



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

Final Audit Report

MULTI-STATE PLAN PROGRAM OPERATIONS AT BLUE CROSS BLUE SHIELD OF MICHIGAN

Report Number 1M-0C-00-15-052
February 16, 2016

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EXECUTIVE SUMMARY

Multi-State Plan Program Operations at Blue Cross Blue Shield of Michigan

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Why Did We Conduct The Audit?

The primary objective of our audit was to obtain reasonable assurance that Blue Cross Blue Shield of Michigan (BCBS of Michigan) complied with the provisions of Contract MSPP-2014 and applicable Federal regulations for contract year 2014.

What Did We Audit?

The Office of the Inspector General has completed a performance audit of the Multi-State Plan (MSP) Program operations at BCBS of Michigan. Our audit covered contract year 2014 and was conducted in August 2015 at BCBS of Michigan's offices in Detroit, Michigan.

What Did We Find?

Our audit of the 2014 MSP Program operations at BCBS of Michigan disclosed no significant findings pertaining to fraud and abuse reporting, rates and benefits, enrollment, contract quality assurance, and data and information security. Accordingly, this final report contains no recommendations.



Michael R. Esser
*Assistant Inspector General
for Audits*

ABBREVIATIONS

Affordable Care Act Association	The Patient Protection and Affordable Care Act
BCBS	Blue Cross Blue Shield Association
BCBS of Michigan	Blue Cross Blue Shield
HICS	Blue Cross Blue Shield of Michigan
HIPAA	Healthcare Insurance Casework System
MSP	Health Information Portability and Accountability Act
OIG	Multi-State Plan
OPM	Office of the Inspector General
PII	U.S. Office of Personnel Management
	Personally Identifiable Information

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	i
ABBREVIATIONS.....	ii
I. BACKGROUND	1
II. OBJECTIVES, SCOPE, AND METHODOLOGY	3
III. RESULTS OF THE AUDIT	5
IV. MAJOR CONTRIBUTORS TO THIS REPORT	6
REPORT FRAUD, WASTE, AND MISMANAGEMENT	

I. BACKGROUND

This final report details the results of our performance audit of the Multi-State Plan (MSP) Program operations at Blue Cross Blue Shield of Michigan (BCBS of Michigan). The audit covered contract year 2014 and was conducted at BCBS of Michigan's offices in Detroit, Michigan. It was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

The audit was conducted pursuant to the provisions of Contract MSPP-2014; The Patient Protection and Affordable Care Act (Affordable Care Act); Title 45 Code of Federal Regulations Chapter VIII, Part 800; and other applicable Federal regulations. Compliance with the contract as well as laws and regulations applicable to the MSP Program is the responsibility of the Blue Cross Blue Shield Association (Association) and BCBS of Michigan's management. Additionally, BCBS of Michigan's management is responsible for establishing and maintaining a system of internal controls and procedures. Due to inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected.

The MSP Program was established by Section 1334 of the Affordable Care Act. Under the Affordable Care Act, OPM was directed to contract with private health insurers to offer MSP products in each state and the District of Columbia. MSP products may be phased in over four years, with MSP products in at least 31 states in the first year; at least 36 states the second year; at least 44 states the third year; and all 50 states and the District of Columbia in the fourth year. OPM negotiates contracts with MSP Program Issuers, including rates and benefits, in consultation with states and marketplaces. In addition, OPM will monitor the performance of MSP Program Issuers and oversee compliance with legal requirements and contractual terms. OPM's office of National Healthcare Operations has overall responsibility for program administration.

The Association, on behalf of participating Blue Cross Blue Shield (BCBS) plans, entered into a contract with OPM to participate in the MSP Program. In accordance with requirements for the first year of the MSP Program contract, participating plans offered 154 MSP options in 30 states and the District of Columbia. BCBS of Michigan was 1 of 35 BCBS plans, or State-level issuers, participating in the MSP Program in 2014.

The Association is a national federation of 37 independent, community-based and locally operated BCBS companies. The Association grants licenses to independent companies to use the trademarks and names in exclusive geographic areas. It operates and offers health care coverage in all 50 states, the District of Columbia, and Puerto Rico, covering nearly 105 million

Americans, and nationally, the Association contracts directly with more than 96 percent of hospitals and 92 percent of professional providers.

BCBS of Michigan is a nonprofit mutual insurance company and is an independent licensee of the Association. It is the largest health insurer in Michigan, serving 4.5 million people in the state and an additional 1.3 million in other states. In addition to offering MSP options, BCBS of Michigan offers traditional health plans, wellness based plans, and dental and vision plans.

This is our first audit of BCBS of Michigan's MSP Program. We selected BCBS of Michigan because the State of Michigan operates a partnership marketplace with the Federal Government.

The preliminary results of this audit were discussed with BCBS of Michigan and the Association officials at an exit conference and in subsequent correspondence. Since the audit concluded that BCBS of Michigan's operation of the MSP Program was in accordance with Contract MSPP-2014 and applicable laws and regulations, we did not issue a draft report.

We would like to convey our appreciation to BCBS of Michigan and the Association for accommodating us and cooperating fully throughout the entire audit process.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objective

The primary objective of this performance audit was to obtain reasonable assurance that BCBS of Michigan was in compliance with the provisions of its contract with OPM and applicable laws and regulations governing the MSP Program for contract year 2014. Specifically, we reviewed fraud and abuse reporting, rates and benefits, enrollment, contract quality assurance, and data and information security.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit fieldwork was performed from August 3, 2015 through August 7, 2015, at BCBS of Michigan's offices in Detroit, Michigan. Additional fieldwork was conducted at our Cranberry Township, Pennsylvania field office.

We obtained an understanding of BCBS of Michigan's internal control structure, but we did not use this information to determine the nature, timing, and extent of our audit procedures. Our review of internal controls was limited to the procedures BCBS of Michigan had in place for fraud and abuse reporting; rate developments; ensuring compliance with required health and pharmacy benefits; processing enrollment; contract quality assurance; and compliance with the Health Insurance Portability and Accountability Act (HIPAA).

Specifically, we obtained and reviewed BCBS of Michigan's fraud and abuse report that was provided to OPM to determine its compliance with applicable criteria.

To gain an understanding of BCBS Michigan's internal controls over rates and benefits, we reviewed its policies and procedures related to its rate development. We reviewed documentation to ensure that the required essential health benefits and pharmacy benefits were covered. Additionally, we interviewed BCBS of Michigan personnel and reviewed documentation to determine why there was a rate discrepancy on the 2014 Marketplace and if the allowable age factor was used to determine the 2014 rates.

We also interviewed BCBS of Michigan personnel and reviewed policies and procedures over its enrollment processing and reconciliations. We then tested a judgmental sample of Health

Insurance Casework System (HICS) cases for auto-enrollment errors, updates, cancellations, and terminations to determine if they were processed timely and accurately. Our judgmental sample included 35 MSP HICS cases out of a universe of [REDACTED] MSP HICS cases from 2014. Based on 14 HICS case subcategories, we judgmentally selected 10 samples from subcategories that contained a universe of 400 or more HICS cases, 20 samples from 4 subcategories that contained a universe of 40 to 399 HICS cases, and 5 nomenclature samples from 5 subcategories that contained less than 40 HICS cases. The results from our samples were not projected to the sample universe. We performed walkthroughs on manual enrollment processes, such as the process for addressing Direct Enrollment 834 errors, Rate Discrepancy Reports, Critical Bill Error Reports, and the Write-Off Reports for 834s that do not automatically load into BCBS of Michigan's enrollment system. Lastly, we determined how BCBS of Michigan notifies new enrollees of their effective date of coverage.

Additionally, we reviewed the official Quality Assurance Report that was provided to OPM to verify that it contains all required elements.

To gain an understanding of BCBS of Michigan's internal controls over compliance with the HIPAA requirements for Standards for Electronic Transactions, we obtained and reviewed its policies and procedures and the 2014 incident matrix. Additionally, we obtained and reviewed the corrective actions contained in a previous external audit to ensure that BCBS of Michigan has implemented steps to minimize the risk of PII (Personally Identifiable Information) being mishandled.

In conducting the audit, we relied to varying degrees on computer-generated data provided by BCBS of Michigan and the Association. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our audit utilizing the computer-generated data to cause us to doubt its reliability.

III. RESULTS OF THE AUDIT

Overall, we concluded that BCBS of Michigan was in compliance with the provisions of its contract with OPM and applicable laws and regulations governing the MSP Program for contract year 2014. Specifically, the results of our reviews related to fraud and abuse reporting, rates and benefits, enrollment, contract quality assurance, and data and information security showed that BCBS of Michigan:

- reported its fraud and abuse and contract quality assurance metrics in accordance with Contract MSPP-2014;
- offered MSP options that covered the appropriate essential health benefits and pharmacy benefits, quickly resolved a tobacco rating factor discrepancy on the Marketplace that occurred during open enrollment and had a low to no impact on MSP members, and appropriately applied the allowable age factor to its 2014 rates;
- accurately processed a sample of HICS cases, performed enrollment reconciliations on a regular basis, had policies and procedures for the manual enrollment processes in place, and implemented corrective actions to address notifying enrollees of their effective date of coverage; and
- had policies and procedures in place to protect PII, and responded to all of the recommendations from a prior external audit report with corrective action plans to address the issues.

Because our audit disclosed no findings, this final report contains no recommendations.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

COMMUNITY-RATED AUDITS GROUP

[REDACTED], Auditor-in-Charge

[REDACTED], Lead Auditor

[REDACTED], Senior Team Leader

[REDACTED], Group Chief



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