



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

Final Audit Report

**Audit of Blue Cross Blue Shield Association's
Service Benefit Plan's Specialty Drug Pharmacy Program
as Administered by Prime Therapeutics, LLC for
Contract Years 2018 through 2021**

**Report Number 2022-SAG-0025
October 27, 2022**

Executive Summary

Audit of Blue Cross Blue Shield Association's Service Benefit Plan's Specialty Drug Pharmacy Program as Administered by Prime Therapeutics, LLC for Contract Years 2018 through 2021

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Why Did We Conduct the Audit?

The objective of the audit was to determine whether costs charged to the Federal Employees Health Benefits Program (FEHBP) and services provided to its members were in accordance with the U.S. Office of Personnel Management Contract Number CS 1039 (Contract), the Pharmacy Benefit Management Agreement (Agreement), and applicable Federal regulations.

What Did We Audit?

The Office of the Inspector General has completed a performance audit of Blue Cross Blue Shield Association's (Carrier) Service Benefit Plan's (plan codes 10 and 11) Specialty Drug Pharmacy Program as administered by Prime Therapeutics, LLC (Pharmacy Benefit Manager or PBM) for the FEHBP. Our audit consisted of a review of the administrative fees, annual accounting statements, claims processing (including eligibility and pricing), drug manufacturer rebates, fraud and abuse program, and performance guarantees for specialty drug pharmacy operations during contract years 2018 through 2021. Audit work was completed remotely from our locations near Jacksonville, Florida and Cranberry Township, Pennsylvania due to COVID-19 restrictions.



Michael R. Esser
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for Audits*

What Did We Find?

We found that the Carrier and the PBM properly administered pharmacy operations for specialty drugs from contract years 2018 through 2021. There were no audit findings related to our review of the administrative fees, annual accounting statements, claims processing, drug manufacturer rebates, fraud and abuse program, or performance guarantees for specialty drug pharmacy operations. As a result, we determined that the costs charged to the FEHBP and services provided to its members were in accordance with the terms of the Contract, the Agreement, and applicable Federal regulations.

Abbreviations

Act	Federal Employees Health Benefits Act
Agreement	Pharmacy Benefit Management Agreement
Carrier	Blue Cross Blue Shield Association
CFR	Code of Federal Regulations
Contract	OPM Contract Number CS 1039
CY	Contract Year
FEHBP	Federal Employees Health Benefits Program
HIO	Healthcare and Insurance Office
NDC	National Drug Code
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
PBM	Prime Therapeutics, LLC (Pharmacy Benefit Manager)

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I. Background

This report details the results of our audit of Blue Cross Blue Shield Association's (Carrier) Service Benefit Plan's (health plan codes 10 and 11) specialty drug pharmacy program as administered by Prime Therapeutics, LLC (Pharmacy Benefit Manager or PBM) for contract years (CY) 2018 through 2021. The audit was conducted pursuant to the provisions of Contract CS 1039 (Contract) between the U.S. Office of Personnel Management (OPM) and the Carrier; the Pharmacy Benefit Management Agreement (Agreement) between the Carrier and the PBM; and Title 5, Code of Federal Regulations (CFR), Part 890. The audit was performed by OPM's Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

The Federal Employees Health Benefits Program (FEHBP) was established by the Federal Employees Health Benefits Act (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 (HIO) has the overall responsibility for the administration of the FEHBP, including the publication of program regulations and agency guidance. As part of its administrative responsibilities, the HIO contracts with various health insurance carriers that provide service benefits, indemnity benefits, and/or comprehensive medical services. The provisions of the Act are implemented by OPM through regulations codified in 5 CFR 890 and the Contract.

PBMs are primarily responsible for processing and paying prescription drug claims. The services provided typically include retail pharmacy, mail order, and specialty drug benefits. For drugs acquired through retail, PBMs contract directly with approximately 50,000 retail pharmacies located throughout the United States. For maintenance prescriptions that typically do not need to be filled immediately, PBMs offer the option of a mail order pharmacy benefit. PBMs also provide specialty pharmacy services for members with rare and/or chronic medical conditions and are used to develop, allocate, and control costs related to the pharmacy claims program.

The Carrier contracted with the PBM, located in Eagan, Minnesota, to provide pharmacy benefits and services for specialty drugs to FEHBP members for CYs 2018 through 2021. Section 1.11 of the Contract includes a provision that allows for audits of the program's operations. Additionally, Section 1.26(a) of the Contract outlines transparency standards that require the PBM to provide pass-through pricing based on its costs for drugs. OPM OIG's responsibility is to review the performance of the Carrier and the PBM to ensure that costs charged to the FEHBP and services provided to its members are in accordance with the Contract, the Agreement, and Federal regulations.

This is the first audit of the Carrier's pharmacy operations for specialty drugs as administered by the PBM. The results of our audit were discussed with the Carrier and PBM officials at an exit conference on September 12, 2022.

II. Objectives, Scope, and Methodology

Objectives

The main objective of the audit was to determine whether costs charged to the FEHBP and services provided to its members were in accordance with the terms of the Contract, the Agreement, and applicable Federal regulations. Our specific audit objectives were to determine if:

Administrative Fees Review

The Carrier paid the PBM's administrative fees in accordance with the Agreement.

Annual Accounting Statements Review

The Carrier accurately reported to OPM the prescription drug charges and drug manufacturer rebates for specialty drug pharmacy operations.

Claims Processing Review

- Any claims were paid for ineligible dependents age 26 and older.
- Any claims were paid for excluded drugs or non-covered benefits.
- Any claims were paid for members enrolled in another group or non-FEHBP members.
- Any claims were paid for specialty drugs without receiving a prior approval (when applicable) or for a supply greater than 90 days.
- Claims with an unusually high dollar amount or high quantity were paid correctly.
- The pricing elements for specialty drug claims were transparent and priced correctly in accordance with the Contract, the Agreement, and the PBM's contract with AllianceRx Walgreens Prime (the sole specialty pharmacy for health plan codes 10 and 11).

Drug Manufacturer Rebates Review

All specialty drug manufacturer rebates and corresponding administrative fees were properly credited to the FEHBP.

Fraud and Abuse Program Review

The Carrier and the PBM complied with the FEHBP's fraud and abuse program requirements.

Performance Guarantees Review

The Carrier and the PBM's performance standards were properly calculated, if the guarantees were met, and if any associated penalties were paid.

Scope and Methodology

We conducted this 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit included a review of the administrative fees, annual accounting statements, claims processing (including eligibility and pricing), drug manufacturer rebates, fraud and abuse program, and performance guarantees related to FEHBP specialty drug pharmacy operations for CYs 2018 through 2021. As part of our survey work, we conducted informational meetings with the Carrier and the PBM from March 28, 2022, to April 1, 2022. Due to COVID-19 restrictions, the audit fieldwork was completed remotely from our locations near Jacksonville, Florida and Cranberry Township, Pennsylvania from April 4, 2022, to September 12, 2022.

The Carrier is responsible for providing FEHBP members with medical and prescription drug benefits. To meet this responsibility, the Carrier paid the PBM the following amounts for its specialty drug pharmacy program as reported by the PBM in its annual statements of operation (numbers rounded to the nearest thousand):

Contract Year	Total Amount Paid to the Specialty PBM	PBM Administrative Fees	Specialty Pharmacy Claims Paid	Drug Manufacturer Rebates Received
2018	\$3,357,396,000	\$638,000	\$3,356,758,000	\$438,827,000
2019	\$3,784,030,000	\$2,651,000 ¹	\$3,781,379,000	\$459,380,000
2020	\$4,292,800,000	\$3,362,000	\$4,289,438,000	\$498,306,000
2021	\$4,770,494,000	\$11,861,000 ²	\$4,758,633,000	\$1,003,666,000
Total	\$16,204,720,000	\$18,512,000	\$16,186,208,000	\$2,400,179,000

¹ Administrative fees significantly increased in 2019 due to the Carrier adding two additional PBM services for Concierge and Guided Health Programs.

² Administrative fees significantly increased in 2021 due to the PBM outsourcing rebate administration to Express Scripts, Inc. in return for greater rebates received.

In planning and conducting the audit, we obtained an understanding of the Carrier's and the PBM's internal control structures 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. Additionally, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Carrier's and the PBM's systems of internal controls taken as a whole.

We also conducted tests of accounting records and other auditing procedures as we considered necessary to determine compliance with the Contract, the Agreement, and Federal regulations. With respect to the items not tested, nothing came to our attention that caused us to believe that the Carrier and the PBM had not complied, in all material respects, with those provisions.

In conducting the audit, we relied to varying degrees on computer-generated data provided by the Carrier and the PBM. 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 determined that the data was sufficient to achieve our audit objectives.

To determine whether costs charged to the FEHBP and services provided to its members were in accordance with the terms of the Contract, the Agreement, and applicable Federal regulations for CYs 2018 through 2021, we performed the following audit steps:

Administrative Fees Review

For each CY, we reviewed the monthly administrative fee invoices and line items to determine if the PBM's fees were properly calculated and supported in accordance with the terms of the Agreement.

Annual Accounting Statements Review

For each CY, we reviewed the annual accounting statements to determine if the prescription drug charges and drug manufacturer rebates for specialty drug pharmacy operations were properly reported based on a reconciliation with the claims data and the Letter of Credit Account.

Claims Processing Review

Unless stated otherwise, the claim samples below were selected from the complete universe of 2,430,715 specialty drug claims, totaling \$16,915,542,692, for CYs 2018 through 2021 (the incurred claims data differs from the paid amounts reported in the table on page 3 due to timing and adjustments).

- We identified and reviewed all 906 dependents 26 years of age and older from the universe of paid specialty drug pharmacy claims to determine if the members were eligible for FEHBP coverage due to a disability and incapable of self-support.
- We reviewed all specialty drug claims to determine if any were paid for non-covered drugs.
- We reviewed all specialty drug claims to determine if any were paid for non-FEHBP members.
- We reviewed all specialty drug claims that required a prior approval to determine if the claims were authorized before being paid.
- We reviewed all specialty drug claims with a supply greater than 90 days to determine if the claims were allowable and properly paid.
- For each CY, we randomly selected 25 specialty drug claims with a quantity filled greater than 5,000 (overall sample of 100 claims, totaling \$4,660,209, from a population of 3,832 claims totaling \$191,940,276) to determine if the claims were properly paid. The random selections were made using Microsoft Excel's random number generator.
- For each CY, we randomly selected 25 specialty drug claims with an amount paid greater than \$100,000 (overall sample of 100 claims, totaling \$19,843,947, from a population of 817 claims totaling \$177,641,740) to determine if the claims were properly paid. The random selections were made using Microsoft Excel's random number generator.
- For each CY, we randomly selected and reviewed 50 specialty drug claims (overall sample of 200 claims, totaling \$1,334,504) to determine if the pricing elements were transparent and if the claims were properly paid. The random selections were made using the Statistical Analysis System (SAS) Institute's random sample generator found in its SAS software for data analytics.

Drug Manufacturer Rebates Review

The difference between invoiced rebates sampled below and rebates received shown in the table on page 3 is due to timing and adjustments.

For each CY, we judgmentally selected and reviewed the top 10 drug manufacturer rebates by National Drug Code (NDC) with the highest amount invoiced (overall sample of 40 unique NDCs, totaling \$1,426,514,623 invoiced, from a universe of 662 unique NDCs, totaling \$2,089,778,105 invoiced) to determine if the rebates were accurately calculated and fully remitted to the Carrier and the FEHBP.

Fraud and Abuse Program Review

We reviewed all potential fraud and abuse cases that were reported by the PBM to the Carrier during the scope of our audit to determine if those cases were subsequently referred to the OPM OIG.

Performance Guarantees Review

For each CY, we reviewed the PBM's performance guarantees to determine if the results were accurately reported and if any penalties were properly credited to the FEHBP.

The samples that were selected and reviewed in performing the audit were not statistically based. Consequently, the results were not projected to the universe since it is unlikely that the results are representative of the universe taken as a whole.

III. Audit Results

There were no audit findings or recommendations related to our review of the administrative fees, annual accounting statements, claims processing, drug manufacturer rebates, fraud and abuse program, and performance guarantees for specialty drug pharmacy operations during CYs 2018 through 2021. As a result, our review showed that the costs charged to the FEHBP and services provided to its members were in accordance with the terms of the Contract, the Agreement, and applicable Federal regulations.



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