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

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# Final Audit Report

**AUDIT OF  
BLUECROSS BLUESHIELD ASSOCIATION'S  
FRAUD INFORMATION MANAGEMENT SYSTEM  
WASHINGTON, D.C. AND CHICAGO, ILLINOIS**

**Report Number 1A-99-00-14-069  
July 14, 2015**

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# EXECUTIVE SUMMARY

## *Audit of the BlueCross BlueShield Association's Fraud Information Management System*

Report No. 1A-99-00-14-069

July 14, 2015

### **Why did we conduct the audit?**

We conducted this audit to obtain reasonable assurance that the BlueCross BlueShield Association (Association) 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 and applicable Carrier Letters.

Specifically, the objectives of our audit were to review the fraud and abuse case reporting process at the Association, with a focus on the Fraud Information Management System (FIMS), and determine if the Association is complying with the FEHBP contract and applicable Carrier Letters regarding Fraud and Abuse Program activities.

### **What did we audit?**

Our audit covered the Association's FIMS and the potential fraud and abuse cases entered into FIMS by the local BlueCross and BlueShield (BCBS) plans from 2013 through June 30, 2014.

### **What did we find?**

We identified a procedural finding regarding the Association's reporting of fraud and abuse cases entered into FIMS. The Association generally disagreed with this procedural finding.

Our audit results are summarized as follows:

- **FIMS System Review** – The Association has implemented adequate security controls for FIMS. We also concluded that giving the Office of Personnel Management's (OPM) Office of the Inspector General (OIG) access to FIMS in a secure and controlled manner is technically feasible. On December 8, 2014, the Association gave the OIG's Office of Investigations full access (remote and read only) to FIMS.
- **Fraud, Waste, and Abuse Reporting** – The Association is not in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in FEHBP Carrier Letter 2011-13. Specifically, the Association did not report or timely report to the OIG all cases entered into FIMS. The Association also potentially overstated the number of cases and the dollar amounts of savings and recoveries that were reported in the 2013 BCBS Annual Fraud and Abuse Report submitted to OPM.



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**Michael R. Esser**  
*Assistant Inspector General  
for Audits*

# ABBREVIATIONS

<b>Association</b>	<b>BlueCross BlueShield Association</b>
<b>BCBS</b>	<b>BlueCross BlueShield <u>or</u> BlueCross and/or BlueShield</b>
<b>BCBSA</b>	<b>BlueCross BlueShield Association</b>
<b>CFR</b>	<b>Code of Federal Regulations</b>
<b>CL</b>	<b>Carrier Letter</b>
<b>F&amp;A</b>	<b>Fraud and Abuse</b>
<b>FEHB</b>	<b>Federal Employees Health Benefits</b>
<b>FEHBP</b>	<b>Federal Employees Health Benefits Program</b>
<b>FEP</b>	<b>Federal Employee Program</b>
<b>FEPDO</b>	<b>Federal Employee Program Director's Office</b>
<b>FIMS</b>	<b>Fraud Information Management System</b>
<b>FWA</b>	<b>Fraud, Waste, or Abuse</b>
<b>Publication</b>	<b>National Institute of Standards and Technology Special Publication</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>SIU</b>	<b>Special Investigations Unit</b>

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# I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our audit of the fraud and abuse case reporting process at the BlueCross BlueShield Association (Association), with a focus on the Fraud Information Management System (FIMS). FIMS is a multi-user, web-based Federal Employee Program (FEP<sup>1</sup>) case-tracking database that the FEP Director's Office (FEPDO) Special Investigations Unit (SIU) developed in-house. FIMS is used by the local BlueCross and/or BlueShield (BCBS) plans' SIUs and the FEPDO's SIU to track and report potential fraud and abuse activities. The Association is located in Washington, D.C. and Chicago, Illinois.

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 Federal Employees Health Benefits Program (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 Association, on behalf of participating BCBS plans, has entered into a Government-wide Service Benefit Plan 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. There are 64 local BCBS plans participating in the FEHBP.

The Association has established the FEPDO in Washington, D.C. to provide centralized management for the Service Benefit Plan. The FEPDO coordinates the administration of the contract with the Association, member BCBS plans, and OPM. Regarding FIMS, the FEPDO is responsible for the maintenance and oversight of this system as well as reporting to the OIG all fraud and abuse cases that are entered into FIMS by the local BCBS plans.

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

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<sup>1</sup> Throughout this report, when we refer to "FEP", we are referring to the Service Benefit Plan lines of business at the Association and the local BlueCross and/or BlueShield plans. When we refer to the "FEHBP", we are referring to the program that provides health benefits to federal employees.

This is our first audit of FIMS and the fraud and abuse case reporting process at the Association. The results of this audit were provided to the Association in a written audit inquiry; were discussed with Association officials throughout the audit and at an exit conference on March 12, 2015; and were presented in detail in a draft report, dated March 31, 2015. 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 review the fraud and abuse case reporting process at the Association, with a focus on FIMS, and determine if the Association is complying with the FEHBP contract and applicable Carrier Letters. Specifically, our objectives were as follows:

#### FIMS System Review

- To evaluate the information technology security controls of FIMS.
- To determine the technical feasibility of giving the OIG's Office of Investigations direct access to FIMS.

#### Fraud, Waste, and Abuse Reporting

- To review the screen prints, status, and/or final disposition of each case entered into FIMS for a sample of BCBS plans.
- To review the Association's explanation, rationale, and/or supporting documentation for each case entered into FIMS but not reported to the OIG for a sample of BCBS plans.
- To determine whether the BCBS plans use FIMS for non-FEP lines of business (or only for FEP).

### SCOPE

We conducted our 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 Association's FIMS and the potential fraud and abuse cases entered into FIMS by the local BCBS plans from 2013 through June 30, 2014.

In planning and conducting our audit, we obtained an understanding of the Association's internal control structure to help determine the nature, timing, and extent of our auditing procedures.

This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on substantive tests of transactions and not tests of controls. Based on our testing, we did not identify any significant matters involving the Association's internal control structure and its operations. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Association's system of internal controls taken as a whole.

We also conducted tests to determine whether the Association had complied with the FEHBP contract and applicable Carrier Letters regarding the communication and reporting requirements for fraud and abuse cases. The results of our tests indicate that, with respect to the items tested, the Association's did not comply with all provisions of the FEHBP contract and applicable Carrier Letters. 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 Association 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 Association. 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 testing, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives.

We performed the audit survey and fieldwork from our offices in Washington, D.C. and Cranberry Township, Pennsylvania on various dates from August 2014 through March 2015. Additionally, we made a site visit to the Association's office in Washington, D.C. from December 2, 2014 through December 4, 2014.

## **METHODOLOGY**

We obtained an understanding of the internal controls over the Association's FIMS by inquiry of Association officials.

We interviewed Association personnel and reviewed policies, procedures, and security controls during our audit of FIMS. Specifically, we evaluated the information technology security controls for FIMS and performed tests of control activities. We also evaluated the technical feasibility of allowing the OIG's investigators direct access to FIMS.

We also interviewed the FEPDO's SIU and reviewed policies and procedures regarding the Association's communication and reporting of fraud and abuse cases to the OIG.

For the period January 1, 2013 through June 30, 2014, the local BCBS plans entered 3,504 potential fraud and abuse cases into FIMS. Of these, the Association only reported 696 cases (or 20 percent of the cases) to the OIG and did not report 2,808 cases (or 80 percent of the cases) to the OIG. From the universe of potential fraud and abuse cases not reported to the OIG, we judgmentally selected 169 cases from a sample of five BCBS plans (BCBS of Tennessee, Regence BCBS of Oregon, Horizon BCBS of New Jersey, and CareFirst BCBS plans of Washington, D.C. and Maryland) to determine why the Association did not report these cases to the OIG. We selected these BCBS plans for review because we recently audited, or were currently auditing, these plans' Fraud and Abuse Programs as part of individual plan audits. We also reviewed all fraud and abuse cases that were reported to the OIG for the purpose of determining compliance with Contract CS 1039 and applicable FEHBP Carrier Letters.

# III. AUDIT FINDINGS AND RECOMMENDATIONS

## A. FIMS SYSTEM REVIEW

The audit disclosed no findings pertaining to our system review of FIMS. Overall, we concluded that the Association has implemented adequate security controls for FIMS. Additionally, we concluded that giving the OIG access to FIMS in a secure and controlled manner is technically feasible.

The National Institute of Standards and Technology Special Publication (Publication) 800-53 Revision 4, Security and Privacy Controls for Federal Information Systems and Organizations, provides guidance for implementing a variety of information technology security controls for information systems supporting the federal government. As part of this audit, we independently evaluated whether a subset of these controls had been implemented for FIMS. We tested approximately 20 security controls, including one or more controls from each of the following control categories:

- Access Control
- Audit and Accountability
- Configuration Management
- Contingency Planning
- Identification and Authentication
- Incident Response
- Media Protection
- Physical and Environmental Protection
- Risk Assessment
- System and Services Acquisition
- System and Communications Protection
- System and Information Integrity

**The OIG concluded that the Association's security controls for FIMS are adequate.**

These security controls were evaluated by interviewing individuals with FIMS's security responsibilities, reviewing applicable documentation and system screen-shots, observing demonstrations of system capabilities, and conducting tests on the system. We determined that all of the tested security controls appear to be in compliance with the Publication 800-53 Revision 4 requirements.

FIMS is a web-based application that is on the Association's intranet site, Blues Web. As part of this audit, we met with Association personnel to determine the feasibility of giving the OIG's investigators remote access to FIMS in a secure and controlled manner. As a result of our interviews, we determined that there are several technical solutions for giving the OIG's investigators access to FIMS in a secure and controlled manner. On December 8, 2014, the Association gave the OIG's Office of Investigations full access (remote and read only) to FIMS.

**B. FRAUD, WASTE, AND ABUSE REPORTING**

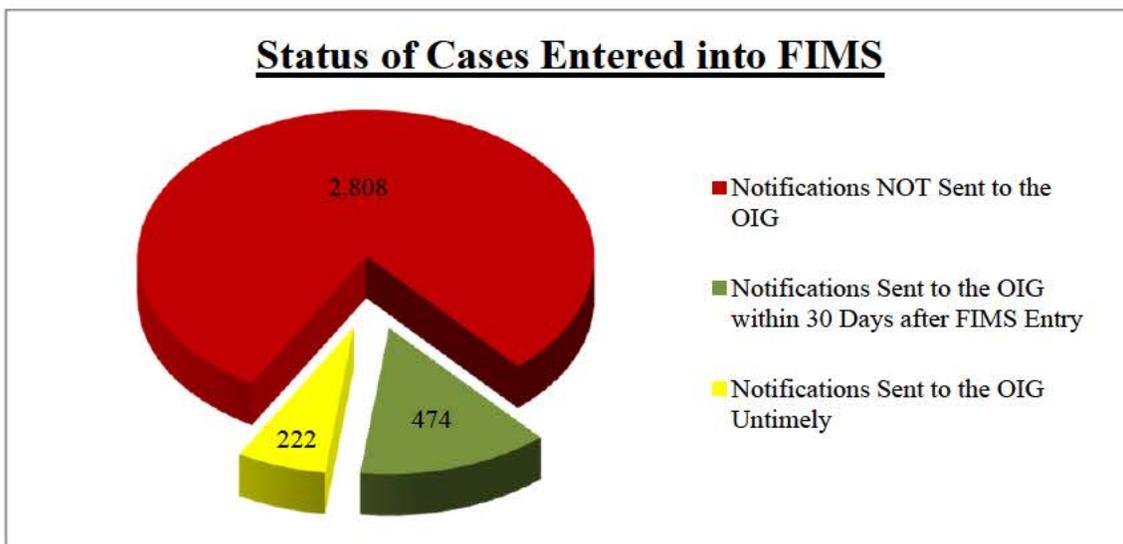
**Procedural**

The Association is not in compliance with the communication and reporting requirements for fraud and abuse cases that are contained in FEHBP Carrier Letter (CL) 2011-13. Specifically, the Association did not report or timely report to the OIG all cases entered into FIMS. The Association’s non-compliance with the communication and reporting requirements in CL 2011-13 is due to the Association’s FEPDO making decisions on what cases entered into FIMS should actually be reported to the OIG. Without awareness of these existing potential fraud and abuse issues, the OIG cannot investigate the broader impact of these potential issues on the FEHBP as a whole.

CL 2011-13 (Mandatory Information Sharing via Written Case Notifications to OPM’s Office of the Inspector General), dated June 17, 2011, states that all Carriers “are required to submit a written notification to the OPM OIG . . . within 30 working days of becoming aware of a fraud, waste or abuse issue where there is a reasonable suspicion that a fraud has occurred or is occurring against the Federal Employees Health Benefits (FEHB) Program.” There is no dollar threshold for this requirement.

**The Association is not in compliance with the communication and reporting requirements for fraud and abuse cases.**

During the period January 1, 2013 through June 30, 2014, the local BCBS plans entered 3,504 cases into FIMS. Of these 3,504 FIMS cases, the OIG did not receive notifications for 2,808 cases (or 80 percent). For the 696 cases (or 20 percent of the cases) where the OIG received notifications, 222 of these cases were sent to the OIG more than 30 days after the BCBS plans entered the cases into FIMS, which is not in compliance with the criteria set forth in CL 2011-13. Also, based on the audit steps performed, we did not identify instances where the BCBS plans used FIMS for non-FEP lines of business.



From this universe of FIMS cases, we selected a sample of five BCBS plans (BCBS of Tennessee, Regence BCBS of Oregon, Horizon BCBS of New Jersey, and CareFirst BCBS plans of Washington, D.C. and Maryland) to determine why the Association is not reporting all of the cases to the OIG. We selected these BCBS plans for review because we recently audited, or were currently auditing, these plans' Fraud and Abuse Programs as part of individual plan audits. For these five BCBS plans selected for review, we found 169 cases entered into FIMS that were not reported to the OIG.

Based on our review of these 169 FIMS cases, the following is a summary of the top reasons why the Association did not report the cases to the OIG.

<b>Association's Response</b>	<b>Number of Cases</b>
Provider Audit or Payment Review	45
Case Being Developed	45
Billing Issue or Error	28
Administrative Issue / Not Fraud	10
No FEP Exposure	7
Issue Resolved via Refund Request	6
Linked to a Previous Case	6
Allegation Not Substantiated	3
Case Settled before FIMS Entry	3
Other Reasons <sup>2</sup>	16

We believe that all of these cases should have been reported to the OIG, especially since the Association reported these cases to OPM in the Annual Fraud and Abuse (F&A) Report. Contract CS 1039 requires the local BCBS plans' SIU departments to determine whether FEP claims and/or members are present in investigations being conducted. When a local BCBS plan's SIU initiates an investigation (i.e., takes an affirmative step to pursue a provider or member for potential fraud, waste, or abuse) and the investigation involves FEP claims, a case report must be entered into FIMS. In other words, the FEPDO's SIU relies on each BCBS plan's SIU to review an initial allegation or complaint internally before an entry is made into FIMS. Therefore, if a FIMS entry is made by a BCBS plan, the case represents an affirmative action to pursue a provider or member. This also triggers the requirement to notify the OIG of the case (as required by CL 2011-13). Consequently, the FEPDO SIU's method of filtering what cases are actually reported to the OIG, as well as the SIU's untimely reporting of cases to the OIG, are the primary reasons for the Association's non-compliance with the communication and reporting requirements contained in CL 2011-13.

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<sup>2</sup> Examples of other reasons why these FIMS cases were not reported to the OIG include administrative errors, data mining initiatives, enrollment issues, and cases entered in error.

If all fraud, waste and/or abuse investigations are not reported to the OIG, the broader impact of these potential issues cannot be investigated by the OIG, which has oversight responsibility for the FEHBP. Furthermore, if the Association is allowing the local BCBS plans to enter non-fraud, waste, and/or abuse cases into FIMS (such as provider audit activities and/or recoveries), considered by the FEPDO's SIU to be not reportable to the OIG, then the potential exists for the Association to overstate cases, savings and recoveries from fraud, waste and/or abuse activities that are reported in the F&A Report submitted to OPM. As an additional concern, OPM's contracting officer potentially considers this F&A Report when determining the BCBS service charge amount.

The Association's 2013 F&A Report included 2,351 cases opened, \$18,678,327 in actual recoveries, \$80,102,232 in actual savings, and \$139,735,556 in projected savings. We reconciled the total number of "cases opened" reported in this F&A Report to the number of cases entered into FIMS during 2013. Since these totals reconciled, we believe that the Association's 2013 F&A Report is potentially overstated by as much as 80 percent, representing the cases not reported to the OIG (based on our audit universe) and considered to be non-fraud, waste and/or abuse activities by the FEPDO's SIU.

### **Association's Response**

The Association states, "FIMS is an internal tool designed to allow BCBSA to assess the applicability of reported FWA items. Many of these FIMS entries involve hotline tips, audits, data mining initiatives, or other placeholder activities until more definitive information is available. Consequently, BCBSA continues to respectfully disagree that every entry into FIMS represents an active or even potential FWA investigation. Due to the history of audits involving BCBS Plans during the period under review, many local BCBS Plans chose to err on the side of caution by entering every tip, audit, or data mining project that involved a dollar of FEP funds. In these instances, there has been insufficient preliminary gathering of facts to justify a notification to the OIG. It is the role of the BCBSA, as the carrier and signatory of CS 1039, to provide the OIG with quality notifications and tips that meet the requirements of the applicable carrier letters, which set out the minimum requirements for a referral to the OIG. Many of the initial entries in the FIMS do not contain these minimum required elements. The BCBSA investigative consultants review all of the FIMS entries and determine what data or evidentiary elements are missing or need further development in order for the OIG to view the notification in the proper context and with sufficient facts. This is a function of the value that BCBSA brings to the CS1039 contract.

Regarding the chart . . . depicting cases not reported to the OIG . . . These items were not reported to the OIG as there was no evidence to support the accuracy of the allegation ('allegation not substantiated,' 'administrative issues,' 'billing errors'). In addition,

monitoring and analysis activities conducted by SIU staff or SIU support staff do not automatically lead to a finding or evidence of FWA (i.e., provider audits/payment reviews). The purpose of these audits is to locate supporting evidence in the form of false or misleading claims or misleading medical records. Without this supporting evidence the OIG has nothing to investigate. The existence of an audit does not necessarily lead to the assumption that FWA has occurred. Lastly, reporting cases that have previously been the subject of an OIG notification would create confusion and would be unnecessary. It is more appropriate to send the OIG a ‘case update’ on the previous case adding the additional defendant to that case.

In summary, the FIMS entries are often place holders for potential future actions, and as such, all FIMS entries should not be viewed or treated as fraud waste or abuse cases. However, there may have been instances in the past where BCBSA inadvertently counted ‘entries’ as ‘case referrals’ in the Annual Fraud and Abuse Report. BCBSA will ensure that only ‘case referrals’ are included in the 2015 Annual Fraud and Abuse Report.”

### **OIG Comments**

The Association disagrees that every entry into FIMS represents an active or potential investigation and states that “BCBS plans chose to err on the side of caution by entering every tip, audit, or data mining project that involved a dollar of FEP funds” and that these types of entries do not justify notification to the OIG. Although we agree that the Association may have been justified in not reporting some of these cases, we continue to believe that a majority of these cases should have been reported to the OIG, especially since the Association included these cases in the F&A Report submitted to OPM. Additionally, the Association and the OIG’s Office of Investigations should mutually agree on the types of case entries that do not require notifications to the OIG. What value to the FEHBP is the Association’s FEP F&A Program efforts if 80 percent of the cases entered into FIMS by the local BCBS plans are being deemed non-reportable to the OIG? Conversely, only reporting 20 percent of the cases entered into FIMS to the OIG appears too low for the Association’s FIMS and F&A Program to be considered efficient and cost effective.

We appreciate that the Association wants to provide the OIG with quality notifications; however, we are unclear as to what additional value the Association adds to the FIMS case entries. Providing quality notifications is impossible without performing some type of review activity, such as obtaining data from the Association’s history file of all FEP claims (paid for by the FEHBP) to confirm the local BCBS plan’s reported exposure, whether significant or not, performing independent data analysis of the claims, and/or performing desk or field investigations. There should be more focus on why the plans are entering so many cases into FIMS (approximately 80 percent) that the Association considers not

reportable to the OIG. Unless there is another FEP case tracking system that the Association uses, FIMS is the primary system and should be reliable and useful, especially since FEHBP funds are used to reimburse the Association for all of the system and maintenance costs.

Additionally, CL 2011-13 states that FEHBP carriers are required to submit a written notification to the OIG when there is potential fraud, waste, or abuse (FWA) that has occurred against the FEHBP. Therefore, place holders in FIMS for potential future actions should be reported to the OIG since the BCBS plans have already performed preliminary reviews of these cases.

### **Recommendation 1**

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that the FEPDO's SIU has implemented the necessary procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2011-13 and CL 2014-29 (Federal Employees Health Benefits Fraud, Waste, and Abuse).<sup>3</sup>

### **Association Response**

The Association states, "CL 2011-13 no longer applies to CS 1039, as it has been superseded by CL 2014-29 as of December 2014. The BCBSA FEPDO SIU is in the process of developing a training program for all local Plans regarding the requirements of CL 2014-29. There are a number of points requiring further clarification that BCBSA has solicited from OPM and is anticipating feedback. In the interim, the BCBSA FEPDO SIU has emailed all Plans a copy of the new CL 2014-29 placing them on notice of the procedural changes and the communication and reporting requirements contained therein. A number of the new requirements will require substantial operational and system enhancements that will need to be phased in during 2015. The FEPDO SIU will be providing Plan training by webinar as well as face to face training to all Plans and is in process of revising the FEP Fraud Waste and Abuse Program Standards Manual to reflect the new requirements. A copy of the revised Manual will be provided to OPM by May 31, 2015."

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<sup>3</sup> CL 2014-29 (dated December 19, 2014) consolidates and updates the information from Carrier Letters 2003-23, 2003-25, 2007-12, and 2011-13, which are superseded by this guidance. CL 2014-29 also supplements guidance from the FEHBP contract (Section 1.9 – Plan Performance).

## **Recommendation 2**

We recommend that the contracting officer ensure that the Association is properly instructing the local BCBS Plans on what cases to enter into FIMS, with the expectation that all cases entered into FIMS will be timely reported to the OIG (unless instructed otherwise by the OIG's Office of Investigations).

## **Association Response**

The Association states, "The FIMS system was originally conceptualized and developed by internal BCBSA investigations staff and IT resources. FIMS is an electronic information gathering tool only, not a definitive record of 'cases' initiated by local BCBS Plans. The entries into FIMS were designed to inform the BCBSA FEP-SIU of the FWA activity being conducted at the local level. Sometimes there are issues with the completeness of Plan entries that must be corrected prior to the entry being provided as a notification to the OPM-OIG. FWA activity includes more than just identifying 'cases'. It may involve auditing, hotline complaints, data mining initiatives and certain claims processing edits. Because of the wide variety of activities that constitute FWA elements, it has been deemed appropriate for the local Plans to enter any perceived information in FIMS that allows BCBSA the ability to assess and track investigations, recoveries, savings, and provider/member behavioral changes that positively or negatively affect the FEP Program.

Because FIMS is an outdated application, it will be replaced during 2015 by an external vendor product. It is anticipated that when the new system is fully operational in 2016 that it will allow for further delineation and detail capture to further satisfy the new requirements.

Working with the OPM-OIG senior management, BCBSA provided read only access to the current FIMS in December 2014. In addition to providing read only access to FIMS, in September 2014, BCBSA SIU staff and resources were made available on a weekly basis to review the FIMS entries and case referrals with the OIG. We expect this relationship to continue as the new system is developed and deployed."

## **OIG Comments**

We disagree that FIMS is an information gathering tool only. FIMS is also a tracking tool of cases initiated by the local BCBS plans. CL 2011-13 requires that the Association share this information with the OIG, if there is reasonable suspicion (i.e., the potential exists) that fraud has or is occurring against the FEHBP. We continue to consider any type of FIMS case entry by a local BCBS plan as an affirmative action to pursue an FEP provider and/or member for potential fraud, waste and/or abuse. CL 2011-13 also states that case notifications are for

information sharing purposes. Therefore, the entering of information into FIMS by a local BCBS plan should also be shared with the OIG.

We agree that FIMS is an “outdated” application and believe that FIMS is not efficient and cost effective. If the Association replaces FIMS with an external vendor product, our expectation is for OIG’s Office of Investigations to also have full access to this new system.

### **Recommendation 3**

We recommend that the contracting officer direct the Association not to place limitations on what FIMS cases are to be reported to the OIG, unless both parties (Association and OIG) have mutually agreed on these exclusions. We also recommend that the contracting officer instruct the Association to remove all cases deemed not reportable to the OIG from the F&A Report, or report on these items separately. Only information entered into FIMS by the local BCBS plans for potential FWA activities or investigations; the FEPDO’s SIU for potential FWA activities or investigations; and related vendors (e.g., Pharmacy Benefit Manager) for potential FWA activities or investigations should be included in the F&A Report. Additionally, activities outside of a local SIU’s primary functions and FWA responsibilities (such as hospital, provider, and pharmacy audits) should be excluded or reported separately in the F&A Report.

### **Association Response**

The Association states, “Beginning with the 2015 Annual Fraud and Abuse Report, BCBSA will ensure that only cases reportable to the OIG are reported. Audits conducted by or ordered by the SIU will continue to be reported in FIMS and the recoveries and savings for these activities will be tracked and reported. If possible, BCBSA will report other FWA activity conducted independent of the SIU in other appropriate sections of the annual report. The number of ‘cases’ reported will be reduced, however we do not anticipate that the dollars reported as recovered or saved will be significantly impacted.”

## IV. MAJOR CONTRIBUTORS TO THIS REPORT

### Experience-Rated Audits Group

██████████, Auditor-In-Charge

██████████, Auditor

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██████████, Chief ██████████

██████████, Senior Team Leader

### Information Systems Audits Group

██████████, Chief ██████████

██████████, Lead Information Technology Auditor



May 11, 2015

██████████ Group Chief  
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**Reference: OPM DRAFT AUDIT REPORT  
Blue Cross and Blue Shield Association (BCBSA)  
Fraud Information Management System (FIMS)  
Audit Report No. 1A-99-00-14-069  
(Dated and Received March 31, 2015)**

Dear ██████████:

This is Blue Cross and Blue Shield Association (BCBSA) response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Federal Employees' Health Benefits Program (FEHBP) FIMS system. Our comments concerning the findings in the report are as follows:

**A. FRAUD WASTE AND ABUSE REPORTING**

FIMS is an internal tool designed to allow BCBSA to assess the applicability of reported FWA items. Many of these FMIS entries involve hotline tips, audits, data mining initiatives, or other placeholder activities until more definitive information is available. Consequently, BCBSA continues to respectfully disagree that every entry into FIMS represents an active or even potential FWA investigation. Due to the history of audits involving BCBS Plans during the period under review, many local BCBS Plans chose to err on the side of caution by entering every tip, audit, or data mining project that involved a dollar of FEP funds. In these instances, there has been insufficient preliminary gathering of facts to justify a notification to the OIG. It is the role of the BCBSA, as the carrier and signatory of CS 1039, to provide the OIG with quality notifications and tips that meet the requirements of the applicable carrier letters, which set out the minimum requirements for a referral to the OIG. Many of the initial entries in the FIMS do not contain these minimum required elements. The BCBSA investigative consultants review all of the FIMS entries and determine what

data or evidentiary elements are missing or need further development in order for the OIG to view the notification in the proper context and with sufficient facts. This is a function of the value that BCBSA brings to the CS1039 contract.

Regarding the chart shown in the Draft Report depicting cases not reported to the OIG during the audit period, we respectfully disagree that "all of these cases (except one) should have been reported to the OIG." These items were not reported to the OIG as there was no evidence to support the accuracy of the allegation ("allegation not substantiated," "administrative issues," "billing errors"). In addition, monitoring and analysis activities conducted by SIU staff or SIU support staff do not automatically lead to a finding or evidence of FWA (i.e., provider audits/payment reviews). The purpose of these audits is to locate supporting evidence in the form of false or misleading claims or misleading medical records. Without this supporting evidence the OIG has nothing to investigate. The existence of an audit does not necessarily lead to the assumption that FWA has occurred. Lastly, reporting cases that have previously been the subject of an OIG notification would create confusion and would be unnecessary. It is more appropriate to send the OIG a "case update" on the previous case adding the additional defendant to that case.

In summary, the FIMS entries are often place holders for potential future actions, and as such, all FIMS entries should not be viewed or treated as fraud waste or abuse cases. However, there may have been instances in the past where BCBSA inadvertently counted "entries" as "case referrals" in the Annual Fraud and Abuse Report. BCBSA will ensure that only "case referrals" are included in the 2015 Annual Fraud and Abuse Report.

### **Recommendation 1**

We recommend that the contracting officer require the Association to provide evidence or supporting documentation ensuring that the FEPDO's SIU has implemented the necessary procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2011-13 and CL 2014-29 (Federal Employees Health Benefits Fraud, Waste and Abuse).

### **BCBSA Response**

CL 2011-13 no longer applies to CS 1039, as it has been superseded by CL 2014-29 as of December 2014. The BCBSA FEPDO SIU is in the process of developing a training program for all local Plans regarding the requirements of CL 2014-29. There are a number of points requiring further clarification that BCBSA has solicited from OPM and is anticipating feedback. In the interim, the BCBSA FEPDO SIU has emailed all Plans a copy of the new CL 2014-29 placing them on

notice of the procedural changes and the communication and reporting requirements contained therein. A number of the new requirements will require substantial operational and system enhancements that will need to be phased in during 2015. The FEPDO SIU will be providing Plan training by webinar as well as face to face training to all Plans and is in process of revising the FEP Fraud Waste and Abuse Program Standards Manual to reflect the new requirements. A copy of the revised Manual will be provided to OPM by May 31, 2015.

### **Recommendation 2**

We recommend that the contracting officer ensure that the Association is properly instructing the local BCBS Plans on what cases to enter into FIMS, with the expectation that all cases entered into FIMS will be timely reported to the OIG (unless instructed otherwise by the OIG's Office of Investigations).

### **BCBSA Response**

The FIMS system was originally conceptualized and developed by internal BCBSA investigations staff and IT resources. FIMS is an electronic information gathering tool only, not a definitive record of "cases" initiated by local BCBS Plans. The entries into FIMS were designed to inform the BCBSA FEP-SIU of the FWA activity being conducted at the local level. Sometimes there are issues with the completeness of Plan entries that must be corrected prior to the entry being provided as a notification to the OPM-OIG. FWA activity includes more than just identifying "cases." It may involve auditing, hotline complaints, data mining initiatives and certain claims processing edits. Because of the wide variety of activities that constitute FWA elements, it has been deemed appropriate for the local Plans to enter any perceived information in FIMS that allows BCBSA the ability to assess and track investigations, recoveries, savings, and provider/member behavioral changes that positively or negatively affect the FEP Program.

Because FIMS is an outdated application, it will be replaced during 2015 by an external vendor product. It is anticipated that when the new system is fully operational in 2016 that it will allow for further delineation and detail capture to further satisfy the new requirements.

Working with the OPM-OIG senior management, BCBSA provided read only access to the current FIMS in December 2014. In addition to providing read only access to FIMS, in September 2014, BCBSA SIU staff and resources were made available on a weekly basis to review the FIMS entries and case referrals with the OIG. We expect this relationship to continue as the new system is developed and deployed.

### Recommendation 3

We recommend that the contracting officer direct the Association not to place limitations on what FIMS cases are to be reported to the OIG, unless both parties (Association and OIG) have mutually agreed on these exclusions. We also recommend that the contracting officer instruct the Association to remove all cases deemed not reportable to the OIG from the BCBS Annual Fraud and Abuse Report or report on these items separately. Only information entered into FIMS by the local BCBS Plans for potential fraud, waste and abuse (FWA) activities or investigations; the FEPDO's SIU for potential FWA activities or investigations; and related vendors (e.g., Pharmacy Benefit Manager) for potential FWA activities or investigations should be included in the Annual Report. Additionally, activities outside of an SIU's primary functions and FWA responsibilities (such as hospital, provider and pharmacy audits) should be excluded or reported separately in the Annual Report.

### **BCBSA Response**

Beginning with the 2015 Annual Fraud and Abuse Report, BCBSA will ensure that only cases reportable to the OIG are reported. Audits conducted by or ordered by the SIU will continue to be reported in FIMS and the recoveries and savings for these activities will be tracked and reported. If possible, BCBSA will report other FWA activity conducted independent of the SIU in other appropriate sections of the annual report. The number of "cases" reported will be reduced, however we do not anticipate that the dollars reported as recovered or saved will be significantly impacted.

Thank you for this opportunity to provide a response to recommendations included in this report. We request that our response be included in the Final Report. If you have any questions, please contact me at [REDACTED]

Sincerely,

[REDACTED]

[REDACTED]

Managing Director, Program Assurance

cc: [REDACTED]

Jena Estes

[REDACTED]



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