



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

Final Audit Report

Subject:

AUDIT ON GLOBAL ASSISTANT SURGEON CLAIM OVERPAYMENTS FOR BLUECROSS AND BLUESHIELD PLANS

Report No. 1A-99-00-09-061

Date: March 30, 2010

--CAUTION--

This audit report has been distributed to Federal officials who are responsible for the administration of the audited program. This audit report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this audit report is available under the Freedom of Information Act and made available to the public on the OIG webpage, caution needs to be exercised before releasing the report to the general public as it may contain proprietary information that was redacted from the publicly distributed copy.



Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

Federal Employees Health Benefits Program
Service Benefit Plan Contract CS 1039
BlueCross BlueShield Association
Plan Code 10

Global Assistant Surgeon Claim Overpayments
BlueCross and BlueShield Plans

REPORT NO. 1A-99-00-09-061

DATE: March 30, 2010

A handwritten signature in black ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

EXECUTIVE SUMMARY

Federal Employees Health Benefits Program
Service Benefit Plan Contract CS 1039
BlueCross BlueShield Association
Plan Code 10

Global Assistant Surgeon Claim Overpayments
BlueCross and BlueShield Plans

REPORT NO. 1A-99-00-09-061

DATE: March 30, 2010

This final audit report on the Federal Employees Health Benefits Program (FEHBP) operations at all BlueCross and BlueShield (BCBS) plans questions \$1,806,296 in health benefit charges. The BlueCross BlueShield Association (Association) and/or BCBS plans agreed with \$1,604,611 and disagreed with \$201,685 of the questioned charges.

Our limited scope audit was conducted in accordance with Government Auditing Standards. The audit covered health benefit payments from 2006 through July 31, 2009 as reported in the Annual Accounting Statements. Specifically, we reviewed claims paid from January 1, 2006 through July 31, 2009 that potentially were not paid in accordance with the BCBS plans' assistant surgeon pricing procedures. We determined that the BCBS plans incorrectly paid 3,061 claim lines, resulting in net overcharges of \$1,806,296 to the FEHBP. Specifically, the BCBS plans overpaid 3,018 claim lines by \$1,827,187 and underpaid 43 claim lines by \$20,891.

CONTENTS

	<u>PAGE</u>
EXECUTIVE SUMMARY	i
I. INTRODUCTION AND BACKGROUND	1
II. OBJECTIVE, SCOPE, AND METHODOLOGY	3
III. AUDIT FINDING AND RECOMMENDATIONS	5
Assistant Surgeon Claim Payment Errors	5
IV. MAJOR CONTRIBUTORS TO THIS REPORT	10
V. SCHEDULES	
A. UNIVERSE AND SAMPLE OF POTENTIAL ASSISTANT SURGEON CLAIM OVERPAYMENTS BY PLAN	
B. QUESTIONED CHARGES BY PLAN	
APPENDIX (BlueCross BlueShield Association reply, dated December 7, 2009, to the draft audit report)	

I. INTRODUCTION AND BACKGROUND

INTRODUCTION

This final audit report details the findings, conclusions, and recommendations resulting from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at all BlueCross and BlueShield (BCBS) plans.

The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

BACKGROUND

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 Retirement and Benefits Office has overall responsibility for administration of the FEHBP. The provisions of the FEHB Act are implemented by OPM through regulations, which are codified in Title 5, Chapter 1, Part 890 of the Code of Federal Regulations (CFR). Health insurance coverage is made available through contracts with various health insurance carriers.

The BlueCross BlueShield Association (Association), on behalf of participating 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 approximately 63 local BCBS plans participating in the FEHBP.

The Association has established a Federal Employee Program (FEP¹) Director's Office in Washington, D.C. to provide centralized management for the Service Benefit Plan. The FEP Director's Office coordinates the administration of the contract with the Association, member BCBS plans, and OPM.

The Association has also established an FEP Operations Center. The activities of the FEP Operations Center are performed by CareFirst BlueCross BlueShield, located in Washington, D.C. These activities include acting as fiscal intermediary between the Association and member plans, verifying subscriber eligibility, approving or disapproving the reimbursement of local plan payments of FEHBP claims (using computerized system edits), maintaining a history file of all FEHBP claims, and maintaining an accounting of all program funds.

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

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.

This is our first global assistant surgeon overpayment audit on the BCBS plans. Our preliminary results of the potential assistant surgeon claim overpayments were presented in detail in a draft report, dated September 2, 2009. The Association's comments offered in response to the draft report were considered in preparing our final report and are included as the Appendix to this report. Also, additional documentation provided by the Association and BCBS plans on various dates through February 26, 2010, was considered in preparing our final report.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of this audit was to determine whether the BCBS plans complied with contract provisions relative to assistant surgeon claim payments, which should be paid in accordance with the BCBS plans' assistant surgeon pricing procedures.

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

The audit covered health benefit payments from 2006 through July 31, 2009 as reported in the Annual Accounting Statements. Specifically, we reviewed claims paid from January 1, 2006 through July 31, 2009 that potentially were not paid in accordance with the BCBS plans' assistant surgeon pricing procedures. Based on our claim error reports, we identified 62,844 assistant surgeon claim groups, totaling \$10,058,532 in potential overpayments, that may not have been paid in accordance with the BCBS plans' assistant surgeon pricing procedures.² From this universe, we selected and reviewed all assistant surgeon claim groups with potential overpayments of \$250 or more. Our sample included 10,305 assistant surgeon claim groups, totaling \$5,929,609 in potential overpayments, for 58 of the 63 plans (See Schedule A for the universe and sample of potential assistant surgeon claim overpayments by plan).

We did not consider each BCBS plan's internal control structure in planning and conducting our auditing procedures. Our audit approach consisted mainly of substantive tests of transactions and not tests of controls. Therefore, we do not express an opinion on each BCBS plan's system of internal controls taken as a whole.

We also conducted tests to determine whether the BCBS plans had complied with the contract and the laws and regulations governing the FEHBP as they relate to assistant surgeon claim payments. The results of our tests indicate that, with respect to the items tested, the BCBS plans did not fully comply with the provisions of the contract relative to assistant surgeon claim payments. Exceptions noted in the areas reviewed are set forth in detail in the "Audit Finding 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 BCBS plans 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 FEP Director's Office, the FEP Operations Center, and the BCBS plans. Due to time constraints, we did not verify the reliability of the data generated by the various information

² This universe excludes the assistant surgeon claim groups for the BCBS plans' years that were previously audited by the OIG.

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 objective.

The audit was performed at our offices in Washington, D.C.; Cranberry Township, Pennsylvania; and Jacksonville, Florida from December 2009 through February 2010.

METHODOLOGY

To test each BCBS plan's compliance with the FEHBP health benefit provisions related to assistant surgeon claim payments, we selected all assistant surgeon claim groups with potential overpayments of \$250 or more that were identified in a computer search. Specifically, we selected for review a judgmental sample of 10,305 assistant surgeon claim groups, totaling \$5,929,609 (out of 62,844 groups, totaling \$10,058,532) in potential overpayments, that may not have been paid in accordance with the BCBS plans' assistant surgeon pricing procedures.

The sample groups were submitted to each applicable BCBS plan for their review and response. We then conducted a limited review of the plans' agreed responses and an expanded review of their disagreed responses to determine the appropriate questioned amount. We did not project the sample results to the universe.

The determination of the questioned amount is based on the FEHBP contract, the Service Benefit Plan brochure, and the Association's FEP administrative manual.

III. AUDIT FINDING AND RECOMMENDATIONS

Assistant Surgeon Claim Payment Errors

\$1,806,296

The BCBS plans incorrectly paid 3,061 assistant surgeon claim lines, resulting in net overcharges of \$1,806,296 to the FEHBP. Specifically, the BCBS plans overpaid 3,018 claim lines by \$1,827,187 and underpaid 43 claim lines by \$20,891.

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.” Part II, section 2.3(g) states, “If the Carrier or OPM determines that a Member’s claim has been paid in error for any reason . . . the Carrier shall make a prompt and diligent effort to recover the erroneous payment”

Contract CS 1039, Part II, section 2.6 states, “(a) The Carrier shall coordinate the payment of benefits under this contract with the payment of benefits under Medicare . . . (b) The Carrier shall not pay benefits under this contract until it has determined whether it is the primary carrier”

Section 6(h) of the FEHB Act provides that rates should reasonably and equitably reflect the costs of benefits provided.

We performed a computer search to identify claims that potentially were not paid in accordance with the BCBS plans’ assistant surgeon pricing procedures. For the period January 1, 2006 through July 31, 2009, we identified 62,844 assistant surgeon claim groups, totaling \$10,058,532 in potential overpayments that met this search criteria. From this universe, we selected and reviewed all assistant surgeon claim groups with potential overpayments of \$250 or more, and determined if the BCBS plans paid these claims properly. Our sample included 10,305 assistant surgeon claim groups (representing 28,090 claim lines), totaling \$5,929,609 in potential overpayments, for 58 of the 63 plans (See Schedule A for the universe and sample of potential assistant surgeon claim overpayments by plan). The majority of these claim groups contained at least one primary surgeon and one assistant surgeon claim line.

Based on our review, we determined that 3,061 assistant surgeon claim lines were paid incorrectly, resulting in net overcharges of \$1,806,296 to the FEHBP.³ Specifically, the BCBS plans overpaid 3,018 claim lines by \$1,827,187 and underpaid 43 claim lines by \$20,891 (See Schedule B for a summary of the assistant surgeon claim payment errors by plan).

³ In addition, there were 77 assistant surgeon claim overpayments, totaling \$56,163, that were identified by the BCBS plans before the start of the audit (i.e., September 1, 2009) and adjusted or voided by the Association’s response due date (i.e., November 30, 2009) to the draft report. Since these overpayments were identified by the BCBS plans before the start of our audit and adjusted or voided by the Association’s response due date to the draft report, we did not question these overpayments in the final report.

These assistant surgeon claim payment errors resulted from the following:

- The BCBS plans paid 1,060 claim lines using incorrect Medicare or plan procedure allowances, resulting in net overcharges of \$572,907 to the FEHBP. Specifically, the BCBS plans overpaid 1,035 claim lines by \$585,094 and underpaid 25 claim lines by \$12,187.
- The BCBS plans incorrectly paid 756 claim lines due to the plans' local claim systems improperly identifying the assistant surgeon modifiers. Consequently, the BCBS plans overpaid 755 claim lines by \$413,891 and underpaid 1 claim line by \$200, resulting in net overcharges of \$413,691 to the FEHBP.
- The BCBS plans incorrectly paid 305 claim lines due to manual processing errors, such as incorrect coding, overriding system edits, and using incorrect allowances. Consequently, the BCBS plans overpaid 300 claim lines by \$265,662 and underpaid 5 claim lines by \$3,346, resulting in net overcharges of \$262,316 to the FEHBP.
- The BCBS plans incorrectly paid 344 claim lines that were subject to Omnibus Budget Reconciliation Act of 1993 (OBRA 93) pricing guidelines. These errors were due to Palmetto (an OBRA 93 pricing vendor) not recognizing the assistant surgeon pricing modifier and erroneously calculating the assistant surgeon fee. Consequently, the BCBS plans overpaid 341 claim lines by \$203,995 and underpaid 3 claim lines by \$1,142, resulting in net overcharges of \$202,853 to the FEHBP.
- The BCBS plans paid 175 claim lines using the billed charges instead of the Medicare or plan procedure allowances, resulting in net overcharges of \$111,113 to the FEHBP. Specifically, the BCBS plans overpaid 173 claim lines by \$111,425 and underpaid 2 claim lines by \$312.
- The BCBS plans incorrectly priced 104 claim lines due to provider billing errors, resulting in net overcharges of \$41,624 to the FEHBP. Specifically, the BCBS plans overpaid 101 claim lines by \$44,609 and underpaid 3 claim lines by \$2,985.
- The BCBS plans paid 64 claim lines even though the procedures were not medically necessary or the surgical assistants were not required for the surgeries, resulting in overcharges of \$30,995 to the FEHBP.
- The BCBS plans inadvertently paid 40 claim lines twice, resulting in duplicate charges of \$17,823 to the FEHBP.
- The BCBS plans incorrectly paid 26 claim lines due to errors in the calculation of the assistant surgeon fee, which should have been priced at the applicable plan's percentage of the procedure allowance. Consequently, the BCBS plans overpaid 22 claim lines by \$13,579 and underpaid 4 claim lines by \$719, resulting in net overcharges of \$12,860 to the FEHBP.
- The BCBS plans inadvertently paid 21 claim lines for surgical assistants without support for the surgeons' claims or operative reports, resulting in overcharges of \$6,833 to the FEHBP.

- The BCBS plans did not properly coordinate five claim lines with Medicare or the patient's primary insurance carrier, resulting in overcharges of \$2,024 to the FEHBP.
- In one instance, a BCBS plan paid a claim that was incurred after termination of the patient's coverage, resulting in an overcharge of \$317 to the FEHBP.

Of the \$1,806,296 in questioned charges, \$130,940 (seven percent) were identified by the BCBS plans before the start of our audit (i.e., September 1, 2009). However, since the BCBS plans had not completed the recovery process and/or adjusted or voided these claim payment errors by the Association's response due date (i.e., November 30, 2009) to the draft report, we are continuing to question these overcharges. The remaining questioned charges of \$1,675,356 (93 percent) were identified as a result of our audit.

Association's Response:

The Association agrees with \$1,556,704 of the questioned overcharges and states that the BCBS plans have recovered \$445,463 of the overpayments as of December 7, 2009.

The Association completed a preliminary root causal analysis for the BCBS plans with large dollar findings. The Association states, "Results from this analysis identified the following:

- Human Errors – where processors are responsible for pricing the assistant surgeon claims manually.
- We only send the first three modifiers for OBRA 93 pricing. However, if the assistant surgeon modifier is in the fourth position it will not be sent to Palmetto for OBRA 93 pricing.

We will complete our final root cause analysis for all Plans by March 31, 2010 to determine any future system enhancements, policy changes and/or training opportunities."

Regarding the contested amount, the Association disagrees with these questioned overcharges for the following reasons:

- The claim payments were voided and/or adjusted prior to the start of the audit.
- The claim payments were processed correctly in accordance with Medicare requirements and/or the Plan's provider contracts.

Regarding corrective actions, the Association states, "The Association has or is in the process of taking the following actions:

- Have Plans educate providers on the correct method for submitting charges for Assistant Surgeon services by 2nd Quarter 2010.

- Instruct Plans to use these confirmed errors as training tools to ensure that examiners know the proper coding requirements for the adjudication of Assistant Surgeon Claims by 2nd Quarter 2010.
- Continue to include these claims in the FEP periodic System-Wide Claim Review Process. . . .
- During 2010, we will develop and implement an edit that will defer claims with Assistant Surgeon modifiers when there is no discount applied to the allowance submitted. . . .
- Update the FEP Administrative Manual . . . with more specific coding details to include actual examples for each of the Assistant Surgeon Modifiers on how these claims should be submitted to the Operations Center for adjudication.
- Add this Assistant Surgeon coding training to the Micro Regional Meetings provided by the Operations Center to Plans to ensure the Plans have face-to-face training.
- During the . . . Control and Performance of Palmetto, we will evaluate Palmetto's internal controls for generating pricing data for the Assistant Surgeon Modifiers to ensure compliance with Medicare pricing guidelines."

OIG Comments:

After reviewing the Association's response and additional documentation provided by the BCBS plans, we revised the questioned charges from our draft report to \$1,806,296. Based on the Association's response and the BCBS plans' additional documentation, we determined that the Association and/or plans agree with \$1,604,611 and disagree with \$201,685 of the questioned charges. Although the Association only agrees with \$1,556,704 in its written response, the BCBS plans' documentation supports concurrence with \$1,604,611.

Based on the Association's response and/or the BCBS plans' documentation, the contested amount of \$201,685 represents the following items:

- \$130,940 of the contested amount represents 160 claim lines where recovery efforts were initiated by 11 BCBS plans before the audit started. However, the plans had not recovered these assistant surgeon claim overpayments and adjusted or voided the claims by the Association's response due date to the draft report. Since these overpayments had not been recovered and returned to the FEHBP by the Association's response due date, we are continuing to question this amount in the final report.
- \$70,745 of the contested amount represents 103 claim lines, which were subject to OBRA 93 pricing, where the BCBS plans did not pay the claims using the applicable Medicare procedure allowances and/or percentages. The Association and/or BCBS plans did not provide documentation to support why these claim lines were not paid in accordance with OBRA 93 pricing.

Recommendation 1

We recommend that the contracting officer disallow \$1,827,187 for claim overcharges and verify that the BCBS plans return all amounts recovered to the FEHBP.

Recommendation 2

We recommend that the contracting officer allow the BCBS plans to charge the FEHBP \$20,891 if additional payments are made to the providers to correct the underpayments.

Recommendation 3

Although the Association has developed a corrective action plan to reduce assistant surgeon claim overpayments, we recommend that the contracting officer instruct the Association to ensure that the BCBS plans are following the corrective action plan. Also, we recommend that the contracting officer verify that the additional corrective actions included in the Association's response are implemented.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Experience-Rated Audits Group

██████████ Auditor-In-Charge

██████████ Auditor-In-Charge

██████████ Chief ██████████

Information Systems Audits Group

██████████ Chief

██████████ Senior Information Technology Specialist

██████████ Information Systems Auditor

V. SCHEDULES

GLOBAL ASSISTANT SURGEON CLAIM OVERPAYMENTS
BLUECROSS AND BLUESHIELD PLANS

UNIVERSE AND SAMPLE OF POTENTIAL ASSISTANT SURGEON CLAIM OVERPAYMENTS BY PLAN

Site Number	Plan Name	State	UNIVERSE			SAMPLE	
			Assistant Surgeon Claim Groups	Potential Overpayments	Period Subject to Audit	Assistant Surgeon Claim Groups	Potential Overpayments
003	BCBS of New Mexico	NM	282	\$ 51,117	January 1, 2006 through July 31, 2009	78	\$ 33,065
005	WellPoint BCBS of Georgia	GA	4,707	\$ 606,424	January 1, 2006 through July 31, 2009	509	\$ 200,278
006	CareFirst BCBS	MD	652	\$ 96,753	November 1, 2008 through July 31, 2009	79	\$ 41,431
007	BCBS of Louisiana	LA	279	\$ 139,906	January 1, 2007 through July 31, 2009	145	\$ 121,636
009	BCBS of Alabama	AL	1,596	\$ 342,814	January 1, 2006 through July 31, 2009	468	\$ 219,686
010	BC of Idaho Health Service	ID	332	\$ 46,599	January 1, 2006 through July 31, 2009	47	\$ 21,543
011	BCBS of Massachusetts	MA	440	\$ 77,483	January 1, 2006 through July 31, 2009	105	\$ 41,733
012	BCBS of Western New York	NY	92	\$ 21,651	January 1, 2006 through July 31, 2009	26	\$ 15,531
013	Highmark BCBS	PA	974	\$ 66,248	January 1, 2008 through July 31, 2009	77	\$ 43,125
015	BCBS of Tennessee	TN	201	\$ 106,523	January 1, 2008 through July 31, 2009	89	\$ 96,297
016	BCBS of Wyoming	WY	151	\$ 30,051	January 1, 2006 through July 31, 2009	40	\$ 20,002
017	BCBS of Illinois	IL	746	\$ 224,015	January 1, 2007 through July 31, 2009	264	\$ 171,759
021	Ohio WellPoint BCBS	OH	3,165	\$ 260,872	January 1, 2006 through July 31, 2009	162	\$ 88,957
024	BCBS of South Carolina	SC	895	\$ 148,999	January 1, 2006 through July 31, 2009	117	\$ 45,659
027	New Hampshire WellPoint BCBS	NH	310	\$ 48,932	January 1, 2008 through July 31, 2009	40	\$ 21,112
028	BCBS of Vermont	VT	24	\$ 7,872	January 1, 2008 through July 31, 2009	12	\$ 6,593
029	BCBS of Texas	TX	6,142	\$ 859,551	January 1, 2007 through July 31, 2009	834	\$ 499,106
030	Colorado WellPoint BCBS	CO	3,267	\$ 187,171	January 1, 2006 through July 31, 2009	184	\$ 102,794
031	Wellmark BCBS of Iowa	IA	353	\$ 62,829	January 1, 2006 through July 31, 2009	93	\$ 41,777
032	BCBS of Michigan	MI	409	\$ 53,171	January 1, 2006 through July 31, 2009	66	\$ 25,173
033	BCBS of North Carolina	NC	1,671	\$ 348,665	January 1, 2006 through July 31, 2009	417	\$ 218,346
034	BCBS of North Dakota	ND	83	\$ 8,576	January 1, 2006 through July 31, 2009	3	\$ 809
037	BCBS of Montana	MT	422	\$ 39,130	January 1, 2006 through July 31, 2009	25	\$ 11,706
038	BCBS of Hawaii	HI	21	\$ 4,707	January 1, 2006 through July 31, 2009	4	\$ 3,521
039	Indiana WellPoint BCBS	IN	3,572	\$ 378,695	January 1, 2006 through July 31, 2009	236	\$ 93,878
040	BCBS of Mississippi	MS	417	\$ 113,077	January 1, 2007 through July 31, 2009	186	\$ 91,354
041	BCBS of Florida	FL	4,665	\$ 824,365	January 1, 2006 through July 31, 2009	721	\$ 462,574
042	BCBS of Kansas City	MO	441	\$ 39,360	January 1, 2006 through July 31, 2009	23	\$ 15,032
043	Regence BS of Idaho	ID	148	\$ 35,905	January 1, 2006 through July 31, 2009	49	\$ 26,474

V. SCHEDULES

GLOBAL ASSISTANT SURGEON CLAIM OVERPAYMENTS
BLUECROSS AND BLUESHIELD PLANS

UNIVERSE AND SAMPLE OF POTENTIAL ASSISTANT SURGEON CLAIM OVERPAYMENTS BY PLAN

Site Number	Plan Name	State	UNIVERSE			SAMPLE	
			Assistant Surgeon Claim Groups	Potential Overpayments	Period Subject to Audit	Assistant Surgeon Claim Groups	Potential Overpayments
044	Arkansas BCBS	AR	108	\$ 12,887	January 1, 2008 through July 31, 2009	16	\$ 5,690
045	Kentucky WellPoint BCBS	KY	4,848	\$ 317,452	January 1, 2006 through July 31, 2009	112	\$ 50,219
047	WellPoint BCBS of Wisconsin	WI	935	\$ 317,980	January 1, 2006 through July 31, 2009	421	\$ 255,192
048	Empire BCBS	NY	605	\$ 63,610	January 1, 2007 through July 31, 2009	36	\$ 20,035
049	Horizon BCBS of New Jersey	NJ	149	\$ 21,935	November 1, 2008 through July 31, 2009	25	\$ 11,249
050	Connecticut WellPoint BCBS	CT	143	\$ 28,716	January 1, 2008 through July 31, 2009	31	\$ 14,719
053	BCBS of Nebraska	NE	281	\$ 31,968	January 1, 2008 through July 31, 2009	28	\$ 12,316
054	Mountain State BCBS	WV	87	\$ 13,683	January 1, 2007 through July 31, 2009	20	\$ 6,776
056	BCBS of Arizona	AZ	597	\$ 79,332	January 1, 2007 through July 31, 2009	87	\$ 39,133
058	Regence BCBS of Oregon	OR	674	\$ 100,555	January 1, 2006 through July 31, 2009	121	\$ 57,546
059	Maine WellPoint BCBS	ME	157	\$ 15,873	January 1, 2008 through July 31, 2009	17	\$ 6,104
060	BCBS of Rhode Island	RI	191	\$ 30,500	January 1, 2006 through July 31, 2009	32	\$ 15,852
061	Nevada WellPoint BCBS	NV	1,091	\$ 138,883	January 1, 2006 through July 31, 2009	153	\$ 108,870
062	Virginia WellPoint BCBS	VA	441	\$ 51,633	January 1, 2008 through July 31, 2009	44	\$ 21,273
064	BC BS of Rochester	NY	25	\$ 4,407	January 1, 2006 through July 31, 2009	4	\$ 2,009
066	Regence BCBS of Utah	UT	1,952	\$ 235,944	January 1, 2006 through July 31, 2009	264	\$ 132,385
067	BS of California	CA	2,445	\$ 331,412	January 1, 2006 through July 31, 2009	342	\$ 162,230
069	Regence BS of Washington	WA	3,734	\$ 409,708	January 1, 2006 through July 31, 2009	314	\$ 134,547
070	BCBS of Alaska	AK	1,508	\$ 1,042,028	January 1, 2006 through July 31, 2009	1,153	\$ 997,124
074	Wellmark BCBS of South Dakota	SD	370	\$ 75,934	January 1, 2006 through July 31, 2009	107	\$ 45,766
075	Premera BC	WA	659	\$ 99,516	January 1, 2006 through July 31, 2009	84	\$ 40,356
076	WellPoint BCBS of Missouri	MO	1,249	\$ 213,675	January 1, 2006 through July 31, 2009	194	\$ 104,433
078	BCBS of Minnesota	MN	2,250	\$ 850,753	January 1, 2006 through July 31, 2009	1,225	\$ 720,809
079	BCBS of Central NY	NY	136	\$ 35,015	January 1, 2006 through July 31, 2009	53	\$ 26,042
082	BCBS of Kansas	KS	264	\$ 60,645	January 1, 2006 through July 31, 2009	96	\$ 42,999
083	BCBS of Oklahoma	OK	920	\$ 126,765	January 1, 2008 through July 31, 2009	95	\$ 44,383
084	BCBS of Utica-Watertown	NY	73	\$ 16,844	January 1, 2007 through July 31, 2009	23	\$ 12,234
085	CareFirst BCBS	DC	357	\$ 61,801	November 1, 2008 through July 31, 2009	77	\$ 30,640
089	BCBS of Delaware	DE	138	\$ 37,617	January 1, 2006 through July 31, 2009	32	\$ 27,724
Total			62,844	\$ 10,058,532		10,305	\$ 5,929,609

**GLOBAL ASSISTANT SURGEON CLAIM OVERPAYMENTS
BLUECROSS AND BLUESHIELD PLANS**

QUESTIONED CHARGES BY PLAN

Site Number	Plan Name	State	Total Questioned		Amounts Questioned by Year				Plan Agrees	Plan Disagrees
			Claim Lines	Total Charges	2006	2007	2008	2009		
003	BCBS of New Mexico	NM	18	\$ 10,190	\$ 952	\$ 3,421	\$ 5,233	\$ 584	\$ 2,689	\$ 7,501
005	WellPoint BCBS of Georgia	GA	114	\$ 47,485	\$ 6,761	\$ 13,464	\$ 16,968	\$ 10,292	\$ 41,860	\$ 5,625
006	CareFirst BCBS	MD	26	\$ 20,117	\$ -	\$ -	\$ 396	\$ 19,721	\$ 20,117	\$ -
007	BCBS of Louisiana	LA	29	\$ 47,140	\$ -	\$ 1,390	\$ 13,038	\$ 32,713	\$ 47,140	\$ -
009	BCBS of Alabama	AL	21	\$ 15,653	\$ 6,881	\$ 6,160	\$ 1,235	\$ 1,378	\$ 14,845	\$ 808
010	BC of Idaho Health Service	ID	7	\$ 4,826	\$ 1,659	\$ 1,370	\$ 105	\$ 1,692	\$ 4,826	\$ -
011	BCBS of Massachusetts	MA	13	\$ 7,255	\$ 2,169	\$ 1,749	\$ 829	\$ 2,508	\$ 7,255	\$ -
012	BCBS of Western New York	NY	12	\$ 8,920	\$ 2,382	\$ 562	\$ 5,589	\$ 386	\$ 8,920	\$ -
013	Highmark BCBS	PA	23	\$ 15,709	\$ -	\$ -	\$ 9,085	\$ 6,624	\$ 15,709	\$ -
015	BCBS of Tennessee	TN	63	\$ 60,374	\$ -	\$ -	\$ 16,050	\$ 44,324	\$ 57,135	\$ 3,239
016	BCBS of Wyoming	WY	1	\$ 1,189	\$ -	\$ 1,189	\$ -	\$ -	\$ -	\$ 1,189
017	BCBS of Illinois	IL	45	\$ 43,750	\$ -	\$ 11,551	\$ 23,573	\$ 8,625	\$ 27,357	\$ 16,393
021	Ohio WellPoint BCBS	OH	69	\$ 43,844	\$ 13,715	\$ 17,719	\$ 5,056	\$ 7,354	\$ 42,767	\$ 1,077
024	BCBS of South Carolina	SC	13	\$ 4,293	\$ 1,871	\$ 1,189	\$ 1,407	\$ (173)	\$ 4,293	\$ -
027	New Hampshire WellPoint BCBS	NH	10	\$ 7,879	\$ -	\$ -	\$ 6,897	\$ 982	\$ 7,879	\$ -
028	BCBS of Vermont	VT	1	\$ 278	\$ -	\$ -	\$ 278	\$ -	\$ 278	\$ -
029	BCBS of Texas	TX	205	\$ 194,407	\$ -	\$ 37,405	\$ 92,396	\$ 64,606	\$ 175,380	\$ 19,027
030	Colorado WellPoint BCBS	CO	154	\$ 89,795	\$ 24,710	\$ 27,770	\$ 12,561	\$ 24,755	\$ 89,795	\$ -
031	Wellmark BCBS of Iowa	IA	21	\$ 10,524	\$ 5,577	\$ 2,939	\$ 1,344	\$ 664	\$ 4,738	\$ 5,786
032	BCBS of Michigan	MI	28	\$ 10,761	\$ 1,539	\$ 1,572	\$ 2,941	\$ 4,709	\$ 10,761	\$ -
033	BCBS of North Carolina	NC	171	\$ 86,830	\$ 45,243	\$ 11,274	\$ 16,138	\$ 14,175	\$ 82,075	\$ 4,754
034	BCBS of North Dakota	ND	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
037	BCBS of Montana	MT	7	\$ 3,951	\$ 1,288	\$ 1,158	\$ 1,505	\$ -	\$ 3,951	\$ -
038	BCBS of Hawaii	HI	3	\$ 2,612	\$ -	\$ 255	\$ -	\$ 2,357	\$ 2,612	\$ -
039	Indiana WellPoint BCBS	IN	83	\$ 34,731	\$ 8,738	\$ 13,758	\$ 9,502	\$ 2,732	\$ 34,731	\$ -
040	BCBS of Mississippi	MS	121	\$ 63,625	\$ -	\$ 5,143	\$ 11,287	\$ 47,196	\$ 63,625	\$ -
041	BCBS of Florida	FL	405	\$ 235,472	\$ 51,902	\$ 43,293	\$ 98,355	\$ 41,922	\$ 132,301	\$ 103,172
042	BCBS of Kansas City	MO	14	\$ 9,496	\$ 6,397	\$ 293	\$ 1,995	\$ 812	\$ 9,496	\$ -
043	Regence BS of Idaho	ID	41	\$ 19,525	\$ 12,603	\$ 1,626	\$ 4,203	\$ 1,094	\$ 19,525	\$ -

GLOBAL ASSISTANT SURGEON CLAIM OVERPAYMENTS
BLUECROSS AND BLUESHIELD PLANS

QUESTIONED CHARGES BY PLAN

Site Number	Plan Name	State	Total Questioned		Amounts Questioned by Year				Plan Agrees	Plan Disagrees
			Claim Lines	Total Charges	2006	2007	2008	2009		
044	Arkansas BCBS	AR	3	\$ 754	\$ -	\$ -	\$ 754	\$ -	\$ 754	\$ -
045	Kentucky WellPoint BCBS	KY	56	\$ 27,664	\$ 9,645	\$ 8,791	\$ 7,917	\$ 1,310	\$ 27,620	\$ 43
047	WellPoint BCBS of Wisconsin	WI	185	\$ 84,113	\$ 34,570	\$ 33,988	\$ 9,336	\$ 6,219	\$ 84,113	\$ -
048	Empire BCBS	NY	9	\$ 6,993	\$ -	\$ -	\$ 6,116	\$ 877	\$ 1,516	\$ 5,477
049	Horizon BCBS of New Jersey	NJ	6	\$ 2,824	\$ -	\$ -	\$ -	\$ 2,824	\$ 1,876	\$ 949
050	Connecticut WellPoint BCBS	CT	2	\$ 640	\$ -	\$ -	\$ 361	\$ 280	\$ 640	\$ -
053	BCBS of Nebraska	NE	7	\$ 3,056	\$ -	\$ -	\$ -	\$ 3,056	\$ 3,056	\$ -
054	Mountain State BCBS	WV	1	\$ 265	\$ -	\$ -	\$ -	\$ 265	\$ 265	\$ -
056	BCBS of Arizona	AZ	20	\$ 9,839	\$ -	\$ 1,412	\$ 5,289	\$ 3,138	\$ 9,839	\$ -
058	Regence BCBS of Oregon	OR	76	\$ 44,215	\$ 14,639	\$ 15,750	\$ 5,513	\$ 8,313	\$ 44,215	\$ -
059	Maine WellPoint BCBS	ME	2	\$ 440	\$ -	\$ -	\$ 440	\$ -	\$ 440	\$ -
060	BCBS of Rhode Island	RI	16	\$ 10,310	\$ 4,281	\$ 274	\$ 5,347	\$ 408	\$ 9,124	\$ 1,186
061	Nevada WellPoint BCBS	NV	163	\$ 112,498	\$ 46,228	\$ 26,656	\$ 22,494	\$ 17,121	\$ 112,261	\$ 237
062	Virginia WellPoint BCBS	VA	14	\$ 11,961	\$ 314	\$ -	\$ 9,750	\$ 1,897	\$ 10,995	\$ 967
064	BC BS of Rochester	NY	8	\$ 3,242	\$ -	\$ 407	\$ 1,111	\$ 1,723	\$ 3,231	\$ 11
066	Regence BCBS of Utah	UT	193	\$ 88,603	\$ 32,871	\$ 14,633	\$ 26,087	\$ 15,012	\$ 88,369	\$ 234
067	BS of California	CA	117	\$ 55,804	\$ 34,604	\$ 10,922	\$ 6,643	\$ 3,635	\$ 55,804	\$ -
069	Regence BS of Washington	WA	135	\$ 58,813	\$ 16,955	\$ 11,443	\$ 13,731	\$ 16,684	\$ 54,503	\$ 4,310
070	BCBS of Alaska	AK	4	\$ 212	\$ -	\$ -	\$ 370	\$ (158)	\$ 212	\$ -
074	Wellmark BCBS of South Dakota	SD	14	\$ 8,445	\$ 4,059	\$ 1,615	\$ 1,687	\$ 1,083	\$ 8,445	\$ -
075	Premera BC	WA	25	\$ 13,171	\$ 5,210	\$ 4,598	\$ 499	\$ 2,865	\$ 9,564	\$ 3,607
076	WellPoint BCBS of Missouri	MO	153	\$ 79,572	\$ 24,209	\$ 18,801	\$ 22,095	\$ 14,467	\$ 79,572	\$ -
078	BCBS of Minnesota	MN	7	\$ 6,800	\$ 429	\$ 732	\$ -	\$ 5,640	\$ -	\$ 6,800
079	BCBS of Central NY	NY	42	\$ 19,003	\$ 6,997	\$ 5,594	\$ 5,647	\$ 765	\$ 18,949	\$ 53
082	BCBS of Kansas	KS	2	\$ 2,027	\$ 2,027	\$ -	\$ -	\$ -	\$ 2,027	\$ -
083	BCBS of Oklahoma	OK	34	\$ 17,212	\$ -	\$ -	\$ 8,247	\$ 8,965	\$ 13,109	\$ 4,103
084	BCBS of Utica-Watertown	NY	17	\$ 8,302	\$ -	\$ 2,408	\$ 4,229	\$ 1,666	\$ 8,302	\$ -
085	CareFirst BCBS	DC	9	\$ 5,744	\$ -	\$ -	\$ 2,097	\$ 3,647	\$ 5,744	\$ -
089	BCBS of Delaware	DE	23	\$ 23,140	\$ 4,902	\$ 3,341	\$ 10,224	\$ 4,673	\$ 18,004	\$ 5,136
Total			3,061	\$ 1,806,296	\$ 436,330	\$ 367,615	\$ 533,946	\$ 468,405	\$ 1,604,611	\$ 201,685



**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

Federal Employee Program
1310 G Street, N.W.
Washington, D.C. 20005
202.942.1000
Fax 202.942.1125

December 7, 2009

[REDACTED], Group Chief
Experience-Rated Audits Group
Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, Room 6400
Washington, DC 20415-1100

**Reference: OPM DRAFT AUDIT REPORT
Global Assistant Surgeon
Audit Report #1A-99-00-09-061
(Report dated and received 9/2/2009)**

Dear [REDACTED]

This is in response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report concerning the Global Assistant Surgeon Audit for claims paid from January 1, 2006 through July 31, 2009, with potential overpayments totaling \$5,929,609. Our comments concerning the findings in this report are as follows:

Recommendation 1

The OPM OIG auditors recommended that the contracting officer disallow \$5,929,609 for assistant surgeon overpayments charged to the FEHBP and have the BCBS Plans return all amounts recovered to the FEHBP.

Response to Recommendation 1:

After reviewing the listings of potential Assistant Surgeon overpayments totaling \$5,929,609, the Association does not contest that \$ 1,556,704 in Assistant Surgeon claim payments are confirmed overpayments. As of December 7, 2009, we have recovered \$445,463.

We contest the remaining \$3,890,229 in Assistant Surgeon claim payments for the following reasons:

- \$261,698 in claim payments were voided and/or adjusted prior to the start of the audit (September 1, 2009).

December 7, 2009

Page 2 of 4

- \$3,628,531 in claim payments were processed correctly in accordance with Medicare requirements and/or the Plan's provider contracts.

Additionally, there is \$482,976 in potential overpayments that are still under investigation by the Plans.

Recommendation 2

The OIG Auditors recommended that BCBSA provide the support for each payment error disagreed to that was identified in this audit finding (even if identified and/or adjusted/voided prior to this audit by BCBS Association and/or a BCBS Plan).

Response to Recommendation 2:

The claim support for each of the confirmed overpayments has been submitted.

Recommendation 3

The OIG Auditors recommended that the contracting officer instruct the Association to have the BCBS Plans identify the root cause(s) of the claim payment errors and implement corrective actions/procedures to prevent these types of errors in the future.

Response to Recommendation 3:

Based on our review of the Plan's results, we confirmed the following list of reasons why these claim errors occurred:

- Manual errors (to include but not limited to incorrect coding/overriding system edits/using the incorrect allowances) by claim processors at the Plans resulting in an overpayment of \$227,296;
- Plan's local system did not properly identify the assistant surgeon modifiers; therefore the correct allowances were not provided resulting in an overpayment of \$310,307;
- The appropriate Medicare Percentage used in pricing the OBRA 93 claims was incorrect causing an overpayment of \$168,905;
- The Plans incorrectly submitted to the Operations Center the billed charges as opposed to the correct allowance for the assistant surgery services causing an overpayment of \$107,962;

December 7, 2009

Page 3 of 4

- The Plans incorrectly applied the wrong Medicare or Plan allowances for claims resulting in an overpayment of \$412,654; and
- Other various reasons, including but not limited too, surgical assistant not usually required for the type of surgery performed, causing an overpayment of \$314,878.

In addition, we have completed our preliminary root causal analysis with Plans who had large dollar findings. Results from this analysis identified the following:

- Human Errors – where processors are responsible for pricing the assistant surgeon claims manually.
- We only send the first three modifiers for OBRA 93 pricing. However, if the assistant surgeon modifier is in the fourth position it will not be sent to Palmetto for OBRA 93 pricing.

We will complete our final root cause analysis for all Plans by March 31, 2010 to determine any future system enhancements, policy changes and/or training opportunities.

Corrective Actions:

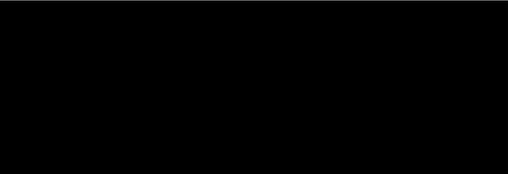
The Association has or is in the process of taking the following actions:

- Have Plans educate providers on the correct method for submitting charges for Assistant Surgeon services by 2nd Quarter 2010.
- Instruct Plans to use these confirmed errors as training tools to ensure that examiners know the proper coding requirements for the adjudication of Assistant Surgeon Claims by 2nd Quarter 2010.
- Continue to include these claims in the FEP periodic System-Wide Claim Review Process. We will also evaluate the impact on Plans' workload of reducing the audit review threshold amount from \$1,000 to \$500 by 2nd Quarter 2010.
- During 2010, we will develop and implement an edit that will defer claims with Assistant Surgeon modifiers when there is no discount applied to the allowance submitted. Plans will then confirm that they actually performed the calculations and is sending the correct allowance or submit the applicable discount so that FEPEXpress can


December 7, 2009
Page 4 of 4

determine the correct FEP allowance.

- Update the FEP Administrative Manual Volume II by 2nd Quarter 2010 with more specific coding details to include actual examples for each of the Assistant Surgeon Modifiers on how these claims should be submitted to the Operations Center for adjudication.
- Add this Assistant Surgeon coding training to the Micro Regional Meetings provided by the Operations Center to Plans to ensure the Plans have face-to-face training.
- During the 1st Quarter 2010 Control and Performance of Palmetto, we will evaluate Palmetto's internal controls for generating pricing data for the Assistant Surgeon Modifiers to ensure compliance with Medicare pricing guidelines.


Executive Director, Program Integrity
Federal Employee Program

Attachment

cc: 