



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

Final Audit Report

Audit of
BlueCross BlueShield of Kansas City
Kansas City, Missouri

Report Number 1A-10-42-19-015

December 16, 2019

EXECUTIVE SUMMARY

Audit of BlueCross BlueShield of Kansas City

Report No. 1A-10-42-19-015

December 16, 2019

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that BlueCross BlueShield of Kansas City (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, such as refunds and subrogation recoveries, from 2015 through September 30, 2018, and administrative expense charges from 2015 through 2017, as reported in the Annual Accounting Statements. We also reviewed the Plan's cash management activities and practices related to FEHBP funds from 2017 through September 30, 2018, and the Plan's Fraud and Abuse Program activities from January 1, 2018, through December 31, 2018.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$168,660 in administrative expense charges 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 – The audit disclosed no findings pertaining to miscellaneous health benefit payments and credits. Overall, we concluded that the Plan timely returned health benefit refunds and recoveries to the FEHBP and properly charged miscellaneous payments to the FEHBP.
- Administrative Expenses – We questioned \$168,660 in administrative expense charges and LII, consisting of \$157,781 for unallowable and/or unallocable cost center and natural account expenses and \$10,879 for applicable LII on these questioned charges.
- Cash Management – The audit disclosed no findings pertaining to the Plan's cash management activities and practices. Overall, we determined that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations.
- 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 2017-13.

ABBREVIATIONS

Association	BlueCross BlueShield Association
BCBS	BlueCross and/or BlueShield
CC	Cost Center
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
FSTS	FEP Special Investigations Unit Tracking System
LII	Lost Investment Income
NA	Natural Account
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	BlueCross BlueShield of Kansas City
SIU	Special Investigations Unit

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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 BlueCross BlueShield of Kansas City (Plan). The Plan is located in Kansas City, Missouri.

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

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.

reimbursement of local plan payments of FEHBP claims (using computerized system edits), maintaining a history file of all FEHBP claims, and maintaining claims payment data and related financial data in support of the Association's accounting of all program funds.

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-10-42-07-004, dated December 14, 2007), covering contract years 2002 through 2005, have been satisfactorily resolved. We also included this Plan in each of the following recent focused audits that covered a sample of BCBS plans:

- Final Report No. 1A-99-00-17-001 (dated March 14, 2018) for cash management activities and practices related to FEHBP funds from 2015 through June 30, 2016;
- Final Report No. 1A-99-00-16-010 (dated January 31, 2017) for aging FEP health benefit refunds as of June 30, 2015, and fraud recoveries and medical drug rebates from 2012 through June 30, 2015; and,
- Final Report No. 1A-99-00-14-068 (dated November 16, 2015) for pension and post-retirement benefit costs from 2011 through 2013.

There were no findings related to the Plan from these recent focused audits.

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 July 17, 2019; and were presented in detail in a draft report, dated July 31, 2019. 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

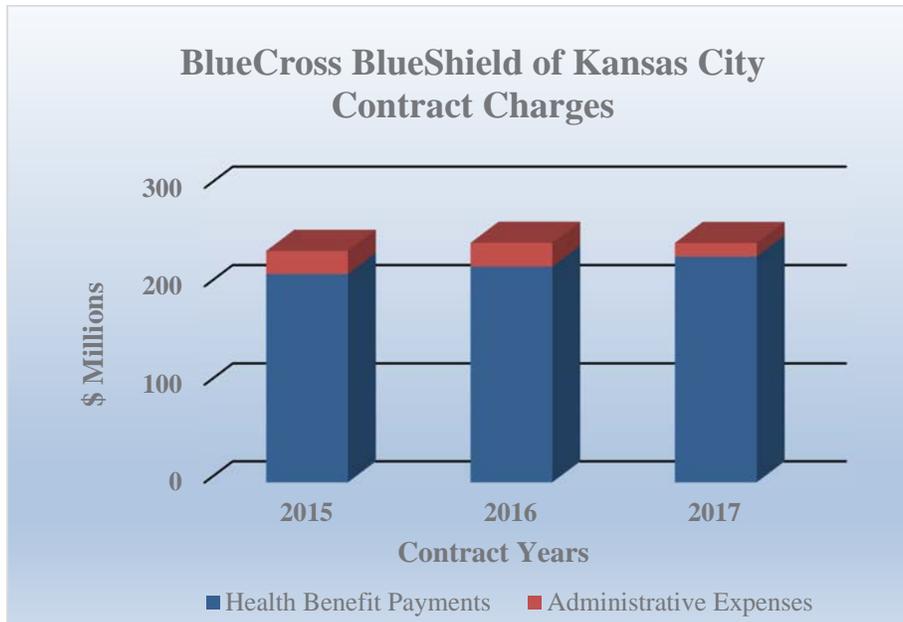
- To determine whether the Plan's communication and reporting of fraud and abuse cases complied with the terms of Contract CS 1039 and Carrier Letter 2017-13.

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 240 and 740 for contract years 2015 through 2017. During this period, the Plan paid approximately \$662 million in FEHBP health benefit payments and charged the FEHBP \$61 million in administrative expenses (see chart below).



Specifically, we reviewed miscellaneous health benefit payments and credits (such as cash and auto recoupment refunds, subrogation recoveries, medical drug rebates, and special plan invoices) from 2015 through September 30, 2018; administrative expense charges from 2015 through 2017; and the Plan’s cash management activities and practices from 2017 through September 30, 2018. We also reviewed the Plan’s Fraud and Abuse Program activities from January 1, 2018, through December 31, 2018.

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 Kansas City, Missouri on various dates from April 2, 2019, through May 24, 2019. Audit fieldwork was also performed at our offices in Cranberry Township, Pennsylvania; Jacksonville, Florida; and Washington, D.C. through July 17, 2019. Throughout the audit process, the Plan did a great job providing complete and timely responses to our numerous requests for supporting documentation. We 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 2015 through September 30, 2018, we also judgmentally selected and reviewed the following FEP items:

Health Benefit Refunds

- A high dollar sample of 79 FEP health benefit refund cash receipts, totaling \$1,691,587 (from a universe of 8,350 FEP refund cash receipt amounts, totaling \$4,159,034, for the audit scope). Our high dollar sample included all refund cash receipt amounts greater than \$10,000 from the audit scope.

- A high dollar sample of 46 FEP health benefit refunds returned via auto recoupments, totaling \$10,566,420 (from a universe of 34,093 FEP refunds returned via auto recoupments, totaling \$49,949,623, for the audit scope). Our high dollar sample included all auto recoupment amounts greater than \$135,000 from the audit scope.

Other Health Benefit Payments, Credits, and Recoveries

- A high dollar sample of 20 FEP subrogation recoveries, totaling \$739,517 (from a universe of 516 FEP subrogation recoveries, totaling \$1,629,213, for the audit scope). For this sample, we selected the 20 highest dollar subrogation recoveries from the audit scope.
- A high dollar sample of 10 FEP provider audit recoveries, totaling \$280,705 (from a universe of 195 FEP provider audit recoveries, totaling \$1,427,796, for the audit scope). For this sample, we selected the 10 highest dollar provider audit recoveries from the audit scope.
- A high dollar sample of 10 FEP collection agency recoveries, totaling \$210,145 (from a universe of 184 FEP collection agency recoveries, totaling \$359,890, for the audit scope). For this sample, we selected the 10 highest dollar collection agency recoveries from the audit scope.
- The only FEP medical drug rebate, in the amount of \$18,627, received during the audit scope.
- A judgmental sample of five FEP claim overpayment write-offs, totaling \$13,649 (from a universe of 74 FEP overpayment write-offs, totaling \$25,714, for the audit scope). For this sample, we selected the five highest dollar write-offs from the audit scope. We reviewed these write-offs to determine if the Plan made diligent efforts to recover the funds before writing-off the claim overpayments.
- A judgmental sample of five FEP fraud recoveries, totaling \$8,238 (from a universe of 39 FEP fraud recoveries, totaling \$18,732, for the audit scope). For this sample, we selected the five highest dollar fraud recoveries from the audit scope.
- A high dollar sample of 11 special plan invoices, totaling \$967,601 in net FEP payments (from a universe of 136 special plan invoices, totaling \$3,958,908 in net FEP credits, for the audit scope). We judgmentally selected these special plan invoices based on our nomenclature review of high dollar invoice amounts. Specifically, from each year in the

audit scope, we selected the special plan invoices with the two highest credit amounts and the two highest payment amounts, if applicable. Special plan invoices are used by the Plan to process items such as miscellaneous health benefit payment and credit transactions that do not include primary claim payments or checks.

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 we did not use statistical sampling.

We judgmentally reviewed administrative expenses charged to the FEHBP for contract years 2015 through 2017. Specifically, we reviewed administrative expenses relating to cost centers; natural accounts; pensions; post-retirement; employee health benefits; executive compensation limits; inter-company profits; lobbying; and Patient Protection and Affordable Care Act fees.² We used the FEHBP contract, the FAR, the FEHBP, and/or the Affordable Care Act (Public Law 111-148) to determine the allowability, allocability, and reasonableness of charges.

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 2017 through September 30, 2018, as well as the Plan's dedicated FEP investment account activity during the scope and the balance as of September 30, 2018.

We also interviewed the Plan's Special Investigations Unit regarding the effectiveness 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 2017-13.

² 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 \$61,918,507 to the FEHBP from 123 cost centers that contained 92 natural accounts. From this universe, we selected a judgmental sample of 55 cost centers to review, which totaled \$49,449,113 in expenses allocated to the FEHBP. We also selected a judgmental sample of 33 natural accounts to review, which totaled \$36,727,192 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.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

The audit disclosed no findings pertaining to miscellaneous health benefit payments and credits. Overall, we concluded that the Plan timely returned health benefit refunds and recoveries to the FEHBP and properly charged miscellaneous payments to the FEHBP.

B. ADMINISTRATIVE EXPENSES

1. Cost Center and Natural Account Expenses \$168,660

The Plan charged unallowable and/or unallocable cost center and natural account expenses to the FEHBP from 2015 through 2017. As a result of this finding, the Plan subsequently returned \$168,660 to the FEHBP, consisting of \$157,781 for the questioned cost center and natural account expenses and \$10,879 for applicable lost investment income (LII).

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.”

48 CFR 31.201-4 states, “A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it -

- (a) Is incurred specifically for the contract;
- (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or
- (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.”

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 . . . 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.”

For contract years 2015 through 2017, the Plan allocated administrative expenses of \$61,918,507 to the FEHBP from 123 cost centers that contained 92 natural accounts. From this universe, we selected a judgmental sample of 55 cost centers to review, which totaled \$49,449,113 in expenses allocated to the FEHBP. We also selected a judgmental sample of 33 natural accounts to review, which totaled \$36,727,192 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.

Based on our review, we determined that the Plan allocated and charged expenses to the FEHBP from four cost centers and one natural account that were expressly unallowable and/or did not benefit the FEHBP (unallocable), or only minimally benefited the FEHBP. The following schedule is a summary of these questioned cost center (CC) and natural account (NA) expenses that were inappropriately charged to the FEHBP from 2015 through 2017.

CC or NA Number	CC or NA Name	Reason for Questioning	Amount Questioned
CC 7008	Transformative Projects	Unallocable	\$123,346
NA 6251	Legal Other	Unallocable	28,221
CC 1267	Class Action Lawsuit	Unallocable	4,590
CC 7121	Consumer Product Sales	Unallowable	1,112
CC 5263	Credit Union	Unallocable	512
Total			\$157,781

Concerning the questioned expenses charged to the FEHBP, 48 CFR 31.205-38 (selling costs) also provides specific criteria to the extent that such costs are expressly unallowable. Based on our review of the Plan's supporting documentation, these questioned cost center and natural account charges are not in compliance with the Federal regulations.

In total, the Plan returned \$168,660 to the FEHBP for this audit finding, consisting of \$157,781 for unallowable and/or unallocable cost center and natural account expenses that were charged to the FEHBP and \$10,879 for applicable LII on these questioned charges (as calculated by the OIG).

Association/Plan Response:

The Plan agrees with this finding.

OIG Comment:

As part of our review, we verified that the Plan returned \$168,660 to the FEHBP on various dates in June 2019 and July 2019, consisting of \$157,781 for the questioned cost center and natural account expenses and \$10,879 for applicable LII.

Recommendation 1

We recommend that the contracting officer disallow \$157,781 for the questioned unallowable and/or unallocable cost center and natural account expenses charged to the FEHBP from 2015 through 2017. However, since we verified that the Plan subsequently returned \$157,781 to the FEHBP for these questioned cost center and natural account expenses, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$10,879 to the FEHBP for LII on the unallowable and/or unallocable cost center and natural account expenses. However, since we verified that the Plan subsequently returned \$10,879 to the FEHBP for the questioned LII, no further action is required for this LII amount.

C. CASH MANAGEMENT

The audit disclosed no findings pertaining to the Plan's cash management activities and practices. Overall, we concluded that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations.

D. FRAUD AND ABUSE PROGRAM

The Plan timely entered all of the fraud and abuse cases in our sample into the Association's FSTS.

The audit disclosed no findings pertaining to the Plan's Fraud and Abuse Program activities and practices. For the period January 1, 2018, through December 31, 2018, the Plan opened 45 fraud and abuse cases with potential FEP exposure. From this universe, we selected and reviewed a judgmental sample of 15 cases and determined if the Plan timely entered fraud and abuse cases into the Association's FEP Special Investigations Unit Tracking System (FSTS).³ For this sample, we judgmentally selected all seven cases with affirmative step dates and eight cases without affirmative step dates (four with a closed case status and four with an open or pending case status). After a preliminary review by the Plan, the affirmative step is when the Plan makes a decision on whether the allegation or complaint is a potential fraud, waste, and/or abuse issue, and therefore, reportable to the OPM's OIG. 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 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 that are set forth in FEHBP Carrier Letter 2017-13.

³ FSTS is a multi-user, web-based FEP case-tracking database application and storage warehouse administered by the Association's FEP Special Investigations Unit (SIU). FSTS is used by the local BCBS plans' SIUs, the FEP Pharmacy Benefit Managers' SIUs, and the Association's FEP SIU to store, track and report potential fraud and abuse activities.

IV. SCHEDULE A - QUESTIONED CHARGES

**BLUECROSS BLUESHIELD OF KANSAS CITY
KANSAS CITY, MISSOURI
QUESTIONED CHARGES**

AUDIT FINDINGS	2015	2016	2017	2018	2019	TOTAL
A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS						
TOTAL MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS	\$0	\$0	\$0	\$0	\$0	\$0
B. ADMINISTRATIVE EXPENSES						
1. Cost Center and Natural Account Expenses*	\$4,590	\$130,623	\$25,961	\$4,838	\$2,648	\$168,660
TOTAL ADMINISTRATIVE EXPENSES	\$4,590	\$130,623	\$25,961	\$4,838	\$2,648	\$168,660
C. CASH MANAGEMENT						
TOTAL CASH MANAGEMENT	\$0	\$0	\$0	\$0	\$0	\$0
D. FRAUD AND ABUSE PROGRAM						
TOTAL FRAUD AND ABUSE PROGRAM	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL QUESTIONED CHARGES	\$4,590	\$130,623	\$25,961	\$4,838	\$2,648	\$168,660

* We included lost investment income (LII) of \$10,879 within audit finding B1. Therefore, no additional LII is applicable.

APPENDIX

September 16, 2019

Mr. [REDACTED], Group Chief
Experience-Rated Audits Group
Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, Room 6400
Washington, DC 20415-11000

**Reference: OPM DRAFT AUDIT REPORT
BlueCross BlueShield of Kansas City
Audit Report No. 1A-10-42-19-015
(Dated July 31, 2019)**

Dear Mr. [REDACTED]:

This is the Blue Cross and Blue Shield of Kansas City (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:

B. ADMINISTRATIVE EXPENSES

1. Cost Center and Natural Account Expenses **\$168,660**

Recommendation 1

We recommend that the contracting officer disallow \$157,781 for the questioned unallowable and/or unallocable cost center and natural account expenses charged to the FEHBP from 2015 through 2017. However, since we verified that the Plan subsequently returned \$157,781 to the FEHBP for these questioned cost center and natural account expenses, no further action is required for this amount.

Plan Response:

The Plan agreed with this finding and as stated, no additional action is necessary.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$10,879 to the FEHBP for LII on the unallowable and/or unallocable cost center and natural account expenses. However, since we verified that the Plan subsequently returned \$10,879 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

The Plan agreed with this finding and as stated, no additional action is necessary.

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,

A handwritten signature in black ink, appearing to read "Kim King". The signature is written in a cursive, flowing style.

Kim King
Managing Director, Program Assurance

Attachments

Cc: Brian Spicer, Director-Audit Services, BlueCross BlueShield of Kansas City
Connie Woodard, Director-Program Assurance, BCBSA
Mitch Davis, Manager-Program Assurance, BCBSA



Report Fraud, Waste, and Mismanagement

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

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

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