



**U.S. Office of Personnel Management
Office of the Inspector General
Office of Audits**

Final Audit Report

**Audit of Cambia Health Solutions, Inc.
Portland, Oregon**

**Report Number 1A-10-69-21-021
May 20, 2022**

Executive Summary

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Report No. 1A-10-69-21-021

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Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that Cambia Health Solutions, Inc. (Plan), which includes the Regence BlueCross and/or BlueShield (BCBS) plans of Idaho, Oregon, Utah, and Washington, 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, and administrative expense charges for contract years 2016 through 2020, as reported in the Annual Accounting Statements for the Regence BCBS plans of Idaho, Oregon, Utah, and Washington. We also reviewed the Plan's cash management activities and practices related to FEHBP funds for contract year 2016 through 2020, and the Plan's Fraud and Abuse Program activities for contract year 2020.



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What did we find?

We questioned \$740,869 in medical drug rebates, administrative expense charges, and lost investment income (LII). We also identified a procedural finding for the Plan's cash receipt health benefit refunds. The BlueCross BlueShield Association (Association) and/or Plan agreed with **all** of the questioned amounts as well as the procedural finding for the Plan's cash receipt refunds. As part of our review, we verified that the Plan subsequently returned these questioned amounts to the FEHBP.

Our audit results are summarized as follows:

- **Miscellaneous Health Benefit Payments and Credits** – We questioned \$100,328 for medical drug rebates that had not been returned to the FEHBP as of December 31, 2020, and \$9,148 for applicable LII calculated on medical drug rebates that were returned untimely to the FEHBP. We also identified 24 cash receipt health benefit refunds that were returned untimely to the FEHBP during the audit scope. However, since the Plan deposited these refunds timely into the applicable plans' FEP investment accounts, these refund exceptions are not subject to LII.
- **Administrative Expenses** – We questioned \$631,393 in net administrative expense overcharges and LII, consisting of \$475,037 for executive compensation overcharges, \$78,726 for unallowable and/or unallocable cost center charges, \$27,877 in net overcharges for Association dues, and \$49,753 for applicable LII on these questioned charges.
- **Cash Management** – The audit disclosed no findings pertaining to the Plan's cash management activities and practice 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 complying 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.

Abbreviations

Association	BlueCross BlueShield Association
BC	BlueCross
BCBS	BlueCross and/or BlueShield
BCBSA	BlueCross BlueShield Association
BS	BlueShield
CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulations
FEHB	Federal Employees Health Benefits
FEHBAR	Federal Employees Health Benefits Acquisition Regulations
FEHBP	Federal Employees Health Benefits Program
FEP	Federal Employee Program
FSTS	FEP Special Investigations Unit Tracking System
LII	Lost Investment Income
LOCA	Letter of Credit Account
Memorandum	FEP Memorandum Number 20-019 FYI
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	Cambia Health Solutions, Inc.
SIU	Special Investigations Unit
SPI	Special Plan Invoice

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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 Cambia Health Solutions, Inc. (Plan), pertaining to the Regence BlueCross (BC) and/or BlueShield (BS) plans of Idaho, Oregon, Utah, and Washington. The Plan is the parent company of Regence. The Plan's headquarters are in Portland, Oregon.

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 or BCBSA), 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 34 BCBS companies participating in the FEHBP. These 34 companies include 60 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 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.

¹ Throughout this report, when we refer to "FEP," we are referring to the Service Benefit Plan lines of business at the Plan. When we refer to the "FEHBP," we are referring to the program that provides health benefits to Federal employees.

Compliance with laws and regulations applicable to the FEHBP is the responsibility of the Association and Plan management. 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-10-69-214-01, dated January 20, 2015), covering contract years 2010 through 2013, have been satisfactorily resolved. We also included the Plan in a recent focused audit of pension, post-retirement benefit, and Affordable Care Act costs (Report No. 1A-99-00-18-045, dated August 7, 2019), covering contract years 2014 through 2017, for a sample of BCBS companies. All findings related to the Plan in this focused audit 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 November 17, 2021; and were presented in detail in a draft report, dated December 21, 2021. The Association's comments offered in response to this 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

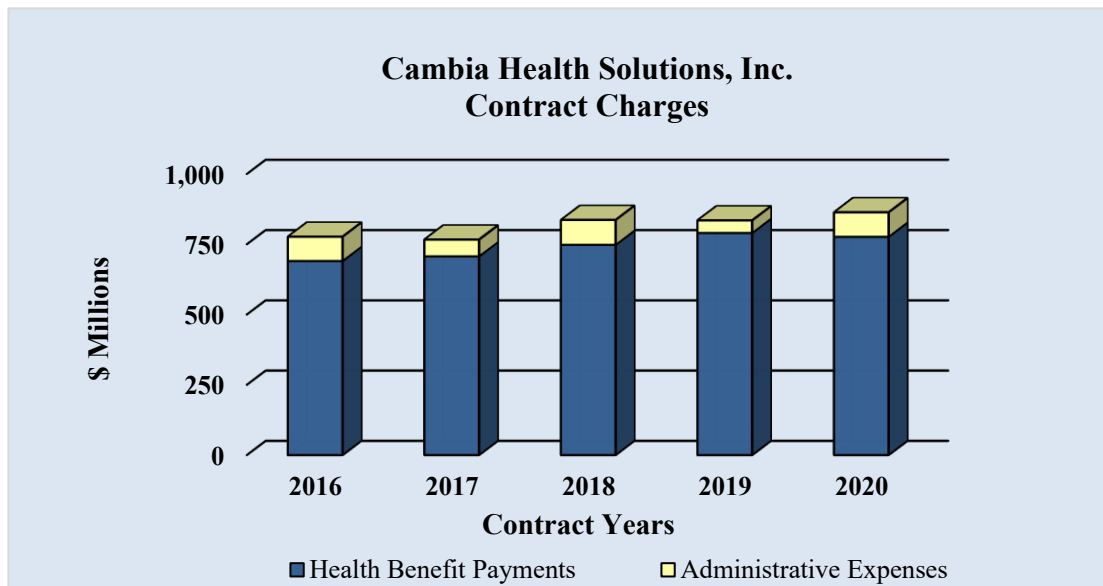
- To determine whether the Plan's communication and reporting of fraud and abuse cases were in compliance with the terms of Contract CS 1039 and Carrier Letter 2017-13.

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 350/851 (BCBS of Oregon), 410/910 (BCBS of Utah), 611 (BS of Idaho), and 932 (BS of Washington) for contract years 2016 through 2020. During this period, the Plan paid approximately \$3.7 billion in FEHBP health benefit payments and charged the FEHBP

approximately \$367 million in administrative expenses for the Plan’s Regence BCBS plans of Idaho, Oregon, Utah, and Washington combined (see chart below).



Specifically, we reviewed miscellaneous health benefit payments and credits (such as cash receipt and provider offset refunds, medical drug rebates, and special plan invoices) and administrative expense charges for contract years 2016 through 2020, as reported in the Annual Accounting Statements for the Plan’s four Regence BCBS plans. We also reviewed the Plan’s cash management activities and practices related to FEHBP funds for contract years 2016 through 2020, as well as the Plan’s Fraud and Abuse Program activities for contract year 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 FEHBP 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 July 22, 2021, through November 17, 2021. Throughout the audit process, the Plan did a really good 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 years 2016 through 2020, we judgmentally selected and reviewed the following FEP items:

Health Benefit Refunds²

- A high dollar sample of 170 FEP cash receipt health benefit refunds, totaling \$13,437,503 (from a universe of 42,800 FEP cash receipt refunds, totaling \$41,114,266, for the audit scope). For the BCBS plans of Oregon, Utah, and Washington, our sample included 10 cash receipt refunds (representing the 5 highest dollar check amounts and the 5 highest dollar wire amounts) from each year of the audit scope for each of these plans. For BS of Idaho, our sample included four cash receipt refunds (representing the two highest dollar check amounts and the two highest dollar wire amounts) from each year of the audit scope.
- A high dollar sample of 85 FEP health benefit refunds returned via provider offsets, totaling \$4,353,407 (from a universe of 109,130 FEP refunds returned via provider offsets, totaling \$43,877,602, for the audit scope). For the BCBS plans of Oregon, Utah,

² The Plan's FEP universes of cash receipt and provider offset refunds consisted of items such as solicited and/or unsolicited refunds (claim overpayment recoveries), subrogation recoveries, and/or fraud recoveries for the Plan's four BCBS plans.

and Washington, our sample included the five highest dollar provider offsets from each year of the audit scope for each of these plans. For BS of Idaho, our sample included the two highest dollar provider offsets from each year of the audit scope.

- A judgmental sample of 12 aging FEP refunds, totaling \$139,945, as of December 31, 2020 (from a universe of 631 aging FEP refunds, totaling \$823,243, as of December 31, 2020). For the Plan's four BCBS plans, our sample included all aging FEP refunds that were greater than \$1,000 and held for over 45 days. Based on our methodology, the sample only included aging FEP refunds for the BCBS plans of Oregon, Utah, and Washington. The Plan's aging FEP refund schedules as of December 31, 2020, consisted of refunds held by the Plan that had not been returned to the FEHBP as of December 31, 2020.

Other Health Benefit Payments, Credits, and Recoveries

- A judgmental sample of 53 FEP medical drug rebate amounts, totaling \$1,877,987 (from a universe of 101 FEP medical drug rebate amounts, totaling \$1,940,316, for the audit scope). For this sample, we selected all medical drug rebate amounts greater than \$5,000 from the audit scope for the Plan's four BCBS plans combined. We also selected 10 additional medical drug rebate amounts based on our nomenclature review of the Plan's medical drug rebate universe. The sample included multiple medical drug rebate amounts for each of the Plan's BCBS plans.
- A judgmental sample of 10 fraud recoveries, totaling \$398,429 (from a universe of 55 fraud recoveries, totaling \$484,567, for the audit scope). From the audit scope, we selected all fraud recoveries greater than \$11,000 for the Plan's four BCBS plans combined. Based on our methodology, the sample only included fraud recoveries for the BCBS plans of Oregon, Utah, and Washington.
- A judgmental sample of 41 FEP claim overpayment write-offs, totaling \$375,926 (from a universe of 3,245 FEP claim overpayment write-offs, totaling \$984,181, for the audit scope). From the audit scope, we selected all overpayment write-offs greater than \$5,000 for the Plan's four BCBS plans combined. The sample included overpayment write-offs for each of the Plan's BCBS plans. 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 20 special plan invoices (SPI) for miscellaneous payments and credits, totaling \$3,192,650 in net FEP payments (from a universe of 1,002 SPI's, totaling \$7,418,351 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, we selected SPI's with high dollar payment and/or credit amounts (excluding medical drug rebates and fraud recoveries) from each year in the audit scope for the Plan's four BCBS

plans combined. The sample included SPI's for each of the Plan's BCBS plans. 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.

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 2016 through 2020. Specifically, we reviewed administrative expenses relating to cost centers; natural accounts; allocations; pensions; post-retirement benefits; employee health benefits; executive compensation limits; Association dues; non-recurring projects; sale-leaseback arrangements; return on investment; intercompany profits; and Patient Protection and Affordable Care Act fees.³ 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 (LOCA) drawdowns, working capital calculations, adjustments and/or balances, United States Treasury offsets, and interest income transactions for contract years 2016 through 2020, as well as the Plan's dedicated FEP investment account activity during the scope and balances as of December 31, 2020, for the Plan's four BCBS plans. As part of our testing, we selected and reviewed a judgmental sample of 197 LOCA drawdowns, totaling \$912,956,649 (from a universe of 4,755 LOCA drawdowns, totaling \$3,673,508,972, for contract years 2016 through 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 Utah, Oregon, and Washington, we judgmentally selected the highest dollar LOCA drawdown from each month in the audit scope for each of these plans. For BS of Idaho,

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 2016 through 2020, the Plan allocated administrative expenses of \$358,960,124 (before adjustments) to the FEHBP for the Plan's four BCBS plans combined, from 198 cost centers that contained 186 natural accounts. From this universe, we selected a judgmental sample of 45 cost centers to review, which totaled \$201,822,110 in expenses allocated to the FEHBP. We also selected a judgmental sample of 40 natural accounts to review, which totaled \$97,490,797 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, our nomenclature review, and our trend analysis. We reviewed the expenses from these cost centers and natural accounts for allowability, allocability, and reasonableness. The results of these samples were not projected to the universe of administrative expenses, since we did not use statistical sampling.

we judgmentally selected the highest dollar LOCA drawdown from each semi-annual period in the audit scope. We also selected seven additional LOCA drawdowns based on our nomenclature review of the Plan's monthly cash management schedules. In total, these 197 LOCA drawdowns consisted of the following:

- 61 LOCA drawdowns, totaling \$398,344,662 (from 1,192 LOCA drawdowns, totaling \$1,529,933,845), for BCBS of Utah;
- 62 LOCA drawdowns, totaling \$349,116,280 (from 1,180 LOCA drawdowns, totaling \$1,426,824,789), for BCBS of Oregon;
- 62 LOCA drawdowns, totaling \$160,639,423 (from 1,206 LOCA drawdowns, totaling \$676,870,187), for BS of Washington; and
- 12 LOCA drawdowns, totaling \$4,856,284 (from 1,177 LOCA drawdowns, totaling \$39,880,151), for BS of Idaho.

The sample results were not project 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.

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.

III. Audit Findings and Recommendations

A. Miscellaneous Health Benefits Payments and Credits

1. Medical Drug Rebates: \$109,476

Our audit determined that the Plan had not returned 15 medical drug rebate amounts, totaling \$100,328, to the FEHBP as of December 31, 2020. The Plan subsequently returned these questioned medical drug rebates to the FEHBP in February 2021, approximately three months late and after receiving our audit notification letter. Also, the Plan untimely returned 26 medical drug rebate amounts, totaling \$1,068,754, to the FEHBP during the audit scope. Since the Plan returned these 26 medical drug rebate amounts to the FEHBP during the audit scope and prior to our audit notification date, we did not question this principal amount as a monetary finding. As a result, we are questioning \$109,476 for this audit finding, consisting of \$100,328 for the questioned medical drug rebates and \$9,148 for lost investment income (LII) on the medical drug rebates returned untimely to the FEHBP.

48 CFR 31.201-5 states, “The applicable portion of any income, rebate, allowance, or other credit relating to any allowable cost and received by or accruing to the contractor shall be credited to the Government either as a cost reduction or by cash refund.”

Contract CS 1039, Part II, Section 2.3 (i) states, “All health benefit refunds and recoveries, including erroneous payment recoveries, must be deposited into the working capital or investment account within 30 days and returned to or accounted for in the FEHBP letter of credit account within 60 days after receipt by the Carrier.”

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.”

The Plan participates in medical drug rebate programs with various drug manufacturers. The drug rebates are determined based on medical claims for applicable drugs, which are primarily administered in a physician’s office. The Plan receives medical drug rebates multiple times a year (usually on a quarterly basis) and credits them to the participating groups, including the FEP.

The Plan returned medical drug rebates of \$100,328 to the FEHBP in February 2021, approximately three months late and after our audit notification date.

For contract year 2016 through December 31, 2020, the Plan received 101 FEP medical drug rebate amounts, totaling \$1,940,316, from various drug manufacturers. From this universe, we selected and reviewed a judgmental sample of 53 FEP medical drug rebate amounts, totaling \$1,877,987, to determine if the Plan timely returned these funds to the FEHBP. Our sample included all medical drug rebate amounts greater than \$5,000 from the audit scope for the Plan's four BCBS plans combined. We also selected 10 additional medical drug rebate amounts based on our nomenclature review of the Plan's universe. The sample included multiple medical drug rebate amounts for each of the Plan's four BCBS plans.

Based on our review, we noted the following exceptions:

- The Plan had not returned 15 medical drug rebate amounts, totaling \$100,328, to the FEHBP as of December 31, 2020. The Plan subsequently returned these medical drug rebates to the FEHBP on multiple dates in February 2021. We noted that these medical drug rebates were returned to the FEHBP approximately three months late and after receiving our audit notification letter (dated January 4, 2021). Therefore, we are questioning these 15 medical drug rebate exceptions as monetary findings as well as \$264 for applicable LII on these medical drug rebates returned untimely to the FEHBP (as calculated by the OIG).
- The Plan returned 26 medical drug rebate amounts, totaling \$1,068,754, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan returned each of these medical drug rebate amounts to the FEHBP approximately three months late. Since the Plan returned these 26 medical drug rebate amounts to the FEHBP during the audit scope and prior to our audit notification date, we did not question this principal amount as a monetary finding. However, we are questioning \$8,884 for applicable LII on these medical drug rebates returned untimely to the FEHBP (as calculated by the OIG).

In total, the Plan returned \$109,476 to the FEHBP for these medical drug rebate exceptions, consisting of \$100,328 for the questioned medical drug rebates and \$9,148 (\$264 plus \$8,884) for LII calculated on the medical drug rebates returned untimely to the FEHBP. We recognize that the Plan calculates and deposits refund advances monthly into the LOCA for each of the Plan's four BCBS plans to cover potential health benefit refunds and recoveries that are returned untimely to the FEHBP. However, because we noted that medical drug rebates were not included in the Plan's refund advance calculations, we calculated LII on these medical drug rebate exceptions since the funds were returned untimely to the FEHBP.

The following schedule is a summary of the questioned medical drug rebates and LII by BCBS plan.

BCBS Plan	Questioned Drug Rebates	Questioned LII	Total Questioned
Oregon	\$40,658	\$3,868	\$44,526
Utah	35,861	3,181	39,042
Washington	22,285	2,095	24,380
Idaho	1,524	4	1,528
Totals	\$100,328	\$9,148	\$109,476

Association/Plan Response:

The Plan agrees with the finding and recommendations.

Regarding the procedural recommendation, “As of January 1, 2022, Cambia [Plan] modified the process to pay FEP rebates when the invoiced amounts are reported, and a percent of this value is paid to Cambia. This process change may result in additional adjustments when the final manufacturer rebate payment is received. Additional payments and/or negative adjustments will be reflected with the payment to FEP that immediately follows the receipt of the actual pharmaceutical payment true-up amounts and reporting.”

“BCBSA [BlueCross BlueShield Association] will work with the Plan to provide supporting documentation demonstrating that corrective actions have been implemented and are working as intended once the Final Report is issued.”

OIG Comment:

As part of our review, we verified that the Plan returned the questioned medical drug rebates of \$100,328 to the FEHBP in February 2021. We also verified that the Plan returned the questioned LII of \$9,148 to the FEHBP in February 2022.

Recommendation 1:

We recommend that the contracting officer require the Plan to return \$100,328 to the FEHBP for the questioned medical drug rebates. However, since we verified that the Plan subsequently returned \$100,328 to the FEHBP for these questioned medical drug rebates, no further action is required for this amount.

Recommendation 2:

We recommend that the contracting officer require the Plan to return \$9,148 to the FEHBP for the questioned LII on the medical drug rebates that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$9,148 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 3:

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 medical drug rebates are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt).

2. Health Benefit Refunds – Cash Receipts: Procedural

Our audit determined that the Plan untimely returned 24 cash receipt health benefit refunds, totaling \$928,813, to the FEHBP during the audit scope. Since the Plan returned these 24 refund exceptions to the FEHBP during the audit scope and prior to our audit notification date, we did not question this principal amount as a monetary finding. Also, since the Plan deposited these 24 refunds timely into the applicable plans' dedicated FEP investment accounts, these refund exceptions are not subject to LII. Therefore, this is a procedural finding.

As previously cited from Contract CS 1039, all health benefit refunds and recoveries must be deposited into the dedicated FEP investment account within 30 days and returned to the LOCA within 60 days after receipt by the Carrier.

For contract years 2016 through 2020, there were 42,800 FEP cash receipt health benefit refunds, totaling \$41,114,266, for the Plan's four BCBS plans. From this universe, we judgmentally selected and reviewed a sample of 170 cash receipt refunds, totaling \$13,437,503, to determine if the Plan timely returned these refunds to the FEHBP. For the BCBS plans of Oregon, Utah, and Washington, our sample included 10 cash receipt refunds (representing the 5 highest dollar check amounts and the 5 highest dollar wire amounts) from each year in the audit scope for each of these plans. For BS of Idaho, our sample included four cash receipt refunds (representing the two highest dollar check amounts and the two highest dollar wire amounts) from each year in the audit scope.

We verified that all the refunds in our sample were deposited timely into the applicable plans' dedicated FEP investment accounts. However, due to the complexity of the Plan's process and supporting documentation for returning refunds to the FEHBP via LOCA drawdown adjustments, we judgmentally selected and reviewed a sub-sample of 34 refunds (from our original sample) to test the Plan's return of refunds to the FEHBP. For

the BCBS plans of Oregon, Utah, and Washington, our sub-sample included 10 refunds (every fifth refund from the original sample) for each of these plans. Our sub-sample also included four refunds (every fifth refund from the original sample) for BS of Idaho. For this sub-sample, we determined if the Plan timely returned these refunds to the FEHBP via LOCA drawdown adjustments (i.e., within 60 days after receipt).

From the sub-sample, we determined that the Plan returned 24 refunds, totaling \$928,813, untimely to the FEHBP during the audit scope (70 percent of the sub-sample). Specifically, we noted that the Plan returned these 24 refunds to the FEHBP via LOCA drawdown adjustments from 2 to 538 days late. We recognize that the Plan calculates and deposits refund advances monthly into the LOCA for each of the Plan's four BCBS plans to cover potential health benefit refunds and recoveries that are returned untimely to the FEHBP. Also, since the Plan returned these 24 refund exceptions to the FEHBP during the audit scope and prior to our audit notification date, we did not question this principal amount as a monetary finding. In addition, since the Plan timely deposited these refund exceptions into the applicable plans' dedicated FEP investment accounts, we did not calculate LII on these exceptions.

Association/Plan Response:

“BCBSA will work with the Plan to provide supporting documentation . . . that corrective actions have been implemented and certify procedures are working as intended once the Final Report is issued.”

Recommendation 4:

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 cash receipt refunds are timely processed and returned to the FEHBP (i.e., processed and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

B. Administrative Expenses

1. Limits on Executive Compensation: \$512,907

Our audit determined that the Plan overcharged the FEHBP for executive compensation costs in contract years 2016 through 2018. As a result of this finding, the Plan subsequently returned \$512,907 to the FEHBP, consisting of \$475,037 for executive compensation overcharges and \$37,870 for applicable LII on these overcharges.

48 CFR 31.205-6(p) limits the allowable compensation costs for senior executives to a benchmark amount established each year by the Office of Federal Procurement Policy. Starting in 1999, this limit is applicable to the five most highly compensated employees in management positions at each home office and each segment of the Plan, whether or not the home office and/or segment reports directly to the Plan's headquarters. As of June 24, 2014, this limit is applicable to all contractor employees whose compensation met the compensation limit. As of December 31, 2020, the available benchmark compensation amounts were \$500,000 in 2016, \$512,000 in 2017, \$525,000 in 2018, \$525,000 in 2019, and \$525,000 in 2020. Based on standard industry practice, the Plan used the 2018 benchmark compensation amount (i.e., \$525,000) as the limit in the 2019 and 2020 allocation calculations, since the actual 2019 and 2020 benchmark amounts were not established by the Office of Federal Procurement Policy until November 2021.

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

As previously cited from FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due.

To determine the allowability of the amounts charged to the FEHBP for executive compensation, we reviewed the Plan's allocations for contract years 2016 through 2020 to determine if the executive compensation amounts were limited to the benchmark amounts set forth in 48 CFR 31.205-6(p). Based on our review, we determined that the Plan did not correctly limit the executive compensation amounts charged to the FEHBP for contract years 2016 through 2018, resulting in overcharges of \$475,037 to the FEHBP. Specifically, the Plan overcharged the FEHBP \$123,367 in contract year 2016, \$152,401 in contract year 2017, and \$199,269 in contract year 2018 for executive compensation costs. For contract years 2019 and 2020, we identified no significant exceptions with the Plan's allocations based on the established benchmark compensation amounts as of December 31, 2020.

The Plan overcharged the FEHBP \$475,037 for executive compensation costs in contract years 2016 through 2018.

For contract years 2016 through 2018, this oversight occurred because the Plan used incorrect formulas when determining the out-of-system adjustments for the executive compensation limits. Specifically, the Plan's formulas did not include all employees making above the benchmark amounts when calculating the adjustments, as required by 48 CFR 31.205-6(p). In total, we are questioning \$512,907 for this audit finding, consisting of \$475,037 for executive compensation costs that were overcharged to the FEHBP for contract years 2016 through 2018 and \$37,870 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 the questioned executive compensation overcharges and applicable LII by BCBS plan.

BCBS Plan	Questioned Overcharges	Questioned LII	Total Questioned
Utah	\$158,830	\$12,700	\$171,530
Oregon	154,147	12,254	166,401
Washington	150,628	12,002	162,630
Idaho	11,432	914	12,346
Totals	\$475,037	\$37,870	\$512,907

Association/Plan Response:

The Plan agrees with the finding and monetary recommendations. Regarding the procedural recommendation, “BCBSA will work with the Plan to provide supporting documentation . . . that corrective actions have been implemented and are working as intended once the Final Report is issued.”

OIG Comment:

We verified that the Plan returned the questioned executive compensation overcharges of \$475,037 to the FEHBP in December 2021. We also verified that the Plan returned the questioned LII of \$37,870 to the FEHBP in February 2022.

Recommendation 5:

We recommend that the contracting officer disallow \$475,037 for executive compensation costs that were overcharged to the FEHBP for contract years 2016 through 2018. However, since we verified that the Plan subsequently returned \$475,037 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Recommendation 6:

We recommend that the contracting officer require the Plan to return \$37,870 to the FEHBP for the questioned LII on the executive compensation overcharges. However, since we verified that the Plan subsequently returned \$37,870 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 executive compensation costs are correctly limited and/or charged to the FEHBP.

2. Unallowable and/or Unallocable Cost Center Expenses: \$86,616

The Plan charged unallowable and/or unallocable cost center expenses of \$78,726 to the FEHBP for contract years 2016, 2017, and 2019. As a result of this finding, the Plan subsequently returned \$86,616 to the FEHBP, consisting of \$78,726 for unallowable and/or unallocable cost center charges and \$7,890 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.

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.”

48 CFR 31.205-47 (f) states, “Costs not covered elsewhere in this subsection are unallowable if incurred in connection with . . . Defense of antitrust suits”

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 2016 through 2020, the Plan allocated administrative expenses of \$358,960,124 (before adjustments) to the FEHBP for the Plan’s four BCBS plans combined from 198 cost centers that contained 186 natural accounts. From this universe, we selected a judgmental sample of 45 cost centers to review, which totaled \$201,822,110 in expenses allocated to the FEHBP. We also selected a judgmental sample of 40 natural accounts to review, which totaled \$97,490,797 in expenses allocated to the FEHBP through the cost centers. We selected these cost centers and natural accounts based on high dollar amounts, our nomenclature review, and our trend analysis. We reviewed the expenses from these cost centers and natural accounts for allowability, allocability, and reasonableness.

Based on our review, we determined the following exceptions for contract years 2016, 2017, and 2019:

- The Plan charged unallocable telehealth expenses to the FEHBP from cost center “8005” (Executive or Convenient Care) for contract years 2016 and 2017. Specifically, the Plan allocated and charged \$73,935 to the FEHBP for convenient care and telehealth options that did not benefit the FEHBP. The Plan allocated these cost center expenses to the FEP based on the assumption that the FEP would be included in the convenient care and telehealth options. Based on the Plan’s annual department survey in May 2017, the Plan determined that the FEP should not be included in the allocation of these expenses going forward. However, we noted that the Plan did not reverse these unallocable expenses of \$73,935 that were previously allocated and charged to the FEHBP for the period April 2016 through April 2017.
- The Plan did not exclude \$4,791 in unallowable legal fees that were allocated and charged to the FEHBP from cost center “1194” (Legal Oregon Blue Branded Only Expenses) for contract year 2019. Specifically, these cost center expenses were related to an anti-trust litigation and incorrectly allocated and charged to the FEHBP through a manual adjustment in July 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.

In total, we are questioning \$86,616 for this audit finding, consisting of \$78,726 for unallowable and/or unallocable cost center charges (\$73,935 plus \$4,791) and \$7,890 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 the questioned unallowable and/or unallocable cost center charges and applicable LII by BCBS plan.

BCBS Plan	Questioned Charges	Questioned LII	Total Questioned
Utah	\$30,256	\$3,030	\$33,286
Oregon	28,049	2,815	30,864
Washington	18,882	1,890	20,772
Idaho	1,539	155	1,694
Totals	\$78,726	\$7,890	\$86,616

Association/Plan Response:

The Plan agrees with the finding and recommendations.

OIG Comment:

As part of our review, we verified that the Plan returned the questioned unallowable and/or unallocable cost center charges of \$78,726 to the FEHBP in January 2022. We also verified that the Plan returned the questioned LII of \$7,890 to the FEHBP in February 2022.

As part of this audit finding in the draft report, we also questioned unsupported legal charges of \$42,170 and LII of \$2,772 on these unsupported charges. After the draft report, the Plan provided documentation to adequately support these legal charges, so we dropped these previously questioned charges and applicable LII from the final report.

Recommendation 8:

We recommend that the contracting officer require the Plan to return \$78,726 to the FEHBP for the questioned unallowable and/or unallocable cost center charges. However, since we verified that the Plan subsequently returned \$78,726 to the FEHBP for these questioned charges, no further action is required for this amount.

Recommendation 9:

We recommend that the contracting officer require the Plan to return \$7,890 to the FEHBP for the questioned LII on the unallowable and/or unallocable cost center charges. However, since we verified that the Plan subsequently returned \$7,890 to the FEHBP for the questioned LII, no further action is required for this LII amount.

3. BlueCross BlueShield Association Dues: \$31,870

Our audit determined that the Plan overcharged the FEHBP \$30,726 for Association dues in contract years 2016 through 2019 and undercharged the FEHBP \$2,849 for Association dues in contract year 2020. Specifically, the Plan incorrectly calculated the FEP allocation percentages for Association dues that were charged to the FEHBP for contract years 2016 through 2020. As a result of this finding, the Plan subsequently returned \$31,870 to the FEHBP, consisting of a net overcharge of \$27,877 for Association dues in contract years 2016 through 2020 and \$3,993 for applicable LII on the overcharges.

FEP Memorandum Number 20-019 FYI (Memorandum), titled BCBSA Regular Member Plan Dues and Other Assessments: 2015-2020, dated February 3, 2020, provides guidance to the BCBS plans with respect to charging the FEHBP for Association dues. The Memorandum also includes specific guidance for allocation of the BCBS plan dues. Specifically, the Memorandum states, “To allocate . . . regular dues to FEP, divide average FEP membership by average Grand Total Plan membership, as reported on . . . the BCBSA Quarterly Enrollment Report. When calculating the allocation percentage,

use the FEP membership amount for the numerator and the Grand Total membership amount for the denominator.”

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.

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., administrative expense overcharges . . . were already processed and returned to the FEHBP) prior to audit notification.”

To determine the reasonableness of the amounts charged to the FEHBP, we reviewed each year within the audit scope and recalculated FEP’s share of the Association dues, including FEP’s allocation calculation of the Plan’s dues, in accordance with the methods in the Memorandum. For the Plan’s four BCBS plans (in total), we determined that the Plan overcharged the FEHBP a net of \$30,726 for Association dues in contract years 2016 through 2019 (\$3,609 in 2016, \$3,136 in 2017, \$9,865 in 2018, and \$14,116 in 2019) and undercharged the FEHBP \$2,849 in contract year 2020. This error occurred because the Plan was unaware of how the enrollment counts were reported within the Association’s Quarterly Enrollment Report. Specifically, the enrollment report duplicated the enrollment numbers for BS of Idaho, by reporting the numbers within Cambia Health Solutions, Inc. and again separately within Regence BS of Idaho. Therefore, the enrollment numbers were incorrectly counted for the allocation statistics.

In total, we are questioning \$31,870 for this audit finding, consisting of a net of \$27,877 for Association dues that were overcharged to the FEHBP in contract years 2016 through 2020 (\$30,726 in dues overcharged in contract years 2016 through 2019 less \$2,849 in dues undercharged in contract year 2020) and \$3,993 for applicable LII on the overcharges (as calculated by the OIG).

The following schedule is a summary of the questioned charges and applicable LII by BCBS plan.

BCBS Plan	Questioned Charges	Questioned LII	Total Questioned
Utah	\$45,420	\$1,509	\$46,929
Idaho	26,418	2,484	28,902
Oregon	(17,909)	0	(17,909)
Washington	(26,052)	0	(26,052)
Totals	\$27,877	\$3,993	\$31,870

Association/Plan Response:

The Plan agrees with the finding and recommendations. Regarding the procedural recommendation, “The Plan will remove BlueShield of Idaho enrollment from the Cambia Health enrollment amount to calculate an accurate allocation statistic going forward. The change will be reflected in the 2021 cost submission . . . BCBSA will work with the Plan to provide supporting documentation demonstrating that corrective actions have been implemented and are working as intended once the Final Report is issued.”

OIG Comment:

As part of our review, we verified that the Plan returned a net of \$30,726 to the FEHBP in December 2021 for Association dues that were overcharged (in total) to the FEHBP in contract years 2016 through 2019. We also verified that the Plan charged \$2,849 to the FEHBP in December 2021 for Association dues that were undercharged (in total) to the FEHBP in contract year 2020. In addition, we verified that the Plan returned the questioned LII of \$3,993 to the FEHBP in February 2022.

Recommendation 10:

We recommend that the contracting officer require the Plan to return \$30,726 to the FEHBP for Association dues that were overcharged to the FEHBP in contract years 2016 through 2019. However, since we verified that the Plan subsequently returned \$30,726 to the FEHBP for these questioned overcharges, no further action is required for this amount.

Recommendation 11:

We recommend that the contracting officer require the Plan to return \$3,993 to the FEHBP for the questioned LII on the Association dues that were overcharged to the FEHBP. However, since we verified that the Plan subsequently returned \$3,993 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 12:

We recommend that the contracting officer allow the Plan to charge \$2,849 to the FEHBP for Association dues that were undercharged to the FEHBP in contract year 2020. However, since we verified that the Plan subsequently charged \$2,849 to the FEHBP for these questioned undercharges, no further action is required for this amount.

Recommendation 13:

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.

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 concerning cash management in the FEHBP.

D. Fraud and Abuse Program

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

The audit disclosed no findings pertaining to the Plan's Fraud and Abuse Program activities and practices. For contract year 2020, the Plan opened 26 fraud and abuse cases with potential FEP exposure for the BCBS plans of Idaho, Oregon, Utah, and Washington. From this universe, we selected and reviewed a judgmental sample of 10 cases and determined if the Plan timely entered these fraud and abuse cases into the Association's FEP Special Investigations Unit Tracking System (FSTS).⁴ For the sample, we selected all eight of the fraud and abuse cases with estimated dollar losses of \$12,000 or more. We also selected two additional fraud and abuse cases based on our nomenclature review of the universe. Based on our methodology, the sample only included cases for the BCBS plans of Oregon, Utah, and Washington. We determined that the Plan timely entered all of the fraud and abuse cases in our sample into the Association's FSTS. 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.

⁴ 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

Audit Findings	2016	2017	2018	2019	2020	2021	2022	Total
A. Miscellaneous Health Benefit Payments and Credits								
1. Medical Drug Rebates*	\$0	\$0	\$3,465	\$4,814	\$101,151	\$46	\$0	\$109,476
2. Health Benefit Refunds – Cash Receipts (Procedural)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Miscellaneous Health Benefit Payments and Credits	\$0	\$0	\$3,465	\$4,814	\$101,151	\$46	\$0	\$109,476
B. Administrative Expenses								
1. Limits on Executive Compensation*	\$112,367	\$155,267	\$207,197	\$14,752	\$7,729	\$4,595	\$0	\$512,907
2. Unallowable and/or Unallocable Cost Center Expenses*	\$50,326	\$24,825	\$2,254	\$7,086	\$1,274	\$784	\$67	\$86,616
3. BlueCross Blue Shield Association Dues*	\$3,609	\$3,474	\$10,675	\$15,581	(\$1,705)	\$236	\$0	\$31,870
Total Administrative Expenses	\$177,302	\$183,566	\$220,126	\$37,419	\$7,298	\$5,615	\$67	\$631,393
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	\$177,302	\$183,566	\$223,591	\$42,233	\$108,449	\$5,661	\$67	\$740,869

*We indicated lost investment income (LII) with audit findings A1 (\$9148), B1 (\$37,870), B2 (\$7,890), and B3 (\$3,993). Therefore, no additional LII is applicable.

Appendix



**BlueCross
BlueShield**
Association

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February 4, 2022

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
Cambia Health Solutions, Inc.
Audit Report Number 1A-10-69-21-021
December 21, 2021**

Dear Mr. Hirschmann:

This is the Cambia Health Solutions, Inc. 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:

A. Miscellaneous Health Benefit Payments and Credits

1. Medical Drug Rebate: \$109,476

Recommendation 1: We recommend that the contracting officer require the Plan to return \$100,328 to the FEHBP for the questioned medical drug rebates. However, since we verified that the Plan subsequently returned \$100,328 to the FEHBP for these questioned medical drug rebates, 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 2: We recommend that the contracting officer require the Plan to return \$9,148 to the FEHBP for the questioned Lost Investment Income (LII) on the medical drug rebates that were returned untimely to the FEHBP.

Plan Response: The Plan agreed with this recommendation and returned the funds to the FEP Program on January 28, 2022. Please see Attachment A that shows the return of LII.

Recommendation 3: 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 medical drug rebates are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt).

Plan Response: As of January 1, 2022, Cambia modified the process to pay FEP rebates when the invoiced amounts are reported, and a percent of this value is paid to Cambia. This process change may result in additional adjustments when the final manufacturer rebate payment is received. Additional payments and/or negative adjustments will be reflected with the payment to FEP that immediately follows the receipt of the actual pharmaceutical payment true-up amounts and reporting.

BCBSA Response: BCBSA will work with the Plan to provide supporting documentation demonstrating that corrective actions have been implemented and are working as intended once the Final Report is issued.

2. Health Benefit Refunds – Cash Receipts: Procedural

Recommendation 4: 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 cash receipt refunds are timely processed and returned to the FEHBP (i.e., processed and returned to the LOCA via drawdown adjustments within 60 days after receipt). The contracting officer should also require the Association to provide a certification that the Plan has implemented these corrective actions.

BCBSA Response: BCBSA will work with the Plan to provide supporting documentation demonstrating that corrective actions have been implemented and certify procedures are working as intended once the Final Report is issued.

B. Administrative Expenses

1. Limits on Executive Compensation

Recommendation 5: We recommend that the contracting officer disallow \$475,037 for executive compensation costs overcharged to the FEHBP for contract years 2016 through 2018.

Plan Response: The Plan agreed with this recommendation and returned the funds to the Program on December 17, 2021.

Recommendation 6: We recommend that the contracting officer require the Plan to return \$37,870 to the FEHBP for questioned LII calculated on the executive compensation overcharges.

Plan Response: The Plan agreed with this recommendation and returned the funds [to the Program on January 28, 2022. Please see Attachment A that shows the return of LII.

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 executive compensation costs are correctly limited and/or charged to the FEHBP.

BCBSA Response: BCBSA will work with the Plan to provide supporting documentation demonstrating that corrective actions have been implemented and are working as intended once the Final Report is issued.

2. Unallowable, Unallocable, and/or Unsupported Costs

Recommendation 8: We recommend that the contracting officer require the Plan to return \$78,726 to the FEHBP for the questioned unallowable and/or unallocable cost center charges. Please see Attachment B that shows the return of this expense.

Plan Response: The Plan agreed with this recommendation and returned the funds to the Program on January 28, 2022.

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

Recommendation 9: We recommend that the contracting officer require the Plan to return \$10,593 to the FEHBP for the questioned LII calculated on the unallowable, unallocable, and/or unsupported charges (i.e., \$7,821 for LII on the unallowable and/or unallocable cost center charges and \$2,772 for LII on the unsupported natural account/legal charges).

Plan Response: The Plan agreed with \$7,821 of the LII recommendation. Funds [\$7,890 from the Plan's Attachment A] were returned to the Program on January 28, 2022. Please see Attachment A that shows the return of LII [\$7,890].

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

3. Blue Cross Blue Shield Dues: \$31,870

Recommendation 10: We recommend that the contracting officer disallow \$30,726 for the Association dues that were net overcharged to the FEHBP in contract years 2016 and 2019. However, since we verified that the Plan subsequently returned \$30,726 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 11: We recommend that the contracting officer require the Plan to return \$3,993 to the FEHBP for the questioned LII calculated on the Association dues that were overcharged to the FEHBP.

Plan Response: The Plan agreed with this recommendation and the funds were returned to the Program on January 28, 2022. Please see Attachment A that shows the return of LII.

Recommendation 12: We recommend that the contracting officer allow the Plan to charge \$2,849 to the FEHBP for Association dues that were net undercharged in contract year 2020. However, since we verified that the Plan subsequently charged \$2,849 to the FEHBP for these questioned undercharges, 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 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.

Plan Response: The Plan agreed with this recommendation. The Plan will remove BlueShield of Idaho enrollment from the Cambia Health enrollment amount to calculate an accurate allocation statistic going forward. The change will be reflected in the 2021 cost submission due to FEP on March 15, 2022.

BCBSA Response: BCBSA will work with the Plan to provide supporting documentation demonstrating that corrective actions have been implemented and are working as intended once the Final Report is issued.

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,

██████████

Managing Director, FEP Program Assurance

Attachments



Report Fraud, Waste, and Mismanagement

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