



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

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# Final Audit Report

**Subject:**

**AUDIT ON GLOBAL  
OMNIBUS BUDGET RECONCILIATION ACT  
OF 1990 CLAIMS  
FOR BLUECROSS AND BLUESHIELD PLANS**

**Report No. 1A-99-00-09-046**

**Date: July 19, 2010**

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Office of the  
Inspector General

**AUDIT REPORT**

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

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Global Omnibus Budget Reconciliation Act of 1990 Claims  
BlueCross and BlueShield Plans

REPORT NO. 1A-99-00-09-046

DATE: July 19, 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 Omnibus Budget Reconciliation Act of 1990 Claims  
BlueCross and BlueShield Plans

REPORT NO. 1A-99-00-09-046

DATE: July 19, 2010

This final audit report on the Federal Employees Health Benefits Program (FEHBP) operations at all BlueCross and BlueShield (BCBS) plans questions \$4,237,986 in health benefit charges. The BlueCross BlueShield Association (Association) and/or BCBS plans agreed with \$4,094,956 and disagreed with \$143,030 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 May 31, 2009 as reported in the Annual Accounting Statements. Specifically, we reviewed claims paid from January 1, 2007 through May 31, 2009 that were subject to the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) pricing guidelines. Also, we reviewed claims paid from January 1, 2006 through May 31, 2009 that were potentially subject to the OBRA 90 pricing guidelines but appeared to be paid under the BCBS plans' standard pricing procedures.

We determined that BCBS plans incorrectly paid 262 claims that were priced or potentially should have been priced under the OBRA 90 pricing guidelines, resulting in net overcharges of \$4,001,506 to the FEHBP. Specifically, the BCBS plans overpaid 214 of these claims by \$4,515,977 and underpaid 48 of these claims by \$514,471. In addition, we identified 76 claims requiring retroactive overpayment adjustments of \$738,112 and 106 claims requiring retroactive underpayment adjustments of \$501,632 due to OBRA 90 pricing updates that occurred after these claims were processed, resulting in net overpayments of \$236,480. In total, we determined that 290 claims were overpaid by \$5,254,089 and 154 claims were underpaid by \$1,016,103, resulting in net overcharges of \$4,237,986 to the FEHBP for these 444 claims.

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## **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 (FEP<sup>1</sup>) 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.

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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 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 audit of Omnibus Budget Reconciliation Act of 1990 (OBRA 90) claims for the BCBS plans. The results of this audit were discussed with the Association throughout the audit and presented in detail in a draft report, dated December 30, 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 June 16, 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 claims that were priced or potentially should have been priced under the OBRA 90 pricing guidelines.

### **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 May 31, 2009 as reported in the Annual Accounting Statements. Specifically, we reviewed claims paid from January 1, 2007 through May 31, 2009 that were subject to the OBRA 90 pricing guidelines. Also, we reviewed claims paid from January 1, 2006 through May 31, 2009 that were potentially subject to the OBRA 90 pricing guidelines but appeared to be paid under the BCBS plans' standard pricing procedures.

Using our SAS data warehouse function, we performed a computer search on the BCBS claims database to identify claims paid that were subject to the OBRA 90 pricing guidelines. For the period January 1, 2007 through May 31, 2009, we identified 37,195 claims, totaling \$342,311,386 in payments, that met this search criteria.<sup>2</sup> From this universe, we selected and reviewed a judgmental sample of 1,150 claims, totaling \$47,239,527 in payments, for the purpose of determining if these claims were correctly priced by the FEP Operations Center and paid by the BCBS plans. Our sample included various selections of OBRA 90 claims with amounts paid of \$5,000 or more and consisted of claims for 56 of the 63 BCBS plans (see Schedule A for the sample summary of OBRA 90 claims by plan).

We also performed a computer search to identify claims paid that were potentially subject to the OBRA 90 pricing guidelines but appeared to be paid under the BCBS plans' standard pricing procedures (also referred to as possible OBRA 90 claims). For the period January 1, 2006 through May 31, 2009, we identified 4,631 claims, totaling \$46,912,430 in payments, for 3,607 patients that met this search criteria.<sup>3</sup> From this universe of 3,607 patients, we selected and reviewed a judgmental sample of 861 patients (1,490 claims, totaling \$30,877,728 in payments) for the purpose of determining if the BCBS plans paid these patients' claims properly. Our sample included all patients with cumulative possible OBRA 90 claim payments of \$15,000 or more and consisted of claims for 50 of the 63 plans (see Schedule A for the sample summary of possible OBRA 90 claims by plan).

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<sup>2</sup> This universe excludes the OBRA 90 claims for the BCBS plans' years that were previously audited by the OIG.

<sup>3</sup> This universe excludes the possible OBRA 90 claims for the BCBS plans' years that were previously audited by the OIG.

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 OBRA 90 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 OBRA 90 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, the BCBS plans, and the Centers for Medicare and Medicaid Services (CMS). 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 objective.

The audit was performed at our offices in Washington, D.C.; Cranberry Township, Pennsylvania; and Jacksonville, Florida from October 8, 2009 through December 30, 2009.

## **METHODOLOGY**

To test each BCBS plan's compliance with the FEHBP health benefit provisions, we selected judgmental samples of claims that were priced or potentially should have been priced under the OBRA 90 pricing guidelines. For the period January 1, 2007 through May 31, 2009, we selected for review 1,150 claims, totaling \$47,239,527 in payments (from a universe of 37,195 claims, totaling \$342,311,386 in payments), that were subject to the OBRA 90 pricing guidelines. This sample included various selections of OBRA 90 claims with amounts paid of \$5,000 or more.<sup>4</sup> For the period January 1, 2006 through May 31, 2009, we also selected for review 1,490 claims, totaling \$30,877,728 in payments, for 861 patients (from a universe of 4,631 claims, totaling \$46,912,430 in payments, for 3,607 patients) that were potentially subject to the OBRA 90 pricing guidelines but appeared to be paid under the BCBS plans' standard pricing procedures. This sample included the possible OBRA 90 claims for all patients with cumulative possible OBRA claim payments of \$15,000 or more.

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<sup>4</sup> Using our SAS OBRA 90 application, we randomly selected 250 claims from the stratum of claims with amounts paid of \$5,000 to \$9,999.99, which included 15,644 claims totaling \$109,420,037 in payments; 250 claims from the stratum of claims with amounts paid of \$10,000 to \$24,999.99, which included 7,635 claims totaling \$109,144,835 in payments; and 261 claims from the stratum of claims with amounts paid of \$25,000 to \$49,999.99, which included 1,379 claims totaling \$45,997,998 in payments. We also selected all 302 claims, totaling \$19,921,103 in payments, from the stratum of claims with amounts paid of \$50,000 to \$99,999.99; and all 87 claims, totaling \$13,200,014 in payments, from the stratum of claims with amounts paid of \$100,000 or more.

The samples selected for review were submitted to each applicable BCBS plan for their review and response. We then conducted a review of the plans' responses to verify if the claims were correctly paid and/or determine the appropriate questioned amounts. We did not project the sample results to the universes of OBRA 90 and possible OBRA 90 claims.

The determination of the questioned amounts is based on the FEHBP contract, the Service Benefit Plan brochure, the Association's FEP administrative manual, the FEP Operation Center's OBRA 90 pricing calculations, and/or the CMS pricing program.

### **III. AUDIT FINDING AND RECOMMENDATIONS**

#### **Omnibus Budget Reconciliation Act of 1990 Review**

**\$4,237,986**

The BCBS plans incorrectly paid 262 claims that were priced or potentially should have been priced under the OBRA 90 pricing guidelines, resulting in net overcharges of \$4,001,506 to the FEHBP. Specifically, the BCBS plans overpaid 214 of these claims by \$4,515,977 and underpaid 48 of these claims by \$514,471. In addition to these claim payment errors, we identified 76 claims requiring retroactive overpayment adjustments of \$738,112 and 106 claims requiring retroactive underpayment adjustments of \$501,632 due to OBRA 90 pricing updates that occurred after these claims were processed, resulting in net overpayments of \$236,480. In total, we determined that 290 claims were overpaid by \$5,254,089 and 154 claims were underpaid by \$1,016,103, resulting in net overcharges of \$4,237,986 to the FEHBP for these 444 claims.

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 . . . .”

OBRA 90 limits the benefit payments for certain inpatient hospital services provided to annuitants age 65 or older who are not covered under Medicare Part A. The FEHBP fee-for-service plans are required to limit the claim payment to the amount equivalent to the Medicare Part A payment.

Using a program developed by CMS to price OBRA 90 claims, we recalculated the claim payment amounts for the claims in our samples that were subject to and/or processed as OBRA 90. We also reviewed the BCBS plans’ responses and the FEP Operation Center’s OBRA 90 pricing calculations for the claims in our samples.

The following summarizes the results.

#### **Sample of OBRA 90 Claims**

For the period January 1, 2007 through May 31, 2009, we identified 37,195 claims, totaling \$342,311,386 in payments, that were subject to the OBRA 90 pricing guidelines. From this universe, we selected and reviewed a judgmental sample of 1,150 claims, totaling \$47,239,527 in payments, to determine if these claims were correctly priced by the FEP Operations Center and paid by the BCBS plans. Our sample included various selections of OBRA 90 claims with amounts paid of \$5,000 or more and consisted of claims for 56 of the 63 BCBS plans (see Schedule A for the sample summary of OBRA 90 claims by plan).

Based on our review, we determined that 69 claims were paid incorrectly, resulting in net overcharges of \$1,787,535 to the FEHBP. Specifically, the BCBS plans overpaid 62 claims by \$1,971,683 and underpaid 7 claims by \$184,148.

These claim payment errors resulted from the following:

- The BCBS plans inadvertently did not price 15 claims under OBRA 90, resulting in overcharges of \$744,160 to the FEHBP.
- The FEP Operations Center priced 16 claims using the incorrect Medicare diagnosis related grouping (DRG) codes and/or allowances. Consequently, the BCBS plans overpaid 12 claims by \$417,490 and underpaid 4 claims by \$144,479, resulting in net overcharges of \$273,011 to the FEHBP.
- The BCBS plans paid seven claims using the incorrect local pricing amounts, discounts or methods, resulting in overcharges of \$228,278 to the FEHBP. (These claims were not subject to OBRA 90 pricing but were included in our universe and sample of OBRA 90 claims.)
- The BCBS plans did not properly coordinate 14 claims with Medicare, resulting in overcharges of \$203,709 to the FEHBP.
- The FEP Operations Center priced 10 claims using the incorrect Medicare provider numbers. Consequently, the BCBS plans overpaid nine claims by \$180,637 and underpaid one claim by \$2,700, resulting in net overcharges of \$177,937 to the FEHBP.
- The FEP Operations Center priced two claims without applying the Medicare present on admission indicators, resulting in overcharges of \$140,054 to the FEHBP.
- In one instance, the FEP Operations Center priced a claim using the incorrect billed charges, resulting in an overcharge of \$28,222 to the FEHBP.
- In one instance, the FEP Operations Center incorrectly priced a claim due to a provider billing error, resulting in an overcharge of \$8,910 to the FEHBP.
- The FEP Operations Center incorrectly priced two claims due to manual processing errors. Consequently, the BCBS plans overpaid one claim by \$20,223 and underpaid one claim by \$11,544, resulting in net overcharges of \$8,679 to the FEHBP.
- In one instance, the FEP Operations Center used the incorrect discharge date when pricing the claim, resulting in an undercharge of \$25,425 to the FEHBP.

In addition to these claim payment errors, we identified 143 claims requiring retroactive payment adjustments due to CMS OBRA 90 pricing updates that occurred after these claims were processed. After the FEP Operations Center repriced these claims using the applicable CMS pricing updates, we determined that 63 of these claims required overpayment adjustments of

\$493,272 and 80 of these claims required underpayment adjustments of \$312,055, resulting in net overpayment adjustments of \$181,217 to the FEHBP. Based on an agreement between OPM and the Association, the BCBS plans are required to pursue due diligence and initiate overpayment recoveries for these retroactive payment adjustments.

In total, we determined that 125 claims were overpaid by \$2,464,955 and 87 claims were underpaid by \$496,203, resulting in net overcharges of \$1,968,752 to the FEHBP for these 212 claims (see Schedule B for a summary of questioned charges by plan for the OBRA 90 sample).<sup>5</sup>

#### Sample of Claims Not Priced Under OBRA 90 (Possible OBRA 90 Claims)

For the period January 1, 2006 through May 31, 2009, we identified 4,631 claims, totaling \$46,912,430 in payments, for 3,607 patients that were potentially subject to the OBRA 90 pricing guidelines but appeared to be paid under the BCBS plans' standard pricing procedures. From this universe of 3,607 patients, we selected and reviewed a judgmental sample of 861 patients (1,490 claims, totaling \$30,877,728 in payments) to determine if the BCBS plans paid these patients' claims properly. Our sample included all patients with cumulative possible OBRA 90 claim payments of \$15,000 or more and consisted of claims for 50 of the 63 plans (see Schedule A for the sample summary of possible OBRA 90 claims by plan).

Based on our review, we determined that 193 of these claims were paid incorrectly, resulting in net overcharges of \$2,213,971 to the FEHBP. Specifically, the BCBS plans overpaid 152 claims by \$2,544,294 and underpaid 41 claims by \$330,323.

These claim payment errors resulted from the following:

- The FEP Operations Center priced 86 claims using the incorrect Medicare provider numbers. Consequently, the BCBS plans overpaid 70 claims by \$1,175,222 and underpaid 16 claims by \$123,180, resulting in net overcharges of \$1,052,042 to the FEHBP. The Association and/or plans agree with \$986,445 and disagree with \$65,597 of these questioned charges.
- The FEP Operations Center did not price 34 claims under OBRA 90 due to an "X-52" error code (incorrect or incomplete information) generated by the FEP claims system OBRA 90 pricing software. Consequently, the BCBS plans overpaid 25 claims by \$360,972 and underpaid 9 claims by \$44,975, resulting in net overcharges of \$315,997 to the FEHBP. This error code is generated when the system software can not calculate an OBRA 90 price based on the claim data submitted. In order to pay the claims when this occurs, the FEP Director's Office has instructed the BCBS plans to price these claims using the provider contracts.
- The BCBS plans paid 35 claims using the incorrect local pricing information or methods, resulting in net overcharges of \$309,193 to the FEHBP. Specifically, the BCBS plans

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<sup>5</sup> In addition, there were 13 OBRA 90 claims, totaling \$492,805 in net overcharges, that were identified by the BCBS plans before the start of the audit (i.e., July 10, 2009) and adjusted by the Association's response due date to the draft report (i.e., March 31, 2010). Since these overpayments were identified by the BCBS plans before the start of our audit and adjusted by the Association's response due date to the draft report, we did not question these overpayments in the final report.

overpaid 24 claims by \$449,612 and underpaid 11 claims by \$140,419. (These claims were not subject to OBRA 90 pricing, but were included in our universe and sample of possible OBRA 90 claims.)

- The FEP Operations Center incorrectly priced 10 claims due to manual processing errors. Consequently, the BCBS plans overpaid eight claims by \$135,353 and underpaid two claims by \$8,628, resulting in net overcharges of \$126,725 to the FEHBP.
- The FEP Operations Center inadvertently did not price six claims under OBRA 90 due to BCBS plans improperly using process code “1E” (timely filing), which caused these claims to by-pass the FEP claims system OBRA 90 pricing software. As a result, the BCBS plans overpaid these claims by \$123,215. The Association and/or plans agree with \$45,782 and disagree with \$77,433 of these questioned charges.
- The BCBS plans inadvertently did not price seven claims under OBRA 90 since the patients’ information fields in the FEP Direct System were not current at the time of service, resulting in overcharges of \$118,929 to the FEHBP.
- The FEP Operations Center inadvertently did not price five claims under OBRA 90 due to BCBS plans improperly using process code “1I” (Plan approved), which caused these claims to by-pass the FEP claims system OBRA 90 pricing software. As a result, the BCBS plans overpaid these claims by \$87,489.
- The BCBS plans did not properly coordinate 10 claims with Medicare, resulting in net overcharges of \$80,381 to the FEHBP. Specifically, the BCBS plans overpaid seven claims by \$93,502 and underpaid three claims by \$13,121.

In addition to these claim payment errors, we identified 39 claims requiring retroactive payment adjustments due to CMS OBRA 90 pricing updates that occurred after the claims were processed. After the FEP Operations Center repriced these claims using the applicable CMS updates, we determined that 13 of these claims required overpayment adjustments of \$244,840 and 26 of these claims required underpayment adjustments of \$189,577, resulting in net overpayment adjustments of \$55,263 to the FEHBP. (These claims were OBRA 90 priced, but were included in our universe and sample of possible OBRA 90 claims.) Based on an agreement between OPM and the Association, the BCBS plans are required to pursue due diligence and initiate overpayment recoveries for these retroactive payment adjustments.

In total, we determined that 165 claims were overpaid by \$2,789,134 and 67 claims were underpaid by \$519,900, resulting in net overcharges of \$2,269,234 to the FEHBP for these 232 claims (see Schedule B for a summary of questioned charges by plan for the possible OBRA 90 sample).<sup>6</sup>

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<sup>6</sup> In addition, there were 16 possible OBRA 90 claims, totaling \$243,598 in net overcharges, that were identified by the BCBS plans before the start of the audit (i.e., July 10, 2009) and adjusted by the Association’s response due date to the draft report (i.e., March 31, 2010). Since these overpayments were identified by the BCBS plans before the start of our audit and adjusted by the Association’s response due date to the draft report, we did not question these overpayments in the final report.

### **Association's Response:**

The Association agrees with \$4,094,955 (\$1,968,752 + \$2,126,203) of the questioned charges. The Association states that the BCBS plans have been instructed to initiate recoveries on all uncontested overpayments where possible. To date, the BCBS plans have recovered and returned \$3,265,467 of the overpayments to the FEHBP. For the underpayments, the Association states that the BCBS plans have been instructed to adjust these claims to make additional payments if feasible.

Regarding the sample of OBRA 90 claims, the Association states, "We contest seven claims . . . for the following reasons:

- Pricing differences between the FEP Claim System OBRA '90 mainframe pricing software (supplied by CMS) and the CMS PC Pricer.
- Recovery of the overpayments was initiated or the claims were voided prior to July 10, 2009, the start date of the audit.
- Subscribers' liabilities were included in the overpayment amounts."

Regarding the sample of possible OBRA 90 claims, the Association states, "We contest 21 claims . . . for the following reasons:

- Pricing differences between the FEP Claim System pricing and OPM's PC Pricer . . .
- Provider refunded the money voluntarily because they felt it was an overpayment before the OPM global audit started.
- Claims were identified in a previous OPM audit and priced according to that audit response."

The Association also states, "In order to promote the accuracy of FEP OBRA '90 claims and ensure that Plans are complying with the OBRA '90 action Plan, BCBSA periodically contacts the Plans, sends Possible OBRA '90 claims listing[s] to Plans for review and makes site visits as appropriate to ensure that the Action Plan implemented to reduce OBRA '90 payment errors is producing the desired results. FEP evaluates ways to improve the detection and identification of potential OBRA '90 claim payment errors. In order to continue to reduce the number of confirmed OBRA 90 payment differences in future audits, BCBSA will or has implemented . . . process improvements . . .

While these measures are not absolute, they provide reasonable assurances that payment errors will be identified timely and promote the recoveries of confirmed overpayments. Plan staff continues to periodically examine existing procedures and add additional controls where necessary.

To the extent that there were potential errors, the payments were good faith erroneous benefit payments and fall within the context of CS 1039, Section 2.3 (g). The Plans will continue to

pursue the remaining amounts as required by CS 1039 . . . Any benefit payments the Plans are unable to recover and where due diligence was demonstrated are allowable charges to the Program. In addition, as good faith erroneous payments, lost investment income does not apply to the payments identified in the finding.”

**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 \$4,237,986. Based on the Association’s response and the BCBS plans’ additional documentation, we determined that the Association and/or plans agree with \$4,094,956 and disagree with \$143,030 of the questioned charges.

Based on the Association’s response and/or the BCBS plans’ documentation, the contested amount of \$143,030 represents the following items from the possible OBRA 90 sample:

- \$77,433 of the contested amount represents four claims that by-passed the FEP claims system OBRA 90 pricing software due to BCBS of Alabama improperly using process code “1E” (timely filing). As a result, these claims were locally priced by BCBS of Alabama. The questioned overpayments represent the differences between our OBRA 90 pricing calculations and the plan’s local pricing amounts.
- \$65,597 of the contested amount represents four claims that were priced by the FEP Operations Center using the incorrect Medicare provider numbers. The Association and/or BCBS plans (Arizona, New Mexico, Oklahoma, and Texas plans) did not provide documentation to support the OBRA 90 pricing with the correct Medicare provider numbers.

**Recommendation 1**

We recommend that the contracting officer disallow \$4,515,977 (\$1,971,683 from OBRA 90 sample + \$2,544,294 from possible OBRA 90 sample) 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 \$514,471 (\$184,148 from OBRA 90 sample + \$330,323 from possible OBRA 90 sample) if additional payments are made to the providers to correct the underpayments.

**Recommendation 3**

For the claims requiring retroactive overpayment adjustments due to CMS OBRA 90 pricing updates, we recommend that the contracting officer require the BCBS plans to initiate recoveries of \$738,112 (\$493,272 from OBRA 90 sample + \$244,840 from possible OBRA 90 sample) for these overpayments and verify that the BCBS plans return all amounts recovered to the FEHBP.

**Recommendation 4**

For the claims requiring retroactive underpayment adjustments due to CMS OBRA 90 pricing updates, we recommend that the contracting officer allow the BCBS plans to charge the FEHBP \$501,632 (\$312,055 from OBRA 90 sample + \$189,577 from possible OBRA 90 sample) if additional payments are made to the providers to correct these underpayments.

**Recommendation 5**

Although the Association has developed a corrective action plan to reduce OBRA 90 findings, 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 process improvements included in the Association's response are implemented.

#### **IV. MAJOR CONTRIBUTORS TO THIS REPORT**

##### Experience-Rated Audits Group

██████████ Auditor-In-Charge

██████████ Auditor

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██████████ Chief ██████████

##### Information Systems Audits Group

██████████ Chief

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

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

## V. SCHEDULES

**GLOBAL OMNIBUS BUDGET RECONCILIATION ACT OF 1990 CLAIMS  
 BLUECROSS AND BLUESHIELD PLANS**

**SUMMARY OF CLAIM SAMPLE SELECTIONS BY PLAN**

Plan Site Number	Plan Name	State	OBRA 90 Sample		Possible OBRA 90 Sample	
			Number of Claims	Claim Payment Amounts	Number of Claims	Claim Payment Amounts
003	BCBS of New Mexico	NM	9	\$ 333,484	40	\$ 862,937
005	WellPoint BCBS - Georgia	GA	35	\$ 1,313,470	47	\$ 988,692
007	BCBS of Louisiana	LA	14	\$ 498,854	6	\$ 95,824
009	BCBS of Alabama	AL	38	\$ 955,342	10	\$ 416,637
010	BC of Idaho Health Service	ID	5	\$ 101,787	0	\$ -
011	BCBS of Massachusetts	MA	34	\$ 1,109,223	15	\$ 360,234
012	BCBS of Western New York	NY	1	\$ 9,805	3	\$ 37,106
013	Highmark BCBS	PA	7	\$ 432,749	12	\$ 291,764
015	BCBS of Tennessee	TN	21	\$ 633,656	7	\$ 216,699
016	BCBS of Wyoming	WY	1	\$ 68,592	15	\$ 184,328
017	BCBS of Illinois	IL	41	\$ 2,049,819	108	\$ 1,311,233
021	WellPoint BCBS - Ohio	OH	80	\$ 3,868,697	30	\$ 842,818
024	BCBS of South Carolina	SC	19	\$ 631,008	18	\$ 420,188
027	WellPoint BCBS - New Hampshire	NH	2	\$ 37,260	5	\$ 158,617
028	BCBS of Vermont	VT	1	\$ 26,206	2	\$ 19,334
029	BCBS of Texas	TX	115	\$ 4,578,417	250	\$ 4,508,882
030	WellPoint BCBS - Colorado	CO	18	\$ 497,581	26	\$ 381,383
031	Wellmark BCBS of Iowa	IA	5	\$ 118,924	48	\$ 612,554
032	BCBS of Michigan	MI	17	\$ 665,079	4	\$ 113,184
033	BCBS of North Carolina	NC	30	\$ 2,503,777	29	\$ 761,768

V. SCHEDULES

GLOBAL OMNIBUS BUDGET RECONCILIATION ACT OF 1990 CLAIMS  
 BLUECROSS AND BLUESHIELD PLANS

SUMMARY OF CLAIM SAMPLE SELECTIONS BY PLAN

Plan Site Number	Plan Name	State	OBRA 90 Sample		Possible OBRA 90 Sample	
			Number of Claims	Claim Payment Amounts	Number of Claims	Claim Payment Amounts
034	BCBS of North Dakota	ND	3	\$ 28,538	1	\$ 16,407
036	Capital Blue Cross	PA	19	\$ 890,656	3	\$ 66,091
037	BCBS of Montana	MT	4	\$ 97,383	1	\$ 15,539
039	WellPoint BCBS - Indiana	IN	14	\$ 633,165	7	\$ 265,465
040	BCBS of Mississippi	MS	13	\$ 554,179	21	\$ 534,916
041	BCBS of Florida	FL	76	\$ 3,289,826	163	\$ 3,756,169
042	BCBS of Kansas City	MO	7	\$ 147,715	17	\$ 328,804
044	Arkansas BCBS	AR	3	\$ 70,251	11	\$ 292,952
045	WellPoint BCBS - Kentucky	KY	17	\$ 646,867	51	\$ 676,296
047	WellPoint BCBS United of Wisconsin	WI	3	\$ 218,063	26	\$ 454,287
048	Empire BCBS (WellPoint)	NY	47	\$ 2,451,004	56	\$ 2,956,251
049	Horizon BCBS of New Jersey	NJ	6	\$ 197,111	0	\$ -
050	WellPoint BCBS - Connecticut	CT	5	\$ 228,081	8	\$ 116,900
052	WellPoint BC - California	CA	155	\$ 7,202,738	61	\$ 1,615,352
053	BCBS of Nebraska	NE	6	\$ 333,320	36	\$ 462,037
054	Mountain State BCBS	WV	5	\$ 264,307	4	\$ 42,372
055	Independence BC	PA	32	\$ 964,581	6	\$ 110,905
056	BCBS of Arizona	AZ	23	\$ 848,010	71	\$ 1,313,009
058	Regence BCBS of Oregon	OR	15	\$ 467,724	22	\$ 300,857
059	WellPoint BCBS - Maine	ME	4	\$ 70,442	8	\$ 169,796

## V. SCHEDULES

**GLOBAL OMNIBUS BUDGET RECONCILIATION ACT OF 1990 CLAIMS  
 BLUECROSS AND BLUESHIELD PLANS**

**SUMMARY OF CLAIM SAMPLE SELECTIONS BY PLAN**

Plan Site Number	Plan Name	State	OBRA 90 Sample		Possible OBRA 90 Sample	
			Number of Claims	Claim Payment Amounts	Number of Claims	Claim Payment Amounts
060	BCBS of Rhode Island	RI	6	\$ 435,890	0	\$ -
061	WellPoint BCBS - Nevada	NV	9	\$ 471,373	4	\$ 57,410
062	WellPoint BCBS - Virginia	VA	39	\$ 1,389,242	6	\$ 106,350
064	Excellus BCBS of the Rochester Area	NY	2	\$ 18,273	0	\$ -
066	Regence BCBS of Utah	UT	16	\$ 381,218	5	\$ 158,218
070	BCBS of Alaska	AK	4	\$ 261,657	1	\$ 124,045
075	Premera BC (Washington)	WA	32	\$ 1,076,419	7	\$ 83,936
076	WellPoint BCBS - Missouri	MO	19	\$ 559,518	25	\$ 660,359
078	BCBS of Minnesota	MN	10	\$ 344,553	8	\$ 265,377
079	Excellus BCBS of Central New York	NY	2	\$ 19,446	0	\$ -
082	BCBS of Kansas	KS	8	\$ 193,916	20	\$ 280,310
083	BCBS of Oklahoma	OK	20	\$ 586,790	17	\$ 440,559
084	Excellus BCBS of Utica-Watertown	NY	1	\$ 5,941	0	\$ -
085	CareFirst BCBS (DC Service Area)	DC	26	\$ 1,305,093	133	\$ 2,294,489
088	BC of Northeastern Pennsylvania	PA	3	\$ 67,476	6	\$ 109,400
089	BCBS of Delaware	DE	3	\$ 85,030	10	\$ 218,689
<b>Total</b>			<b>1,150</b>	<b>\$ 47,239,527</b>	<b>1,490</b>	<b>\$ 30,877,728</b>

GLOBAL OMNIBUS BUDGET RECONCILIATION ACT OF 1990 CLAIMS  
BLUECROSS AND BLUESHIELD PLANS

QUESTIONED CHARGES BY PLAN

Plan Site Number	Plan Name	State	OBRA 90 Sample		Possible OBRA 90 Sample		Total Questioned		Amounts Questioned by Year				Plans' Responses	
			Claims	Questioned Charges	Claims	Questioned Charges	Claims	Total Charges	2006	2007	2008	2009	Agrees	Disagrees
003	BCBS of New Mexico	NM	2	\$ 7,615	8	\$ 154,986	10	\$ 162,601	\$ 44,962	\$ 15,580	\$ 15,066	\$ 86,993	\$ 159,856	\$ 2,745
005	WellPoint BCBS - Georgia	GA	4	\$ 17,598	14	\$ 165,303	18	\$ 182,901	\$ 13,857	\$ 22,426	\$ 80,774	\$ 65,844	\$ 182,901	\$ -
007	BCBS of Louisiana	LA	1	\$ 30,031	0	\$ -	1	\$ 30,031	\$ -	\$ 30,031	\$ -	\$ -	\$ 30,031	\$ -
009	BCBS of Alabama	AL	1	\$ 12,511	4	\$ 77,433	5	\$ 89,944	\$ 72,019	\$ -	\$ 5,414	\$ 12,511	\$ 12,511	\$ 77,433
010	BC of Idaho Health Service	ID	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
011	BCBS of Massachusetts	MA	3	\$ (6,805)	12	\$ 65,877	15	\$ 59,073	\$ (15,752)	\$ 31,734	\$ 44,278	\$ (1,186)	\$ 59,073	\$ -
012	BCBS of Western New York	NY	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
013	Highmark BCBS	PA	2	\$ (116)	1	\$ (3,572)	3	\$ (3,688)	\$ -	\$ -	\$ 651	\$ (4,339)	\$ (3,688)	\$ -
015	BCBS of Tennessee	TN	3	\$ 151,781	2	\$ 41,024	5	\$ 192,805	\$ -	\$ -	\$ 41,024	\$ 151,781	\$ 192,805	\$ -
016	BCBS of Wyoming	WY	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
017	BCBS of Illinois	IL	2	\$ 66,137	8	\$ 81,571	10	\$ 147,708	\$ -	\$ 2,226	\$ 107,151	\$ 38,331	\$ 147,708	\$ -
021	WellPoint BCBS - Ohio	OH	24	\$ 237,307	8	\$ 167,879	32	\$ 405,186	\$ 21,185	\$ (17,344)	\$ 223,102	\$ 178,243	\$ 405,186	\$ -
024	BCBS of South Carolina	SC	3	\$ (2,167)	7	\$ 127,030	10	\$ 124,863	\$ -	\$ 37,605	\$ 21,326	\$ 65,932	\$ 124,863	\$ -
027	WellPoint BCBS - New Hampshire	NH	0	\$ -	1	\$ 24,030	1	\$ 24,030	\$ -	\$ -	\$ -	\$ 24,030	\$ 24,030	\$ -
028	BCBS of Vermont	VT	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
029	BCBS of Texas	TX	22	\$ 648,540	34	\$ 170,760	56	\$ 819,300	\$ -	\$ 266,917	\$ 370,928	\$ 181,455	\$ 801,683	\$ 17,617
030	WellPoint BCBS - Colorado	CO	3	\$ 92,612	1	\$ 13,327	4	\$ 105,939	\$ -	\$ 93,994	\$ 11,945	\$ -	\$ 105,939	\$ -
031	Wellmark BCBS of Iowa	IA	0	\$ -	2	\$ 16,315	2	\$ 16,315	\$ 16,315	\$ -	\$ -	\$ -	\$ 16,315	\$ -
032	BCBS of Michigan	MI	8	\$ 64,630	0	\$ -	8	\$ 64,630	\$ -	\$ 9,071	\$ 55,559	\$ -	\$ 64,630	\$ -
033	BCBS of North Carolina	NC	20	\$ 36,830	8	\$ 37,099	28	\$ 73,929	\$ 32,288	\$ (13,647)	\$ 5,193	\$ 50,095	\$ 73,929	\$ -
034	BCBS of North Dakota	ND	0	\$ -	1	\$ 16,407	1	\$ 16,407	\$ -	\$ 16,407	\$ -	\$ -	\$ 16,407	\$ -
036	Capital Blue Cross	PA	4	\$ 35,923	0	\$ -	4	\$ 35,923	\$ -	\$ -	\$ 28,222	\$ 7,701	\$ 35,923	\$ -
037	BCBS of Montana	MT	1	\$ (566)	0	\$ -	1	\$ (566)	\$ -	\$ (566)	\$ -	\$ -	\$ (566)	\$ -
039	WellPoint BCBS - Indiana	IN	2	\$ (5,161)	0	\$ -	2	\$ (5,161)	\$ -	\$ -	\$ -	\$ (5,161)	\$ (5,161)	\$ -
040	BCBS of Mississippi	MS	3	\$ 10,986	6	\$ 114,303	9	\$ 125,289	\$ -	\$ 117,441	\$ 7,848	\$ -	\$ 125,289	\$ -
041	BCBS of Florida	FL	16	\$ 215,525	43	\$ 132,810	59	\$ 348,335	\$ 26,108	\$ (43,341)	\$ 282,711	\$ 82,857	\$ 348,335	\$ -
042	BCBS of Kansas City	MO	2	\$ 3,969	0	\$ -	2	\$ 3,969	\$ -	\$ -	\$ 5,351	\$ (1,382)	\$ 3,969	\$ -
044	Arkansas BCBS	AR	1	\$ 2,078	1	\$ 104,215	2	\$ 106,293	\$ -	\$ -	\$ 104,215	\$ 2,078	\$ 106,293	\$ -
045	WellPoint BCBS - Kentucky	KY	0	\$ -	11	\$ 82,067	11	\$ 82,067	\$ 34,826	\$ (9,931)	\$ 10,403	\$ 46,769	\$ 82,067	\$ -
047	WellPoint BCBS United of Wisconsin	WI	0	\$ -	11	\$ 166,118	11	\$ 166,118	\$ -	\$ 50,409	\$ 69,171	\$ 46,538	\$ 166,118	\$ -
048	Empire BCBS (WellPoint)	NY	12	\$ (156,623)	2	\$ 18,000	14	\$ (138,623)	\$ -	\$ (8,747)	\$ (13,332)	\$ (116,544)	\$ (138,623)	\$ -
049	Horizon BCBS of New Jersey	NJ	1	\$ (2,196)	0	\$ -	1	\$ (2,196)	\$ -	\$ -	\$ -	\$ (2,196)	\$ (2,196)	\$ -
050	WellPoint BCBS - Connecticut	CT	2	\$ 26,184	0	\$ -	2	\$ 26,184	\$ -	\$ -	\$ 12,323	\$ 13,861	\$ 26,184	\$ -
052	WellPoint BC - California	CA	31	\$ (34,812)	10	\$ 214,545	41	\$ 179,733	\$ 43,997	\$ 110,955	\$ 5,640	\$ 19,140	\$ 179,733	\$ -
053	BCBS of Nebraska	NE	1	\$ 19,072	0	\$ -	1	\$ 19,072	\$ -	\$ -	\$ 19,072	\$ -	\$ 19,072	\$ -
054	Mountain State BCBS	WV	2	\$ 2,256	0	\$ -	2	\$ 2,256	\$ -	\$ 1,081	\$ 1,174	\$ -	\$ 2,256	\$ -
055	Independence BC	PA	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
056	BCBS of Arizona	AZ	0	\$ -	7	\$ 71,706	7	\$ 71,706	\$ -	\$ 7,458	\$ 60,178	\$ 4,070	\$ 42,373	\$ 29,333
058	Regence BCBS of Oregon	OR	8	\$ 92,247	3	\$ (66,848)	11	\$ 25,398	\$ (82,525)	\$ 2,785	\$ 60,235	\$ 44,904	\$ 25,398	\$ -
059	WellPoint BCBS - Maine	ME	0	\$ -	1	\$ 3,019	1	\$ 3,019	\$ -	\$ -	\$ 3,019	\$ -	\$ 3,019	\$ -
060	BCBS of Rhode Island	RI	1	\$ 911	0	\$ -	1	\$ 911	\$ -	\$ -	\$ 911	\$ -	\$ 911	\$ -
061	WellPoint BCBS - Nevada	NV	1	\$ 1,083	0	\$ -	1	\$ 1,083	\$ -	\$ 1,083	\$ -	\$ -	\$ 1,083	\$ -
062	WellPoint BCBS - Virginia	VA	5	\$ 20,700	1	\$ 16,247	6	\$ 36,947	\$ -	\$ -	\$ 37,878	\$ (932)	\$ 36,947	\$ -
064	Excelsus BCBS of the Rochester Area	NY	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
066	Regence BCBS of Utah	UT	2	\$ (2,079)	2	\$ 12,076	4	\$ 9,997	\$ -	\$ 16,195	\$ (4,119)	\$ (2,079)	\$ 9,997	\$ -
070	BCBS of Alaska	AK	2	\$ 186,836	0	\$ -	2	\$ 186,836	\$ -	\$ -	\$ 186,836	\$ -	\$ 186,836	\$ -
075	Premiera BC (Washington)	WA	2	\$ 82,141	0	\$ -	2	\$ 82,141	\$ -	\$ -	\$ 82,141	\$ -	\$ 82,141	\$ -
076	WellPoint BCBS - Missouri	MO	2	\$ 20,898	10	\$ 179,237	12	\$ 200,135	\$ -	\$ -	\$ -	\$ 200,135	\$ 200,135	\$ -

GLOBAL OMNIBUS BUDGET RECONCILIATION ACT OF 1990 CLAIMS  
BLUECROSS AND BLUESHIELD PLANS

QUESTIONED CHARGES BY PLAN

Plan Site Number	Plan Name	State	OBRA 90 Sample		Possible OBRA 90 Sample		Total Questioned		Amounts Questioned by Year				Plans' Responses		
			Claims	Questioned Charges	Claims	Questioned Charges	Claims	Total Charges	2006	2007	2008	2009	Agrees	Disagrees	
078	BCBS of Minnesota	MN	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
079	Excellus BCBS of Central New York	NY	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
082	BCBS of Kansas	KS	0	\$ -	4	\$ 6,186	4	\$ 6,186	\$ (10,129)	\$ 9,876	\$ 6,439	\$ -	\$ -	\$ 6,186	\$ -
083	BCBS of Oklahoma	OK	2	\$ 29,077	1	\$ 15,903	3	\$ 44,980	\$ -	\$ -	\$ 44,980	\$ -	\$ -	\$ 29,077	\$ 15,903
084	Excellus BCBS of Utica-Watertown	NY	0	\$ -	0	\$ -	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
085	CareFirst BCBS (DC Service Area)	DC	9	\$ 10,990	2	\$ (9,260)	11	\$ 1,730	\$ -	\$ -	\$ -	\$ -	\$ 1,730	\$ 1,730	\$ -
088	BC of Northeastern Pennsylvania	PA	1	\$ 3,527	1	\$ 6,617	2	\$ 10,144	\$ -	\$ -	\$ -	\$ -	\$ 10,145	\$ 10,145	\$ -
089	BCBS of Delaware	DE	1	\$ 49,280	5	\$ 46,825	6	\$ 96,105	\$ -	\$ 49,280	\$ 46,825	\$ -	\$ -	\$ 96,105	\$ -
<b>Total</b>			<b>212</b>	<b>\$ 1,968,752</b>	<b>232</b>	<b>\$ 2,269,234</b>	<b>444</b>	<b>\$ 4,237,986</b>	<b>\$ 197,151</b>	<b>\$ 798,979</b>	<b>\$ 2,040,533</b>	<b>\$ 1,201,323</b>	<b>\$ 4,094,956</b>	<b>\$ 143,030</b>	

**BlueCross BlueShield  
Association**An Association of Independent  
Blue Cross and Blue Shield Plans

April 5, 2010

[REDACTED]  
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**Reference: OPM DRAFT AUDIT REPORT  
Global OBRA '90 & Possible OBRA '90  
Audit Report 1A-99-00-09-046**

Dear [REDACTED]

This is in response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report concerning the Global OBRA '90 and Possible OBRA '90 Claim Payments Audit of the FEP Blue Cross Blue Shield Plans. Our comments concerning the findings in the report are as follows:

**Global OBRA '90 & Possible OBRA '90****\$4,476,488****OBRA '90 Claims Sample**

OPM determined that 219 of the claims sample were paid incorrectly that resulted in a net overcharges of \$2,093,552 to the FEHBP. Specifically, 131 claims were overpaid by \$2,593,516 and 88 claims were underpaid by \$499,964.

We do not contest that \$1,968,752 in OBRA '90 claim payments may have been overpaid. These overpayments represent approximately .006 percent of total medical claims subject to OBRA '90 processing paid during the audit scope (from January 1, 2007 through May 31, 2009). For this time frame, the Federal Employee Program paid \$342,311,386 in medical claims that were subject to OBRA '90 pricing guidelines. As of March 31, 2010, the Plans have recovered \$1,453,240, as noted in Attachment A which also identifies total confirmed OBRA '90 claims and the amount recovered by each Plan location.

Further analysis of the Plan responses identified the following:

- 15 claims resulting in a net overcharge of \$744,160 were overpaid because these transactions were not priced according to OBRA guidelines.
- 26 claims resulting in a net overcharge of \$449,948 due to the usage of an incorrect Medicare provider number or incorrect DRG.
- Seven claims resulting in a net overcharge of \$228,278 because of the incorrect local pricing allowance. (These claims were not subject to OBRA '90 pricing, but were included in our universe of OBRA '90 claims.)
- 14 claims resulting in a net overcharge of \$203,709 because the claim was not coordinated with Medicare Part B.
- Two claims resulting in a net overcharge of \$140,054 because the Medicare present on admission (POA) indicator was not used in pricing the claim.
- Six claims resulting in a net overcharge of \$22,087 because of processors' error, incorrect billed amount used in pricing the claim and other miscellaneous reasons.
- 144 claims resulting in a net overcharge of \$179,517 because when the claims were initially priced by the FEP Claims System OBRA '90 software, a different price was obtained then when the plans resubmitted the claims for re-pricing during the audit process through the Association's Mainframe.

We contest seven claims totaling \$124,801 in OBRA '90 payments for the following reasons:

- Pricing differences between the FEP Claim System OBRA '90 mainframe pricing software (supplied by CMS) and the CMS PC Pricer.
- Recovery of the overpayments was initiated or the claims were voided prior to July 10, 2009, the start date of the audit.
- Subscribers' liabilities were included in the overpayment amounts.

**Sample of Claims Meeting OBRA '90 Criteria but Not OBRA '90 Priced  
(Possible OBRA 90 Claims)**

Based on OPM's review, 247 claims were overpaid by \$2,382,936. Specifically, the BCBS plans overpaid 172 claims by \$2,992,713 and underpaid 75 claims by \$617,683.

We agree that \$2,126,203 claims were paid in error and disagree with \$256,734. As of March 30, 2010, the Plans have recovered \$1,812,225, as noted in Attachment A which also identifies total confirmed Possible OBRA '90 claims and the amount recovered by each Plan location.

These claim payment overpayments resulted from the following:

- 83 claims were priced using the incorrect Medicare provider numbers, resulting in net overcharges of \$986,445 to the FEHBP.
- 40 claims were paid incorrectly because there was a pricing difference between the Associations' Mainframe Pricer and the PC pricer the OPM auditors used to reprice the claims, resulting in a net overcharge of \$55,263.
- 35 claims (not subject to OBRA '90 pricing) were priced using the incorrect local pricing methods or rates, resulting in net overcharges of \$309,193 to the FEHBP.
- Seven claims totaling \$118,929 were not priced under OBRA '90 because the patient's information fields in the FEP Direct System were not current at the time of service.
- 10 claims were not properly coordinated with Medicare, resulting in net overcharges of \$80,381 to the FEHBP.
- Seven claims were processed as Plan Approved or timely filing claims, causing the claims to by-pass the FEP Claims System OBRA '90 Pricer resulting in a net overcharge of \$133,269.
- 10 claims were incorrectly priced because of miscellaneous processor's errors, resulting in net overcharges of \$126,725 to the FEHBP.

- 34 claims received an X-52 error code and could not be OBRA '90 priced by the FEP Claims System OBRA '90 software. When the claims were resubmitted for the audit the FEP Claims System OBRA '90 pricer was able to obtain a price due to updates to the claims OBRA '90 Pricer since the original submission. In the majority of these instances, the claims had been submitted once based upon an internal BCBSA audit and could not be priced; however, with the third attempt as a result of the OIG audit, the claims were priced by the FEP Claims System OBRA '90 software. The subsequent re-pricing of these claims resulted in a net "overcharge savings" to the Program of \$315,997.

We contest 21 claims totaling \$256,734 in Possible OBRA '90 payments for the following reasons:

- Pricing differences between the FEP Claim System pricing and OPM's PC Pricer, where the repriced amount between the OBRA '90 Pricer.
- Provider refunded the money voluntarily because they felt it was an overpayment before the OPM global audit started.
- Claims were identified in a previous OPM audit and priced according to that audit response.

#### **Recommendation 1-4**

The Plans have been instructed to initiate recovery on all "overpayments/savings" where possible. To date, a total of \$3,265,467 has been recovered and returned to the Program.

For the underpayments, the Plans have been instructed to adjust the claims to pay an additional \$1,016,102, as feasible.

#### **Recommendation 5**

In order to promote the accuracy of FEP OBRA '90 claims and ensure that Plans are complying with the OBRA '90 action Plan, BCBSA periodically contacts the Plans, sends Possible OBRA '90 claims listing to Plans for review and makes site visits as appropriate to ensure that the Action Plan implemented to reduce OBRA '90 payment errors is producing the desired results. FEP evaluates ways to improve the detection and identification of potential OBRA '90 claim payment errors. In order to continue to reduce the number of confirmed OBRA '90 payment differences in future audits, BCBSA will or has implemented the following process improvements:

- a. Automation of OBRA '90 Processing Target Date: Completed 2009**  
In 2009, there were two changes made to the OBRA '90 claims adjudication process. First, the system was modified to allow batch processing of OBRA '90 claims. Prior to 2009, all OBRA '90 claims had to be manually entered into the FEP Claims System. Now, most OBRA '90 claims are processed via the batch mode and require less human intervention. This change will improve the accuracy of the data submitted for OBRA '90 pricing. The second change in OBRA '90 claims processing is that OBRA '90 claims can be processed in Real Time. Real Time processing promotes timeliness of payment and the return of the claim to the provider for additional information if the claim could not be OBRA '90 priced.
- b. System Pricing Time Frame – Implementation Date Second Quarter 2010**  
During 2010, the FEP Claims System will be modified to expand the timeframe that claims are processed through the OBRA '90 Pricer from three years after the incurred date to all years that the data is retained which is in line with the OPM allowed processing period for original claim payments. Currently, OBRA '90 pricing history is only maintained for three years and all claims with incurred dates passed the three year timeframe require manual OBRA '90 pricing.
- c. Additional FEPSystem Edit Enhancement - Target Date: Third Quarter 2010:** Implement an edit that would prevent claims from by-passing the OBRA '90 Pricer regardless of the Process Code used to adjudicate the claims.
- d. Additional FEPSystem OBRA '90 Requirement: Target Date: Fourth Quarter 2010:** If a claim goes through the OBRA '90 Pricer and the FEP Claims System OBRA '90 Pricer software cannot generate a Medicare pricing allowance (X - 52 edit reply to the Plan), due to incorrect or incomplete information, these claims will not be priced according to the local Plan's allowance but returned to the provider with a request for the correct information. The message code will be the same code that the Provider would get if the claim were submitted to a Medicare Part A Intermediary for pricing.
- e. Training** - Conduct Plan training on the correct process for submitting these claims for FEP Claims System OBRA '90 pricing at the Micro Regional Meetings (training sessions conducted by the FEP Operations Center with small groups of Plans in three different locations through the country), the FEP Annual Operations Meeting and at the FEP System Meeting.

While these measures are not absolute, they provide reasonable assurances that payment errors will be identified timely and promote the recoveries of confirmed overpayments. Plan staff continues to periodically examine existing procedures and add additional controls where necessary.

[REDACTED]  
April 5, 2010  
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To the extent that there were potential errors, the payments were good faith erroneous benefit payments and fall within the context of CS 1039, Section 2.3 (g). The Plans will continue to pursue the remaining amounts as required by CS 1039, Section 2.3 (g)(l). Any benefit payments the Plans are unable to recover and where due diligence was demonstrated are allowable charges to the Program. In addition, as good faith erroneous payments, lost investment income does not apply to the payments identified in the finding.

We appreciate the opportunity to provide our response to the finding and request that our comments be included in their entirety as part of the Final Audit Report.

Sincerely

[REDACTED]  
Executive Director  
Program Integrity

cc: [REDACTED]

Attachment