U.S. Office of Personnel Management

Office of the Inspector General

Office of Audits

Final Audit Report

Audit of Highmark Health
Pittsburgh, Pennsylvania

Report Number 1A-10-13-21-006
November 15, 2021

Executive Summary

Audit of Highmark Health

Report No. 1A-10-13-21-006 **November 15, 2021**

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that Highmark Health (Plan), which includes the BlueCross and/or BlueShield (BCBS) plans of Delaware, Pennsylvania, Northeastern Pennsylvania, and West Virginia, 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 medical drug rebates, for contract year 2016 through June 30, 2020, and administrative expense charges for contract years 2015 through 2019, as reported in the Annual Accounting Statements for the BCBS plans of Delaware, Pennsylvania, Northeastern Pennsylvania, and West Virginia. We also reviewed the Plan's cash management activities and practices related to FEHBP funds for contract year 2016 through June 30, 2020, and the Plan's Fraud and Abuse Program activities for contract year 2019 through June 30, 2020.

Michael R. Esser
Assistant Inspector General for Audits

What did we find?

We questioned $820,767 in health benefit charges, net administrative expense overcharges, and lost investment income (LII). The BlueCross BlueShield Associations and/or Plan agreed with **all** of the questioned amounts. As part of our review, we verified that the Plan subsequently returned $745,419 of the questioned amounts to the FEHBP. However, the FEHBP is still due $75,348.

Our audit results are summarized as follows:

- Miscellaneous Health Benefit Payments and Credits – We questioned $75,348 where the Plan had not recovered and/or returned funds to the FEHBP for claim overpayments. We also questioned $20,385 for health benefit refunds that the Plan had not returned to the FEHBP as of June 30, 2020, and $1,628 for LII on refunds that the Plan returned untimely to the FEHBP. We verified that the Plan has returned the questioned health benefit refunds of $20,385 and LII of $1,628 to the FEHBP.

- Administrative Expenses - We questioned $723,406 in net administrative expense overcharges and LII, consisting of $340,670 in overcharges for BlueCross BlueShield Association dues, $246,534 in net overcharges for post-retirement benefit costs, $59,172 in overcharges for unallowable and/or unallocable costs, $16,525 in net overcharges for pension costs, and $60,505 for applicable LII on these questioned charges. We verified that the Plan has returned these questioned amounts to the FEHBP.

- Cash Management – The audit disclosed no findings pertaining to the Plan's cash management activities and practices related to FEHBP funds. 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**
BC	**BlueCross**
BCBS	**BlueCross and/or BlueShield**
CAS	**Cost Accounting Standard**
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**
LOCA	**Letter of Credit Account**
OIG	**Office of the Inspector General**
OPM	**U.S. Office of Personnel Management**
Plan	**Highmark Health**
SIU	**Special Investigations Unit**
VA	**U.S. Department of Veterans Affairs**

Table of Contents

I. Background

This final report details the findings, conclusions, and recommendations from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at Highmark Health (Plan), pertaining to the BlueCross and/or BlueShield (BCBS) plans of Delaware, Pennsylvania, Northeastern Pennsylvania, and West Virginia. The Plan's headquarters are in Pittsburgh, Pennsylvania.

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 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 (FEP[1]) 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 the Service Benefit Plan Administrative Services Corporation, an affiliate of CareFirst BCBS, located in 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), maintaining a history file of FEHBP claims, and maintaining claims payment data.

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,

[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.

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-10-13-14-003, dated August 22, 2014), for contract year 2008 through May 31, 2013, 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 June 17, 2021; and were presented in detail in a draft report, dated June 30, 2021. 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.

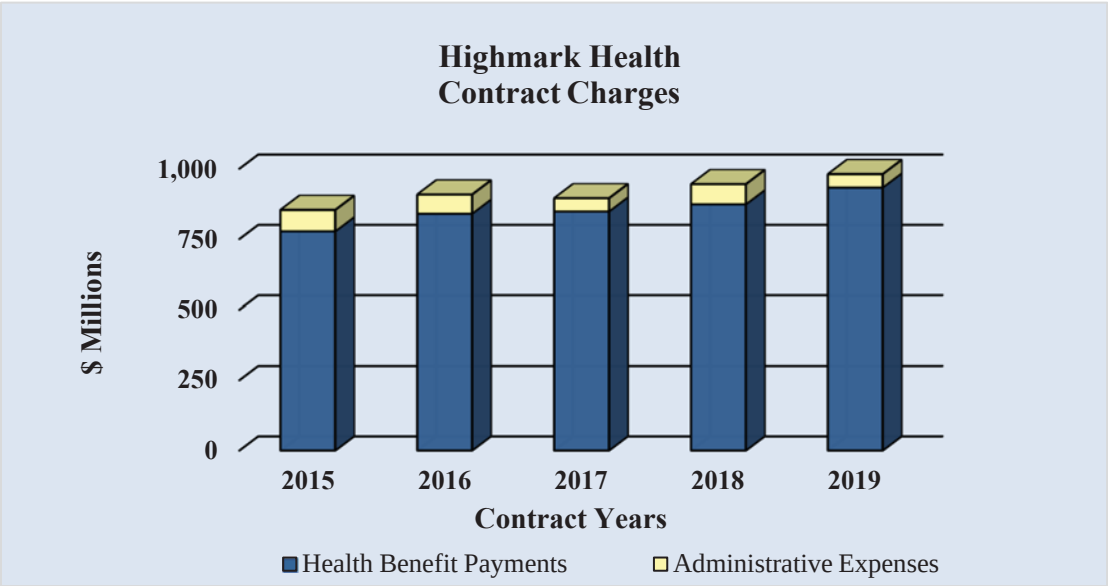
Fraud and Abuse Program

- 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 pertaining to Plan codes 070/570 (BCBS of Delaware), 363/865 (BCBS of Pennsylvania), 364 (BlueCross of Northeastern Pennsylvania), and 443/943 (BCBS of West Virginia) for contract years 2015 through 2019. During this period, the Plan paid approximately $4.3 billion in FEHBP health benefit payments and charged the FEHBP approximately $310.3 million in administrative expenses for the Plan's four BCBS plans combined (see chart on the next page).



Specifically, we reviewed miscellaneous health benefit payments and credits (such as cash receipt and provider offset refunds, medical drug rebates, and special plan invoices) for contract year 2016 through June 30, 2020, and administrative expense charges for contract years 2015 through 2019, as reported in the Annual Accounting Statements for the Plan's four BCBS plans. We also reviewed the Plan's cash management activities and practices related to FEHBP funds for contract year 2016 through June 30, 2020, and the Plan's Fraud and Abuse Program activities for contract year 2019 through June 30, 2020.

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 (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 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 fieldwork was performed remotely in the Cranberry Township, Pennsylvania; Jacksonville, Florida; and Washington, D.C. areas from January 5, 2021, through June 17, 2021. Throughout the audit process, the Plan did a great job providing complete and timely responses to our numerous requests for explanations and 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 contract year 2016 through June 30, 2020, we judgmentally selected and reviewed the following FEP items forthe Plan's four BCBS plans:

Health Benefit Refunds[2]

- A high dollar sample of 150 FEP health benefit refunds returned via provider offsets, totaling $11,622,150 (from a universe of 207,289 FEP refunds returned via provider offsets, totaling $96,498,488, for the audit scope). From each year of the audit scope, our sample included the 15 highest dollar offsets for BCBS of Pennsylvania, the 10 highest dollar offsets for BCBS of West Virginia, and the 5 highest dollar offsets for BCBS of Delaware. All of the provider offsets for BlueCross (BC) of Northeastern Pennsylvania were included within the refund files for BCBS of Pennsylvania.

- A high dollar sample of 188 FEP cash receipt health benefit refunds, totaling $10,381,745 (from a universe of 23,788 FEP cash receipt refunds, totaling $18,911,434, for the audit scope). From each year of the audit scope, our sample included the 20 highest dollar refunds for BCBS of Pennsylvania, the 10 highest dollar refunds for BCBS of West Virginia, the 5 highest dollar refunds for BCBS of Delaware, and the 5 highest dollar refunds for BC of Northeastern Pennsylvania (if applicable).

[2] The Plan's FEP universes of cash receipt and provider offset refunds consisted of items such as solicited and unsolicited refunds, subrogation recoveries, provider audit recoveries, and/or fraud recoveries from the Plan's yearly refund files for each of the Plan's four BCBS plans.

Other Health Benefit Payments, Credits, and Recoveries

- A high dollar sample of 22 FEP medical drug rebate amounts, totaling $2,421,391 (from a universe of 222 FEP medical drug rebate amounts, totaling $3,657,786, for the audit scope). From the audit scope, we selected the 10 highest dollar rebate amounts for BCBS of Pennsylvania, the 5 highest dollar rebate amounts for BCBS of Delaware, the 5 highest dollar rebate amounts for BCBS of West Virginia, and the 2 highest dollar rebate amounts for BC of Northeastern Pennsylvania.

- A judgmental sample of 20 FEP claim overpayment write-offs, totaling $445,405 (from a universe of 1,986 FEP claim overpayment write-offs, totaling $1,039,949, for the audit scope). From the audit scope, we selected the 10 highest dollar write-offs for BCBS of Pennsylvania, the 5 highest dollar write-offs for BCBS of Delaware, and the 5 highest dollar write-offs for BCBS of West Virginia. The FEP claim overpayment write-offs for BC of Northeastern Pennsylvania were included within the overpayment write-off files for BCBS of Pennsylvania. We reviewed these claim overpayment write-offs to determine if the Plan made diligent efforts to recover the applicable funds before writing these overpayments off.

- A judgmental sample of 22 special plan invoices (SPI), totaling $12,558,723 in net FEP payments (from a universe of 687 SPI's, totaling $20,642,717 in net FEP payments, for the audit scope). We judgmentally selected these SPI's based on our nomenclature review of high dollar invoice amounts. Specifically, for the BCBS plans of Delaware, Pennsylvania, and West Virginia, we selected three SPI's with the highest dollar payment amounts and three SPI's with the highest dollar credit amounts (excluding hospital settlements and medical drug rebates) in the audit scope for each of these plans. We also selected the SPI with the highest dollar payment amount and the SPI with the highest dollar credit amount for BC of Northeastern Pennsylvania. For the BCBS plans of Delaware and Pennsylvania, we additionally selected the SPI with the highest dollar fraud recovery amount in the audit scope for each of these plans. There were no SPI's with fraud recoveries for BC of Northeastern Pennsylvania and BCBS of West Virginia. SPI's 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.

- A judgmental sample of 10 FEP hospital settlement amounts, totaling $978,473 in net FEP payments (from a universe of 214 FEP hospital settlement amounts, totaling $5,059,107 in net FEP payments, for the audit scope pertaining to BCBS of Delaware, BCBS of Pennsylvania, and BC of Northeastern Pennsylvania). From the audit scope, we selected the hospital settlements with the four highest payment amounts and the four highest credit amounts for BCBS of Pennsylvania, the hospital settlement with the highest dollar payment amount for BCBS of Delaware, and the only hospital settlement (a credit amount) for BC of Northeastern Pennsylvania. There were no FEP hospital settlements for BCBS of West Virginia.

We reviewed these samples to determine if health benefit refunds and recoveries, medical drug rebates, and miscellaneous credits 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 2019. Specifically, we reviewed administrative expenses relating to cost centers; natural accounts; pensions; post-retirement benefits; employee health benefits; out-of-system adjustments; executive compensation limits; Association dues; intercompany profits; 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.

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.As part of our testing, we selected and reviewed a judgmental sample of 131 letter of credit account (LOCA) drawdowns, totaling $934,013,048 (from a universe of 2,221 LOCA drawdowns, totaling $3,877,042,970, for contract year 2016 through June 30, 2020), for the purpose of determining if the Plan's drawdowns were appropriate and adequately supported. Our sample included LOCA drawdowns from the audit scope for each of the Plan's four BCBS plans. Specifically, for the BCBS plans of Pennsylvania and West Virginia, we judgmentally selected the highest dollar LOCA drawdown from each month in the audit scope for each of these plans. For BCBS of Delaware, we judgmentally selected the highest dollar LOCA drawdown from each quarter in the audit scope. For BC of Northeastern Pennsylvania, we judgmentally selected the highest dollar LOCA drawdown from each semi-annual period in the audit scope (if applicable). In total, these 131 LOCA drawdowns consisted of the following:

- 54 LOCA drawdowns, totaling $576,745,647 (from 696 LOCA drawdowns, totaling $2,280,689,596), for BCBS of Pennsylvania;

- 54 LOCA drawdowns, totaling $312,433,140 (from 697 LOCA drawdowns, totaling $1,170,667,094), for BCBS of West Virginia;

[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. For contract years 2015 through 2019, the Plan allocated administrative expenses of $418,199,328 (before adjustments) to the FEHBP for the Plan's four BCBS plans combined, from 571 cost centers that contained 361 natural accounts. From this universe, we selected a judgmental sample of 143 cost centers to review, which totaled $106,874,083 in expenses allocated to the FEHBP. We also selected a judgmental sample of 62 natural accounts to review, which totaled $267,893,558 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 and our nomenclature review. 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.

- 18 LOCA drawdowns, totaling $42,577,934 (from 699 LOCA drawdowns, totaling $401,802,064), for BCBS of Delaware; and,

- 5 LOCA drawdowns, totaling $2,256,327 (from 129 LOCA drawdowns, totaling $23,884,217), for BC of Northeastern Pennsylvania.

The sample results were not projected to the universe of LOCA drawdowns, since we did not use statistical sampling. When reviewing the Plan's LOCA drawdowns, we also reviewed the United States Treasury offsets during the audit scope. In addition, we noted that the Plan did not have working capital deposits for the Plan's four BCBS plans during the audit scope.[4]

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 2017-13.

[4] Based on OPM's "Letter of Credit System Guidelines" (dated April 2018), a working capital deposit is recommended but not required. Additionally, the Plan did **not** have dedicated FEP investment accounts for the BCBS plans of Delaware, Pennsylvania, and West Virginia. For BC of Northeastern Pennsylvania, the Plan closed this plan's dedicated FEP investment account in May 2019 and returned all applicable funds to the FEHBP.

III. Audit Findings and Recommendations

A. Miscellaneous Health Benefit Payments and Credits

The audit disclosed no significant findings pertaining to miscellaneous health benefit payments and credits. Overall, we concluded that health benefit refunds and recoveries, medical drug rebates, and miscellaneous credits were timely returned to the FEHBP, and miscellaneous payments were properly charged to the FEHBP, except as noted in the audit findings below for "Claim Overpayment Write-Offs" and "Health Benefit Refunds – Cash Receipts."

1. Claim Overpayment Write-Offs $75,348

The Plan did not recover four FEP claim overpayments that were paid to the U.S. Department of Veterans Affairs (VA) health care providers. We noted that the Plan mailed refund request letters to these VA providers but did not make additional prompt and diligent efforts to recover these overpayments before writing them off. As a result, the Plan did not recover and return $75,348 to the FEHBP for these VA claim overpayments. Based on contract CS1039, the Plan must make a prompt and diligent effort to recover erroneous benefit payments until the debt is paid in full or determined to be uncollectible. Unless the Plan provides support that these claim overpayments were uncollectible, we can only conclude that that the Plan did not make a diligent effort to recover these funds before writing them off. Accordingly, the Plan should continue to pursue and recover these claim overpayments from the applicable VA health care providers.

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(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 efforts 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."

For contract year 2016 through June 30, 2020, there were 1,986 FEP claim overpayment write-offs, totaling $1,039,949. From this universe, we selected and reviewed a judgmental sample of 20 FEP claim overpayment write-offs totaling $445,405. For the sample, we selected the 10 highest dollar write-offs for BCBS of Pennsylvania, the 5 highest dollar write-offs for BCBS of Delaware, and the 5 highest dollar write-offs for BCBS of West Virginia. The FEP claim overpayment write-offs for BC of Northeastern Pennsylvania were included within the overpayment write-off files for BCBS of Pennsylvania. We reviewed these claim overpayment write-offs to determine if the Plan made diligent efforts to recover the applicable funds before writing these overpayments off.

The Plan did not recover and return $75,348 in FEP claim overpayments paid to VA providers.

Based on our review, we determined that the Plan was not diligent in its efforts to recover four FEP claim overpayments, totaling $75,348. Since these claim overpayments were each over $10,000, the contract specifically requires additional prompt and diligent efforts by the Plan. For these claim overpayments, we determined that the Plan mailed refund request letters to the VA health care providers but did not make additional prompt and diligent efforts (such as sending certified letters, calling the providers, and/or documenting reasons for delays and/or disagreements) at recovery before writing them off. We noted that 366 to 432 days had passed between when the last letters were mailed by the Plan to when the overpayments were written off. During this lapse in time no additional effort was made by the Plan to collect these overpayments. Due to the lack of additional prompt and diligent efforts, the Plan did not recover and return $75,348 to the FEHBP for these VA claim overpayments.

Since these are VA health care providers, we do understand that there is no requirement to offset future benefit payments or refer cases to a collection attorney or agency.

However, because the Plan is dealing with the VA, and the VA is funded by the Government, these overpayments should be recoverable with additional follow-up steps (other than standard letters). After the Plan received no responses to the standard letters, we believe that the Plan should have contacted the VA providers via telephone (at a minimum), to understand and document why the VA disagreed with the claim overpayments, before writing these overpayments off.

The following schedule is a summary of the questioned claim overpayments by Highmark Health BCBS plan.

Highmark Health BCBS Plan	Number of FEP Claim Overpayments	Total Questioned
Delaware	2	$36,814
West Virginia	1	27,077
Pennsylvania	1	11,457
Total	**4**	**$75,348**

Association/Plan Response:

The Plan agrees with the finding and recommendations. The Association states, "Highmark's policy was to send four follow-up letters to the . . . (VA) provider and write-off the receivable after the fourth letter and deem the overpayment as uncollectable. The Plan has since modified its current process to send additional letters to the VA to attempt to recover overpayments. The Plan also reached out to the VA provider in an attempt to recover the overpayments without any success."

The Association also states, "Highmark . . . has submitted a ticket to enhance the system to send out letters every 30 days for a year as further due diligence. The system fix is not scheduled for release until February 2022, so the FEP Operations team is manually sending the letters to these providers until the fix is in place."

Recommendation 1:

We recommend that the contracting officer require the Plan to recover and return $75,348 to the FEHBP for the questioned claim overpayments. If these overpayments are determined to be uncollectible, then the contracting officer should require the Plan to provide adequate documentation demonstrating that prompt and diligent efforts were made to recover these funds before writing them off, as required by the FEHBP contract.

Recommendation 2:

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that VA claim overpayments are adequately pursued, recovered, and returned to the FEHBP.

2. Health Benefit Refunds - Cash Receipts $22,013

Our audit determined that the Plan had not returned four health benefit refunds, totaling $20,385, to the FEHBP as of June 30, 2020. The Plan subsequently returned these questioned health benefit refunds to the FEHBP on December 16, 2020, from approximately two to four years late, after receiving our audit notification letter, and/or because of our audit. As a result, we are questioning $22,013 for this audit finding, consisting of $20,385 for the questioned health benefit refunds and $1,628 for lost investment income (LII) on the health benefit refunds returned untimely to the FEHBP.

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 [if applicable] 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 . . . 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 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."

For contract year 2016 through June 30, 2020, there were 23,788 FEP cash receipt health benefit refunds, totaling $18,911,434, for the Plan's four BCBS plans combined. From this universe, we judgmentally selected and reviewed a sample of 188 cash receipt refunds, totaling $10,381,745, to determine if the Plan timely returned these refunds to the FEHBP. From each year of the audit scope, our sample included the 20 highest dollar refunds for BCBS of Pennsylvania, the 10 highest dollar refunds for BCBS of West Virginia, the 5 highest dollar refunds for BCBS of Delaware, and the 5 highest dollar refunds for BC of Northeastern Pennsylvania (if applicable).

Based on our review, we determined that the Plan had not returned four refunds for BC of Northeastern Pennsylvania, totaling $20,385, to the FEHBP as of June 30, 2020. The Plan subsequently returned these refunds to the FEHBP on December 16, 2020. We noted that these refunds were returned to the FEHBP from approximately two to four years late, after receiving our audit notification letter (dated July 1, 2020), and/or because of our audit. Therefore, we are questioning these refunds as monetary findings as well as $1,628 for LII on these refunds returned untimely to the FEHBP (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation.

In total, the Plan returned $22,013 to the FEHBP for this audit finding, consisting of $20,385 for the questioned health benefit refunds and $1,628 for LII on the health benefit refunds returned untimely to the FEHBP.

Association/Plan Response:

The Plan agrees with the finding and recommendations.

OIG Comments:

As part of our review, we verified that the Plan returned $22,013 to the FEHBP on December 16, 2020, consisting of $20,385 for the questioned health benefit refunds and $1,628 for LII on the health benefit refunds returned untimely to the FEHBP.

Recommendation 3:

We recommend that the contracting officer require the Plan to return $20,385 to the FEHBP for the questioned health benefit refunds. However, since we verified that the Plan subsequently returned $20,385 to the FEHBP for the questioned health benefit refunds, no further action is required for this amount.

Recommendation 4:

We recommend that the contracting officer require the Plan to return $1,628 to the FEHBP for the questioned LII on the health benefit refunds that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned $1,628 to the FEHBP for the questioned LII, no further action is required for this LII amount.

B. Administrative Expenses

1. BlueCross BlueShield Association Dues $345,790

The Plan overcharged the FEHBP $340,670 for Association dues in contract years 2018 through 2020. Specifically, the Plan did not exclude non-chargeable Association initiatives from the dues that were charged to the FEHBP. As a result of this finding, the Plan subsequently returned $345,790 to the FEHBP, consisting of $340,670 for the Association dues overcharged to the FEHBP and $5,120 for applicable LII on these overcharges.

FEP Memorandum Number 19-730FYI (Memorandum), titled BCBSA Regular Member Plan Dues and Other Assessments: 2014-2019, dated January 15, 2019, provides guidance to the BCBS plans with respect to charging the FEHBP for Association dues. The Memorandum also includes specific guidance related to the chargeability of Association initiatives to the FEHBP. Specifically, the Memorandum states that most of these initiatives are not chargeable to the FEHBP.

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." 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.

The Plan overcharged the FEHBP $340,670 for Association dues in contract years 2018 through 2020.

To determine the reasonableness of the amounts charged to the FEHBP, we reviewed each year within the audit scope and recalculated the FEP's share of the Association dues in accordance with the methods in the Memorandum. Based on our review, we found that the Plan overcharged the FEHBP $208,645 ($15,323 in contract year 2018 and $193,322 in contract year 2019) for Association dues. These errors occurred because the Plan inadvertently did not exclude non-chargeable Association initiatives from the dues that were charged to the FEHBP. Due to these errors, we expanded our review of Association dues to also include contract year 2020 and determined that the Plan overcharged the FEHBP an additional $132,025.

The following are the non-chargeable Association initiatives that were inappropriately charged to the FEHBP for contract years 2018 through 2020:

2018

- Technology Evaluation Center and Specialty Pharmacy Fees

2019

- Technology Evaluation Center, Medical Policy, and Specialty Pharmacy Fees
- Litigation Assessment
- Litigation Assessment Refund
- Brand Reputation Policy Influencer Campaign
- Medicare National Awareness Campaign - Development Funding
- Medicare National Awareness Campaign

2020

- Technology Evaluation Center, Medical Policy, and Specialty Pharmacy Fees
- Fast Network Star Suite
- Litigation Assessment
- Litigation Assessment Refund
- Brand Reputation Policy Influencer Campaign
- Medicare National Awareness Campaign
- Board Vantage

In total, the Plan returned $345,790 to the FEHBP for this audit finding, consisting of $340,670 for Association dues overcharged to the FEHBP and $5,120 for applicable LII on these overcharges (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation. The following schedule is a summary of these questioned amounts by BCBS plan.

Highmark Health BCBS Plan	Questioned Charges	Questioned LII	Total Questioned
Pennsylvania	$271,336	$4,029	$275,365
West Virginia	51,347	807	52,154
Delaware	17,987	284	18,271
Total	**$340,670**	**$5,120**	**$345,790**

Association/Plan Response:

The Plan agrees with the finding and recommendations. Regarding the procedural recommendation, "The Association will provide documentation to support that the corrective action has been implemented after the final report is issued."

OIG Comments:

As part of our review, we verified that the Plan returned $345,790 to the FEHBP on multiple dates in May 2021 and June 2021, consisting of $340,670 for the questioned overcharges and $5,120 for applicable LII.

Recommendation 5:

We recommend that the contracting officer disallow $340,670 for the Association dues that were overcharged to the FEHBP for contract years 2018 through 2020. However, since we verified that the Plan subsequently returned $340,670 to the FEHBP for these questioned Association dues, no further action is required for this amount.

Recommendation 6:

We recommend that the contracting officer require the Plan to return $5,120 to the FEHBP for questioned LII calculated on the Association dues that were overcharged to the FEHBP. However, since we verified that the Plan subsequently returned $5,120 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 7:

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that Association dues are properly charged to the FEHBP.

2. Post-Retirement Benefit Costs $296,099

Our audit determined that the Plan overcharged the FEHBP $246,534 (net) for post-retirement benefit (PRB) costs in contract years 2015 through 2017. As a result of this finding, the Plan subsequently returned $296,099 to the FEHBP, consisting of $246,534 for net PRB cost overcharges and $49,565 for applicable LII on the overcharges.

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

48 CFR 31.205-6(o) states, "(1) PRB covers all benefits, other than cash benefits and life insurance benefits paid by pension plans, provided to employees, their beneficiaries, and covered dependents during the period following the employees' retirement. Benefits encompassed include, but are not limited to, postretirement health care; life insurance provided outside a pension plan; and other welfare benefits such as tuition assistance, day care, legal services, and housing subsidies provided after retirement. (2) To be allowable, PRB costs shall be incurred pursuant to law, employer-employee agreement, or an established policy of the contractor, and shall comply with paragraphs . . . of this subsection."

Under the accrual method, the FAR limits the amount of PRB costs that can be charged to a government contract to the funded amount. Any cash contributions in excess of the current year's accrued cost may not be charged to the FEHBP in the current year.

Using the accrual method, the Plan charged $549,776 to the FEHBP for PRB costs in contract years 2015 through 2019 ($188,656 in contract year 2015, $261,079 in contract year 2016, $100,041 in contract year 2017, and $0 in contract years 2018 and 2019). We reviewed the Plan's calculations of PRB costs charged to the FEHBP and determined if these costs were calculated in accordance with the contract and applicable Federal regulations. Specifically, we recalculated the PRB costs using documentation provided by the Plan and compared our amounts to what the Plan charged the FEHBP for PRB costs.

The Plan overcharged the FEHBP $246,534 (net) for PRB costs in contract years 2015 through 2017.

Based on our review, we determined that the Plan overcharged the FEHBP $246,534 (net) for PRB costs (overcharged $175,921 in contract year 2015, overcharged $233,061 in contract year 2016, and undercharged $162,448 in contract year 2017). These errors occurred because the Plan did not limit the FEP charges to the lower of the cash contributions or the accrued PRB costs as required by the Federal regulations. As a result, we are questioning $246,534 (overcharges of $408,982 for contract years 2015 and 2016 and undercharges of $162,448 for contract year 2017) for net PRB costs overcharged to the FEHBP and $49,565 for applicable LII on the overcharges.

In total, the Plan returned $296,099 to the FEHBP for this audit finding, consisting of $246,534 for net PRB cost overcharges and $49,565 for applicable LII on the overcharges (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation.

The following schedule is a summary of these questioned amounts by BCBS plan.

Highmark Health BCBS Plan	Questioned Charges	Questioned LII	Total Questioned
Pennsylvania	$167,772	$33,557	$201,329
West Virginia	49,584	10,307	59,891
Delaware	29,178	5,701	34,879
Total	**$246,534**	**$49,565**	**$296,099**

Association/Plan Response:

The Plan agrees with the finding and recommendations. Regarding the procedural recommendation, "The Association will provide documentation to support that the corrective action has been implemented after the final report is issued."

OIG Comments:

As part of our review, we verified that the Plan returned $296,099 to the FEHBP on May 11, 2021, consisting of $246,534 for net PRB cost overcharges and $49,565 for LII on the overcharges.

Recommendation 8:

We recommend that the contracting officer disallow $408,982 for the questioned PRB costs that were overcharged to the FEHBP for contract years 2015 and 2016. However, since we verified that the Plan subsequently returned $408,982 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Recommendation 9:

We recommend that the contracting officer require the Plan to return $49,565 to the FEHBP for the questioned LII on the PRB cost overcharges. However, since we verified that the Plan subsequently returned $49,565 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 10:

We recommend that the contracting officer allow the Plan to charge the FEHBP $162,448 for PRB costs that were undercharged to the FEHBP for contract year 2017. However, since we verified that the Plan subsequently charged $162,448 to the FEHBP for these questioned undercharges, no further action is required for this amount.

Recommendation 11:

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that PRB costs are properly charged to the FEHBP.

3. Unallowable and/or Unallocable Costs $62,081

The Plan charged unallowable and/or unallocable costs to the FEHBP for contract years 2018 and 2019. As a result of this finding, the Plan subsequently returned $62,081 to the FEHBP, consisting of $59,172 for unallowable and/or unallocable costs and $2,909 for applicable LII on these questioned charges.

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

For contract years 2015 through 2019, the Plan allocated administrative expenses of $418,199,328 (before adjustments) to the FEHBP for the Plan's four BCBS plans combined, from 571 cost centers that contained 361 natural accounts. From this universe, we selected a judgmental sample of 143 cost centers to review, which totaled $106,874,083 in expenses allocated to the FEHBP. We also selected a judgmental sample of 62 natural accounts to review, which totaled $267,893,558 in expenses allocated to the FEHBP through the cost centers. We selected these cost centers and natural accounts based on high dollar amounts and our nomenclature review. 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 inadvertently charged the following unallowable and/or unallocable costs to the FEHBP for contract years 2018 and 2019:

- The Plan charged unallowable public relations and advertising costs to the FEHBP from cost center "04221" (Messaging Solutions - National Accounts) in contract year 2018. Specifically, the Plan allocated $52,603 to the FEP for sales and marketing costs that were expressly unallowable public relations costs. 48 CFR 31.205-1 (public relations) provides specific criteria to the extent that such costs are expressly unallowable.

- The Plan charged unallowable costs to the FEHBP through 42 vendor invoices in contract year 2019. Specifically, the Plan allocated $5,289 to the FEP for unallowable recruitment costs. 48 CFR 31.205-34 (recruitment costs) provides specific criteria to the extent that such costs are expressly unallowable. Additionally, the Plan charged unallocable costs to the FEHBP through two vendor invoices in

contract year 2019. Specifically, the Plan allocated $507 to the FEP for unallocable Medicare and/or Medicaid (Low Income Subsidy) luncheons that did not benefit the FEHBP.

- The Plan did not exclude $610 in unallowable legal fees from cost center "05061" (Highmark Health Legal Expenses) for contract years 2018 and 2019. 48 CFR 31.205-47 (costs related to legal and other proceedings) provides specific criteria to the extent that such costs are expressly unallowable.

- The Plan charged unallowable public relations costs to the FEHBP from natural account "706705" (Sponsorships) in contract year 2018. Specifically, the Plan allocated $163 to the FEP for external community events and programs pertaining to charitable organizations that were expressly unallowable public relations costs. 48 CFR 31.205-1 (public relations) provides specific criteria to the extent that such costs are expressly unallowable.

Based on our review of the Plan's supporting documentation, these questioned charges are not in compliance with the Federal regulations.

In total, the Plan returned $62,081 to the FEHBP for this audit finding, consisting of $59,172 for unallowable and/or unallocable costs ($52,603 plus $5,289 plus $507 plus $610 plus $163) that were charged to the FEHBP and $2,909 for applicable LII on these questioned charges (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation.

The following schedule is a summary of these questioned amounts by BCBS plan.

Highmark Health BCBS Plan	Questioned Charges	Questioned LII	Total Questioned
Pennsylvania	$56,832	$2,857	$59,689
West Virginia	1,472	29	1,501
Delaware	868	23	891
Total	**$59,172**	**$2,909**	**$62,081**

Association/Plan Response:

The Plan agrees with the finding and recommendations.

OIG Comments:

As part of our review, we verified that the Plan returned $62,081 to the FEHBP on June 22, 2021, consisting of $59,172 for the questioned unallowable and/or unallocable costs and $2,909 for applicable LII.

Recommendation 12:

We recommend that the contracting officer disallow $59,172 for the questioned unallowable and/or unallocable costs that were charged to the FEHBP for contract years 2018 and 2019. However, since we verified that the Plan subsequently returned $59,172 to the FEHBP for these questioned charges, no further action is required for this amount.

Recommendation 13:

We recommend that the contracting officer require the Plan to return $2,909 to the FEHBP for the questioned LII calculated on the unallowable and/or unallocable costs. However, since we verified that the Plan subsequently returned $2,909 to the FEHBP for the questioned LII, no further action is required for this LII amount.

4. Pension Costs $19,436

Our audit determined that the Plan overcharged the FEHBP $16,525 (net) for pension costs in contract years 2015 through 2019. As a result of this finding, the Plan subsequently returned $19,436 to the FEHBP, consisting of $16,525 for net pension cost overcharges and $2,911 for applicable LII on the overcharges.

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

48 CFR 31.205-6(j)(1) states, "Pension plans are normally segregated into two types of plans: defined-benefit and defined-contribution pension plans. The contractor shall measure, assign, and allocate the costs of all defined-benefit and . . . defined-contribution pension plans in compliance with 48 CFR 9904.412 (Cost Accounting Standard for Composition and Measurement of Pension Cost) and 48 CFR 9904.413 (Adjustment and Allocation of Pension Cost). Pension costs are allowable subject to the referenced standards and the cost limitations and exclusions set forth in paragraph (j)(1)(i) . . . of this subsection." Paragraph (j)(1)(i) of this subsection states, "Except for nonqualified pension plans . . . to be allowable in the current year, the contractor shall fund pension costs by the time set for filing of the Federal income tax return or any extension. Pension costs assigned to the current year, but not funded by the tax return time, are not allowable in any subsequent year. For nonqualified pension plans using the pay-as-you-go method, to be allowable in the current year, the contractor shall allocate pension costs in the cost accounting period that the pension costs are assigned."

The FAR limits the amount of pension cost that can be charged to a government contract to the amount of a cash contribution to the pension fund trustee, or the amount of expense

calculated in accordance with Cost Accounting Standards (CAS) 412 and 413, whichever is lower.

The Plan charged $4,582,717 to the FEHBP for pension costs in contract years 2015 through 2019 ($449,160 in contract year 2015, $1,248,085 in contract year 2016, $1,347,722 in contract year 2017, $772,997 in contract year 2018, and $764,753 in contract year 2019). We reviewed the Plan's calculations of pension costs charged to the FEHBP and determined if these costs were calculated in accordance with the contract and applicable regulations. Specifically, we recalculated the pension costs using documentation provided by the Plan and compared our amounts to what the Plan charged the FEHBP for pension costs.

Based on our review, we determined that the Plan overcharged the FEHBP $16,525 (net) for pension costs (undercharged $43,771 in contract year 2015, overcharged $1,569 in contract year 2016, overcharged $24,214 in contract year 2017, overcharged $266 in contract year 2018, and overcharged $34,247 in contract year 2019). These errors occurred because the Plan did not limit the FEP charges to the lower of cash contributions or the amount of expenses calculated in accordance with CAS 412 and 413. Additionally, the Plan did not reconcile the amounts allocated to the FEP through the Plan's cost system to the amounts allowed by Federal regulations. As a result, we are questioning $16,525 (overcharges of $60,296 for contract years 2016 through 2019 and undercharges of $43,771 for contract year 2015) for net pension costs overcharged to the FEHBP and $2,911 for applicable LII on the overcharges.

In total, the Plan returned $19,436 to the FEHBP for this audit finding, consisting of $16,525 for net pension cost overcharges and $2,911 for applicable LII on the overcharges (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation.

The following schedule is a summary of these questioned amounts by BCBS plan.

Highmark Health BCBS Plan	Questioned Charges	Questioned LII	Total Questioned
Pennsylvania	$10,465	$1,946	$12,411
West Virginia	5,345	655	6,000
Delaware	715	310	1,025
Total	**$16,525**	**$2,911**	**$19,436**

Association/Plan Response:

The Plan agrees with the finding and recommendations.

OIG Comments:

As part of our review, we verified that the Plan returned $19,436 to the FEHBP on May 25, 2021, consisting of $16,525 for net pension cost overcharges and $2,911 for LII on the overcharges.

Recommendation 14:

We recommend that the contracting officer disallow $60,296 for the questioned pension costs that were overcharged to the FEHBP for contract years 2016 through 2019. However, since we verified that the Plan subsequently returned $60,296 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Recommendation 15:

We recommend that the contracting officer require the Plan to return $2,911 to the FEHBP for the questioned LII on the pension cost overcharges. However, since we verified that the Plan subsequently returned $2,911 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 16:

We recommend that the contracting officer allow the Plan to charge the FEHBP $43,771 for pension costs that were undercharged to the FEHBP for contract year 2015. However, since we verified that the Plan subsequently charged $43,771 to the FEHBP for these questioned undercharges, no further action is required for this amount.

C. Cash Management

The audit disclosed no findings pertaining to the Plan's cash management activities and practices related to FEHBP funds. 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 fraud and abuse cases into the Association's FSTS.

The audit disclosed no significant findings pertaining to the Plan's Fraud and Abuse Program activities and practices. For contract year 2019 through June 30, 2020, the Plan opened 547 fraud and abuse cases with potential FEP exposure for the BCBS plans of Pennsylvania and West Virginia. There were no cases for BCBS of Delaware and BC of Northeastern Pennsylvania. From this universe, we selected and reviewed all 547 cases and determined if the Plan timely entered these fraud and abuse cases into the Association's FEP Special Investigations Unit Tracking System (FSTS)[5] and if the Association timely reported these cases to the OIG. Based on our review, we identified no significant exceptions with the Plan timely entering cases into the Association's FSTS and the Association timely reporting cases to the OIG. Overall, we determined that the Plan complied with the communication and reporting requirements for fraud and abuse cases that are set forth in Contract CS 1039 and FEHBP Carrier Letter 2017-13.

[5] 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

Highmark Health

Pittsburgh, Pennsylvania

Questioned Charges

*We included lost investment income (LII) within audit findings A2 ($1628), B1 ($5,120), B2 ($49,565), B3 ($2,909), and B4 ($2,911). Therefore, no additional LII is applicable.

Audit Findings	2015	2016	2017	2018	2019	2020	2021	Total
A. Miscellaneous Health Benefit Payments and Credits								
1. Claim Overpayment Write-Offs	$0	$0	$0	$0	$75,348	$0	$0	**$75,348**
2. Health Benefit Refunds – Cash Receipts*	0	8,084	652	12,272	661	344	0	**22,013**
Total Miscellaneous Health Benefit Payments and Credits	**$0**	**$8,084**	**$652**	**$12,272**	**$76,009**	**$344**	**$0**	**$97,361**
B. Administrative Expenses								
1. BlueCross BlueShield Association Dues*	$0	$0	$0	$15,323	$193,804	$135,439	$1,224	**$345,790**
2. Post-Retirement Benefit Costs*	175,921	236,937	(152,327)	13,066	13,712	7,344	1,446	**296,099**
3. Unallowable and/or Unallocable Costs*	0	0	0	52,825	8,007	991	258	**62,081**
4. Pension Costs*	(43,771)	1,569	24,252	1,064	35,089	1,012	221	**19,436**
Total Administrative Expenses	**$132,150**	**$238,506**	**($128,075)**	**$66,955**	**$56,808**	**$9,347**	**$1,925**	**$723,406**
C. Cash Management								
Total Cash Management	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
D. Fraud and Abuse Program								
Total Fraud and Abuse Program	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Total Questioned Charges	**$132,150**	**$246,590**	**($127,423)**	**$79,227**	**$132,817**	**$9,691**	**$1,925**	**$820,767**

Appendix

BlueCross BlueShield Association

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August 16, 2021

Mr. John A. Hirschmann, 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**
Highmark Health
Audit Report No. 1A-10-13-21-006
(Dated June 30, 2021)

Dear Mr. Hirschmann:

This is Highmark Health's response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees Health Benefits Program (FEHBP). Our comments concerning the findings in the report are as follows:

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

A. Miscellaneous Health Benefit Payments and Credits

1. Claim Overpayment Write-Offs $75,348

Recommendation 1

We recommend that the contracting officer require the Plan to recover and return $75,348 to the FEHBP for the questioned claim overpayments.

Plan Response:

Highmark's policy was to send four follow-up letters to the Veteran's Administration (VA) provider and write-off the receivable after the fourth letter and deem the overpayment as uncollectable. The Plan has since modified its current process to send additional letters to the VA to attempt to recover overpayments. The Plan also reached out to the VA provider in an attempt to recover the overpayments without any success. See Attachment 1 for the additional letters sent to the VA.

Recommendation 2

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that VA claim overpayments are adequately pursued, recovered, and returned to the FEHBP.

Plan Response:

Highmark agrees with the recommendation and has submitted a ticket to enhance the system to send out letters every 30 days for a year as further due diligence. The system fix is not scheduled for release until February 2022, so the FEP Operations team is manually sending the letters to these providers until the fix is in place.

BCBSA Response:

The Association will provide additional supporting documentation to the contracting officer once the Plan's system enhancement is implemented.

2. Health Benefit Refunds - Cash Receipts $22,013

Recommendation 3

We recommend that the contracting officer require the Plan to return $20,385 to the FEHBP for the questioned health benefit refunds. However, since we verified that the Plan subsequently returned $20,385 to the FEHBP for the questioned health benefit refunds, no further action is required for this amount.

Plan Response:

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

Recommendation 4

We recommend that the contracting officer require the Plan to return $1,628 to the FEHBP for the questioned LII on the health benefit refunds that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned $1,628 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

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

B. Administrative Expenses

1. BlueCross BlueShield Association Dues **$345,790**

Recommendation 5

We recommend that the contracting officer disallow $340,670 for the Association dues that were overcharged to the FEHBP from contract year 2018 through 2020. However, since we verified that the Plan subsequently returned $340,670 to the FEHBP for these questioned Association dues, no further action is required for this amount.

Plan Response:

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

Recommendation 6

We recommend that the contracting officer require the Plan to return $5,120 to the FEHBP for questioned LII calculated on the Association dues overcharge. However, since we verified that the Plan subsequently returned $5,120 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

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

Recommendation 7

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that Association dues are properly charged to the FEHBP.

BCBSA Response:

The Association will provide documentation to support that the corrective action has been implemented after the final report is issued.

2. Post Retirement Benefit Costs $296,099

Recommendation 8

We recommend that the contracting officer disallow $408,982 for the questioned PRB costs that were overcharged to the FEHBP in contract years 2015 and 2016. However, since we verified that the Plan returned $408,982 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Plan Response:

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

Recommendation 9

We recommend that the contracting officer require the Plan to return $49,565 to the FEHBP for the questioned LII on the PRB cost overcharges. However, since we verified that the Plan subsequently returned $49,565 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

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

Recommendation 10

We recommend that the contracting officer allow the Plan to charge the FEHBP $162,448 for PRB costs that were undercharged to the FEHBP in 2017.

Plan Response:

The Plan agreed with this recommendation and filed the appropriate Prior Period Adjustments. The Association approved the Prior Period Adjustments on June 7, 2021.

Recommendation 11

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that PRB costs are properly charged to the FEHBP.

BCBSA Response:

The Association will provide documentation to support that the corrective action has been implemented after the final report is issued.

3. Unallowable and/or Unallocated Costs $62,081

Recommendation 12

We recommend that the contracting officer disallow $59,172 for the questioned unallowable and/or unallocable costs that were charged to the FEHBP in contract years 2018 and 2019. However, since we verified that the Plan subsequently returned $59,172 to the FEHBP for these questioned charges, no further action is required for this amount.

Plan Response:

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

Recommendation 13

We recommend that the contracting officer require the Plan to return $2,909 to the FEHBP for the questioned LII calculated on the unallowable and/or unallocable costs. However, since we verified that the Plan subsequently returned $2,909 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

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

4. Unallowable and/or Unallocated Costs [Pension Costs] $19,436

Recommendation 14

We recommend that the contracting officer disallow $60,296 for the questioned pension costs that were overcharged to the FEHBP from contract years 2016 through 2019. However, since we verified that the Plan subsequently returned $60,296 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Plan Response:

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

Recommendation 15

We recommend that the contracting officer require the Plan to return $2,911 to the FEHBP for the questioned LII on the pension cost overcharges. However, since we verified that the Plan subsequently returned $2,911 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Plan Response:

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

Recommendation 16

We recommend that the contracting officer allow the Plan to charge the FEHBP $43,771 for pension costs that were undercharged to the FEHBP in 2015.

Plan Response:

The Plan agreed with this recommendation and filed the appropriate Prior Period Adjustments. The Association approved the Prior Period Adjustments on June 7, 2021.

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,

Kim King
Managing Director, FEP Program Assurance

Report Fraud, Waste, and Mismanagement

Fraud, waste, and mismanagement in Government concerns everyone: Office of the Inspector General staff, agency employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to OPM programs and operations. You can report allegations to us in several ways:

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

By Phone:

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

By Mail:

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