 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 . . . which is applicable to the period in which the amount becomes due, . . . 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 2838, 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 pharmacy and medical drug rebates, totaling $162,373, to the FEHBP as of June 30, 2023.

The Plan coordinates pharmacy drug benefits as the pharmacy benefit manager and negotiates pharmacy drug rebate programs with various drug manufacturers. The Plan also participates in medical drug rebate programs with various drug manufacturers. Both pharmacy and medical drug rebates are determined based on claims for the applicable drugs received through the Plan's pharmacy benefit program or drugs administered in a physician's office. The pharmacy and medical drug rebates are received multiple times a year (usually on a quarterly basis) by the Plan and credited to the participating groups, including the FEHBP. The Plan waits to receive all of the applicable pharmacy and medical drug rebates for a particular quarter before returning the rebate amounts to the FEHBP. This process inherently results in the Plan returning pharmacy and medical drug rebates untimely to the FEHBP.

Pharmacy Drug Rebates

The Plan processed 65 letter of credit account (LOCA) drawdown adjustments to return 5,685 pharmacy drug rebate amounts, totaling $22,805,089, to the FEHBP that were received from contract year 2018 through June 30, 2023. We selected and reviewed these 65 LOCA drawdown adjustments to determine if the Plan timely returned the pharmacy drug rebates to the FEHBP. Based on our review, we identified the following pharmacy drug rebate exceptions:

- For one of these LOCA drawdown adjustments, the Plan had not returned pharmacy drug rebates, totaling $12,799, to the FEHBP as of June 30, 2023. The Plan subsequently returned these pharmacy drug rebates to the FEHBP on multiple dates in July 2023 and February 2024, ranging from 19 to 274 days late, after receiving our audit notification letter (dated July 3, 2023), and/or because of our audit. Therefore, we are questioning these pharmacy drug rebates, totaling $12,799, as a monetary finding as well as applicable LII of $88 on these pharmacy drug rebates that were subsequently returned untimely to the FEHBP (as calculated by the OIG).

- For 62 of these LOCA drawdown adjustments, the Plan returned pharmacy drug rebates, totaling $22,073,128, untimely to the FEHBP during the audit scope, ranging from 2 to 91 days late. Since the Plan returned these pharmacy drug rebates during the audit scope and prior to our audit notification date, we did not question this total principal amount of $22,073,128 as a monetary finding. However, the Plan did not calculate and return applicable LII to the FEHBP for these pharmacy drug rebates that were returned untimely to the FEHBP during the audit scope. As a result of this finding, the Plan subsequently returned $45,936 to the FEHBP, on various dates from April 2024 through November 2024, for applicable LII on these pharmacy drug

rebates that were returned untimely to the FEHBP during the audit scope (as calculated by the OIG).

In total, we are questioning $58,823 for these exceptions, consisting of $12,799 for the questioned pharmacy drug rebates that were subsequently returned untimely to the FEHBP after June 30, 2023, and $46,024 ($88 plus $45,936) for applicable LII calculated on the pharmacy drug rebates that were returned untimely to the FEHBP during the audit scope and/or after our audit notification.

Medical Drug Rebates

During the pre-audit phase, the Plan provided us with a universe of 174 FEHBP medical drug rebate amounts, totaling $303,374, that were received by the Plan from various drug manufacturers in contract years 2018, 2021, and 2022 and from January 1, 2023, through June 30, 2023, for the experience-rated HMO plan. According to the Plan, there were no FEHBP medical drug rebate amounts that the Plan received in contract years 2019 and 2020 for the experience-rated HMO plan. From this universe, we selected and reviewed a judgmental sample of 12 medical drug rebate amounts, totaling $125,909, to determine if the Plan timely returned these rebate amounts to the FEHBP. Our sample consisted of the three highest dollar medical drug rebate amounts from each year in this universe.

Based on our review, we identified the following medical drug rebate exceptions:

- The Plan had not returned two medical drug rebate amounts, totaling $15,808, to the FEHBP as of June 30, 2023. The Plan subsequently returned these medical drug rebate amounts to the FEHBP in November 2023, ranging from 128 to 198 days late, after receiving our audit notification letter (dated July 3, 2023), and/or because of our audit. Therefore, we are questioning these two medical drug rebate exceptions, totaling $15,808, as a monetary finding as well as applicable LII of $14 on these medical drug rebates that were subsequently returned untimely to the FEHBP (as calculated by the Plan). We also verified and accepted the Plan's LII calculation.

- The Plan untimely returned nine medical drug rebate amounts, totaling $97,951, to the FEHBP during the audit scope. These medical drug rebate amounts were untimely deposited into the FEHBP investment account and/or untimely returned to the LOCA, ranging from 3 to 114 days late. Since the Plan returned these medical drug rebate amounts and applicable LII to the FEHBP during the audit scope and prior to the audit notification date, we did not question these principal and LII amounts as a monetary finding. We also verified and accepted the Plan's LII calculations on these medical drug rebate amounts that were returned untimely to the FEHBP.

We also reviewed all 382 medical drug rebate amounts, totaling $133,766, that the Plan received in contract years 2019 and 2020 and initially excluded from the universe

provided to us during our pre-audit phase, but then subsequently provided at the end of our fieldwork phase after multiple OIG follow-up requests. We determined that the Plan had not returned these 382 medical drug rebate amounts, totaling $133,766, to the LOCA for the experience-rated HMO plan. As a result of this finding, the Plan subsequently returned these medical drug rebates of $133,766 and applicable LII of $30 (as calculated by the Plan) to the FEHBP in October 2024 for the experience-rated HMO plan. The Plan stated, "Based on the research by our Finance team and corporate pharmacy team, it was determined that the HMO MO Plan's medical drug rebates in 2019 and 2020 were lumped in with the FEP [Federal Employee Program] PPO [Preferred Provider Organization] rebates. That issue went unnoticed on our end, due to not having access to the claim level breakout to verify the rebates. Once we began receiving the claim level breakout in 2021, we identified the issue and sent pharmacy new coding information so that they allocate appropriately for the HMO MO Plan based on the breakout." As part of our review, we also verified and accepted the Plan's LII calculation. Since these medical drug rebates were inadvertently returned initially to the FEHBP in 2019 and 2020 for the Federal Employee Program/Service Benefit Plan line of business, instead of the experience-rated HMO plan line of business, we did not calculate and question additional LII for this finding because these funds were already earning interest in the United States Treasury.

In total, we are questioning $149,618 for these exceptions, consisting of $149,574 ($15,808 plus $133,766) for the questioned medical drug rebates that were subsequently returned untimely to the FEHBP after June 30, 2023, and $44 ($14 plus $30) for applicable LII calculated on these medical drug rebates.

Summary of Exceptions

In total, the Plan subsequently returned $208,441 to the FEHBP because of this audit finding, consisting of $162,373 ($12,799 plus $149,574) for the questioned pharmacy and medical drug rebates and $46,068 ($46,024 plus $44) for LII on the pharmacy and medical drug rebates that were returned untimely to the FEHBP. We also identified procedural exceptions for pharmacy and medical drug rebates, totaling $22,171,079 ($22,073,128 plus $97,951), where the Plan processed and returned these drug rebates untimely to the FEHBP during the audit scope and prior to our audit notification date.

Recommendation 1

We recommend that the contracting officer require the Plan to return $162,373 to the FEHBP for the questioned pharmacy and medical drug rebates. However, since we verified that the Plan subsequently returned $162,373 to the FEHBP for the questioned pharmacy and medical drug rebates, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require the Plan to return $46,068 to the FEHBP for the questioned LII calculated on the pharmacy and medical drug rebates that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned $46,068 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 3

For the following procedural recommendation, no corrective actions are currently required since the Plan has discontinued the experience-rated HMO plan in the FEHBP. However, if the Plan participates in the FEHBP again with an experience-rated HMO plan in the future, we recommend that the contracting officer require the Plan to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that pharmacy and medical drug rebates are timely returned to the FEHBP (i.e., deposited into the FEHBP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt).

Plan Response:

The Plan agrees with the audit finding and has returned the questioned pharmacy and medical drug rebates and LII to the FEHBP.

Regarding the procedural recommendation, the Plan states, "The MO HMO Plan was terminated . . . and the Plan is no longer processing claims that would create Pharmacy or Medical rebates. Consequently, there are no corrective actions that can be taken. We respectfully suggest that Recommendation 3 is unnecessary and should be amended to reflect that the HMO plan has been terminated."

OIG Comments:

For the procedural recommendation, we revised the recommendation accordingly based on the Plan's suggestion.

2. Health Benefit Refunds – Cash Receipts and Offsets $177,662

Because of the Plan's lack of due diligence with recovery efforts, the Plan had not recovered and/or returned funds to the FEHBP for four FEHBP claim overpayments, totaling $177,662, that we identified during our review of offsets. As part of the Plan's recovery efforts, claim overpayments were set up as offsets if applicable, where the Plan would reduce future benefit payments to the providers and/or members for the purpose of recovering the refunds related to overpayments. Although the Plan mailed refund request letters to the providers and/or members in most cases and set up offsets if applicable, we determined overall that the Plan was not prompt and diligent with recovery efforts, specifically when sending these overpayments to third-party collections. Based on Contract CS 2838, the Plan must make prompt and diligent efforts to recover erroneous benefit payments until the debts are paid in full or determined to be uncollectible. Unless the Plan provides support that these claim overpayments were uncollectible, we can only conclude that the Plan did not make diligent efforts to recover these funds. Accordingly, the Plan should continue to pursue and recover these four claim overpayments, totaling $177,662, from the applicable health care providers and/or members.

Also, the Plan untimely returned 26 cash receipt refunds, totaling $1,449,804, to the FEHBP during the audit scope. Since the Plan returned these 26 cash receipt refunds and applicable LII to the FEHBP during the audit scope and prior to our audit notification date, we did not question these principal and LII amounts as a monetary finding. Therefore, this is a procedural finding for cash receipt refunds.

Contract CS 2838, Part II, Section 2.3(g) states, "If the Carrier [or OPM] determines that a Member's claim has been paid in error for any reason . . . the Carrier shall make a prompt and diligent effort to recover the erroneous payment to the member from the member or, if to the provider, from the provider." Section 2.3(g) also states, "Prompt and diligent effort to recover erroneous payments means that upon discovering that an erroneous payment exists, the Carrier shall –

(1) Send a written notice of erroneous payment to the member or provider . . .

(2) After confirming that the debt does exist . . . send follow-up notices to the member or the provider at 30, 60 and 90 day intervals, if the debt remains unpaid and undisputed;

(3) The Carrier may offset future Benefits payable . . . to a provider on behalf of the Member to satisfy a debt due under the FEHBP if the debt remains unpaid and undisputed for 120 days after the first notice . . .

(4) After applying the first three steps, refer cases when it is cost effective to do so to a collection attorney or a collection agency if the debt is not recovered; . . .

(5) Make prompt and diligent effort to recover erroneous payments until the debt is paid in full or determined to be uncollectible by the Carrier because it is no longer cost effective to pursue further collection efforts or it would be against equity and good conscience to continue collection efforts;

(6) Additional prompt and diligent efforts are required for significant claim overpayments that exceed $10,000 per each claim. Examples of such efforts include copies of dated notices, offset attempt(s) made, certified letter communication(s), and third-party collection efforts to the extent required under (g)(4) above. The Carrier should maintain and provide to OPM upon request, documentation of those efforts."

As previously cited from Contract CS 2838, all health benefit refunds and recoveries must be deposited into the FEHBP investment account within 30 days and returned to the FEHBP letter of credit account within 60 days after receipt by the Carrier. Also, as previously cited from FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due.

Health Benefit Refunds – Offsets

For contract year 2018 through June 30, 2023, there were 6,266 health benefit refunds, totaling $5,991,640, that potentially were returned to the FEHBP via the Plan's provider or member offset process (based on the Plan's universe file of offset refunds). From this universe, we selected and reviewed a judgmental sample of 60 offset refunds, totaling $2,222,785, to determine if the Plan timely returned these refunds to the FEHBP. Our sample consisted of the 10 highest dollar offset refunds from each year of the audit scope, which included offset refunds from $9,041 to $157,950. Offsets occur when the Plan reduces payments to participating providers or members for the purpose of recovering refunds related to previous claim overpayments.

Based on our review of the sample, we determined that the Plan was not diligent with recovery efforts for four FEHBP claim overpayments, totaling $177,662. Since these claim overpayments were each over $10,000, the contract specifically requires the Plan to make additional prompt and diligent efforts to recover these overpayments. Specifically, we identified the following exceptions:

- For one member claim overpayment, totaling $30,611, we determined that the Plan could not provide support for all four of the standard refund request letters to the member and did not make additional prompt and diligent efforts to recover the overpayment (such as sending additional letters, mailing certified letters, calling the member, offsetting member benefit payments, referring the member to third-party collections, and/or documenting reasons for delays and/or disagreements).

- For three provider claim overpayments, totaling $147,051, we determined that the Plan did not send these overpayments to third-party collections, such as a collection agency, within three years of identifying these overpayments.

As a result of our findings, the Plan stated that these questioned claim overpayments will be referred to a collection agency. In total, we determined that the Plan was not diligent with the recovery and/or return of four claim overpayments, totaling $177,662 ($30,611 plus $147,051), to the FEHBP.

Health Benefit Refunds – Cash Receipts

The Plan provided a consolidated universe of FEHBP cash receipt health benefit refunds that included items such as solicited and unsolicited refunds (claim overpayment recoveries), subrogation recoveries, provider audit recoveries, and fraud recoveries. For contract year 2018 through June 30, 2023, there were 6,912 FEHBP cash receipt refunds, totaling $4,744,880, that were received by the Plan during the audit scope. From this universe, we selected and reviewed a judgmental sample of 60 cash receipt refunds, totaling $2,592,751, to determine if the Plan timely returned these refunds to the FEHBP. Our sample consisted of the 10 highest dollar cash receipt refunds from each year of the audit scope, which included refunds from $4,480 to $433,333.

Based on our review of the sample, we determined that the Plan returned 26 of these cash receipt refunds (43 percent of the sample), totaling $1,449,804, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these 26 refunds into the Plan's dedicated FEHBP investment account from 4 to 306 days late and then returned 23 of these refunds (or 38 percent of the sample) to the LOCA from 1 to 296 days late. Since the Plan returned these refunds as well as applicable LII to the FEHBP during the audit scope and prior to our audit notification date, we did not question these principal and LII amounts as a monetary finding. We also reviewed and accepted the Plan's LII calculations on these 26 cash receipt refunds that were returned untimely to the FEHBP. This is a procedural finding for cash receipt refunds.

Recommendation 4

We recommend that the contracting officer require the Plan to return $177,662 to the FEHBP for the questioned uncollected claim overpayments, whether recovered or not, as diligent efforts to recover these overpayments were not made. If the Plan repays these questioned overpayments of $177,662 to the FEHBP during the audit resolution process, then the contracting officer should allow the Plan to keep whatever funds are subsequently recovered for these overpayments.

Recommendation 5

For the following procedural recommendation, no corrective actions are currently required since the Plan has discontinued the experience-rated HMO plan in the FEHBP. However, if the Plan participates in the FEHBP again with an experience-rated HMO plan in the future, we recommend that the contracting officer require the Plan to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that claim overpayments are adequately pursued, monitored, recovered, and returned to the FEHBP, as required by Section 2.3(g) of Contract CS 2838. If the options are available and cost effective, the Plan should also use provider offsets, member benefit payment offsets, and/or third-party collections to recover uncollected FEHBP claim overpayments.

Recommendation 6

For the following procedural recommendation, no corrective actions are currently required since the Plan has discontinued the experience-rated HMO plan in the FEHBP. However, if the Plan participates in the FEHBP again with an experience-rated HMO plan in the future, we recommend that the contracting officer require the Plan to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that cash receipt refunds are timely returned to the FEHBP (i.e., deposited into the FEHBP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt).

Plan Response:

The Plan agrees with the audit finding and is actively pursuing the questioned uncollected claim overpayments via collections.

3. Claim Overpayment Write-Offs $18,310

The Plan was not diligent in its efforts to recover and/or return eight claim overpayments, totaling $18,310, to the FEHBP. These claim overpayments were set up as provider or member offsets, where the Plan would reduce future benefit payments to the providers or members for the purpose of recovering the refunds related to the overpayments but were then subsequently written off by the Plan. However, we determined that the Plan did not comply with the 30, 60, and 90-day refund request letter intervals as required by the contract and did not send some of these claim overpayments to third-party collections. We noted that these FEHBP claim overpayments were outstanding from approximately 1 to 10 years. Based on Contract CS 2838, the Plan must make prompt and diligent efforts to recover erroneous benefit payments until the debts are paid in full or determined to be uncollectible. Unless the Plan provides support that these claim overpayments were uncollectible, we can only conclude that the Plan did not make diligent efforts to recover

these funds before writing them off. Therefore, the Plan should immediately recover and return $18,310 to the FEHBP for these eight questioned claim overpayments.

Contract CS 2838, Part II, Section 2.3(g) states, "If the Carrier [or OPM] determines that a Member's claim has been paid in error for any reason . . . the Carrier shall make a prompt and diligent effort to recover the erroneous payment to the member from the member or, if to the provider, from the provider." Section 2.3(g) also states, "Prompt and diligent effort to recover erroneous payments means that upon discovering that an erroneous payment exists, the Carrier shall –

(1) Send a written notice of erroneous payment to the member or provider . . .

(2) After confirming that the debt does exist . . . send follow-up notices to the member or the provider at 30, 60 and 90 day intervals, if the debt remains unpaid and undisputed;

(3) The Carrier may offset future Benefits payable . . . to a provider on behalf of the Member to satisfy a debt due under the FEHBP if the debt remains unpaid and undisputed for 120 days after the first notice . . .

(4) After applying the first three steps, refer cases when it is cost effective to do so to a collection attorney or a collection agency if the debt is not recovered; . . .

(5) Make prompt and diligent effort to recover erroneous payments until the debt is paid in full or determined to be uncollectible by the Carrier because it is no longer cost effective to pursue further collection efforts . . .

(6) Additional prompt and diligent efforts are required for significant claim overpayments that exceed $10,000 per each claim. Examples of such efforts include copies of dated notices, offset attempt(s) made, certified letter communication(s), and third-party collection efforts to the extent required under (g)(4) above. The Carrier should maintain . . . documentation of those efforts."

For contract year 2018 through June 30, 2023, the Plan wrote off 819 FEHBP claim overpayments, totaling $180,592, for the experience-rated HMO plan. From this universe, we selected and reviewed a judgemental sample of 21 claim overpayment write-offs, totaling $49,048, to determine if the Plan made prompt and diligent efforts to recover the applicable funds before writing these overpayments off. Our sample included all FEHBP claim overpayment write-offs of $1,000 or more from the audit scope.

Based on our review of these write-offs, we identified the following exceptions:

- For six provider claim overpayments, totaling $14,895, the Plan mailed some refund request letters to the providers and set up provider offsets to recover these

overpayments. However, the Plan did not comply with the 30, 60, and 90-day refund request letter intervals as required by the contract and did not send three of these claim overpayments to third-party collections (such as a collection agency or attorney).

- For two member claim overpayments, totaling $3,415, the Plan mailed some refund request letters to the members and set up member benefit offsets to recover these overpayments. However, the Plan did not comply with the 30, 60, and 90-day refund request letter intervals as required by the contract and did not send one of these claim overpayments to third-party collections. We also noted that almost seven years had passed between when the last letters were mailed by the Plan to when the claim overpayments were written off.

In total, we determined that the Plan was not diligent in its efforts to recover and/or return eight claim overpayments, totaling $18,310 ($14,895 plus $3,415), to the FEHBP that were written off during the audit scope. As a result of this audit finding, the Plan subsequently returned $18,310 to the FEHBP in October 2024 for these eight questioned claim overpayment write-offs.

Recommendation 7

We recommend that the contracting officer require the Plan to return $18,310 to the FEHBP for the questioned claim overpayments that were written off, whether recovered or not, as prompt and diligent efforts to recover these overpayments were not made. However, since we verified that the Plan subsequently returned $18,310 to the FEHBP in October 2024 for these questioned claim overpayment write-offs, no further action is required for this amount.

Plan Response:

The Plan agrees with the audit finding and has returned the questioned claim overpayment write-offs to the FEHBP.

B. CASH MANAGEMENT

1. Excess Funds in the Investment Account $41,089

Our audit determined that the Plan held excess FEHBP funds of $41,089 in the dedicated FEHBP investment account as of June 30, 2023. The Plan subsequently returned these questioned excess funds to the FEHBP on various dates from August 2023 through October 2024, after receiving our audit notification letter, and because of our audit. Since these questioned excess funds were maintained in the Plan's dedicated FEHBP investment account, LII is not applicable for this audit finding.

As previously cited from 48 CFR 31.201-5, "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." Also, as previously cited from Contract CS 2838, all health benefit refunds and recoveries must be deposited into the FEHBP investment account within 30 days and returned to the FEHBP letter of credit account within 60 days after being received by the Carrier.

Regarding reportable monetary findings, Contract CS 2838, 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 Plan's dedicated FEHBP investment account generally includes FEHBP working capital funds, approved LOCA reimbursements, health benefit refunds and recoveries from providers and subscribers, interest income earned, and other cash identified as due to the FEHBP. Based on Contract CS 2838, all funds deposited into the Plan's dedicated FEHBP investment account, such as health benefit refunds and recoveries, interest income and excess working capital, should be returned to the FEHBP by adjusting the LOCA within 60 days after receipt by the Plan. In addition, approved reimbursements from the LOCA that are deposited into the Plan's FEHBP investment account should be timely transferred from the FEHBP investment account to the Plan's corporate account.

The Plan held excess FEHBP funds of $41,089 in the dedicated FEHBP investment account as of June 30, 2023.

In our Standard Information Request (dated July 3, 2023), we requested the Plan to provide a reconciliation and detailed itemization of the funds in the Plan's dedicated FEHBP investment account as of June 30, 2023. When reviewing the Plan's FEHBP investment account reconciliation and supporting documentation, we noted an exception of excess funds. Specifically, we determined that the Plan held excess FEHBP funds of $41,089 in the Plan's FEHBP investment account as of June 30, 2023. The Plan should have held a balance of $173,739 in the FEHBP investment account; however, the Plan's actual account balance totaled $214,828. We noted that most of these excess funds were pharmacy and medical drug rebates that the Plan had not returned to the FEHBP. According to the Plan, there were not enough LOCA drawdown reimbursement requests to adjust in order to return these excess funds to the FEHBP. However, LOCA drawdown adjustments are not the only option the Plan can use when returning funds to the FEHBP. For example, the Plan could have timely returned these excess funds to the FEHBP by sending a check(s) to OPM and/or electronically transferring the funds to OPM's Federal Reserve account.

As a result, we are questioning $41,089 in excess FEHBP funds that were held in the Plan's dedicated FEHBP investment account as of June 30, 2023. As part of our review, we verified that the Plan subsequently returned these questioned excess funds to the FEHBP on various dates from August 2023 through October 2024. Because these excess funds were held in the Plan's dedicated FEHBP investment account, LII is not applicable on these questioned excess funds.

Recommendation 8

We recommend that the contracting officer require the Plan to return $41,089 to the FEHBP for the questioned excess FEHBP funds that were held in the Plan's dedicated FEHBP investment account as of June 30, 2023. However, since we verified that the Plan subsequently returned $41,089 to the FEHBP for these questioned excess funds, no further action is required for this amount.

Plan Response:

The Plan agrees with the audit finding and has returned the excess questioned funds to the FEHBP.

IV. SCHEDULE A – QUESTIONED CHARGES

HMO MISSOURI, INC.
MASON, OHIO

QUESTIONED CHARGES

AUDIT FINDINGS	2018	2019	2020	2021	2022	2023	2024	TOTAL
A. HEALTH BENEFIT REFUNDS AND RECOVERIES								
1. Pharmacy and Medical Drug Rebates*	$7,341	$83,988	$65,026	$4,184	$12,399	$35,473	$30	$208,441
2. Health Benefit Refunds - Cash Receipts and Offsets	0	0	147,051	30,611	0	0	0	177,662
3. Claim Overpayment Write-Offs	4,060	0	0	6,142	8,108	0	0	18,310
TOTAL HEALTH BENEFIT REFUNDS AND RECOVERIES	$11,401	$83,988	$212,077	$40,937	$20,507	$35,473	$30	$404,413
B. CASH MANAGEMENT								
1. Excess Funds in the Investment Account	$0	$0	$0	$0	$0	$41,089	$0	$41,089
TOTAL CASH MANAGEMENT	$0	$0	$0	$0	$0	$41,089	$0	$41,089
TOTAL QUESTIONED CHARGES	$11,401	$83,988	$212,077	$40,937	$20,507	$76,562	$30	$445,502

* We included lost investment income (LII) within audit finding A1 ($46,068). Therefore, no additional LII is applicable.

APPENDIX

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Mason, Ohio 45040

Mrs. Nicole Krajniak
United States Office of Personnel Management
Office of the Inspector General
Experience Rated Audit Group
1900 E. Street N.W, Room 6400
Washington, DC 20415

REPORT NUMBER: 2024-ERAG-004
Draft Report Response – HMO MO Plan
Date: December 10, 2024

TO: Nicole Krajniak,

This letter is the Anthem MO HMO Plan's response to the above referenced OPM OIG Draft audit report covering the 2023 HMO MO Plan audit. The Plan's response to the audit findings are as follows:

A. HEALTH BENEFIT REFUNDS AND RECOVERIES

1. Pharmacy and Medical Drug Rebates $208,441

Plan's Response to the Draft:

The Plan does not dispute the finding and has returned the questioned amounts and LII to the Program.

The MO HMO Plan was terminated on 12/31/2022 and the Plan is no longer processing claims that would create Pharmacy or Medical rebates. Consequently, there are no corrective actions that can be taken. We respectfully suggest that Recommendation 3 is unnecessary and should be amended to reflect that the HMO plan has been terminated.

2. Cash Receipts and Provider Offsets $177,662

Plan's Response to the Draft:

The Plan does not dispute with this finding and is actively pursuing the 4 claim overpayments via collections.

Deleted by the Office of the Inspector General – Not Relevant to the Final Report

3. Claim Overpayment Write-Offs **$18,310**

Plan's Response to the Draft:

The Plan does not dispute with the finding and has returned the questioned amounts and LII to the Program.

B. CASH MANAGEMENT

1. Excess Funds in the Investment Account **$41,089**

Plan's Response to the Draft:

The Plan does not dispute with the finding and has returned the questioned amounts and LII to the Program.

We appreciate the opportunity to provide our response to your Draft Audit Report and request that our comments be included in its entirety as an amendment to the Final Audit Report.

Adam Saul
Anthem FEHB Director Compliance

Report Fraud, Waste, and Mismanagement

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