



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

Final Audit Report

**MULTI-STATE PLAN PROGRAM
OPERATIONS AT PREMERA BLUE CROSS
BLUE SHIELD OF ALASKA**

**Report Number 1M-GA-00-15-005
September 21, 2015**

-- CAUTION --

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EXECUTIVE SUMMARY

Multi-State Plan Program Operations at Premera Blue Cross Blue Shield of Alaska

Report No. 1M GA-00-15-005

September 21, 2015

Why Did We Conduct The Audit?

The primary objective of our audit was to obtain reasonable assurance that Premera Blue Cross Blue Shield of Alaska (Premera Alaska) complied with the provisions of Contract MSPP-14 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 Premera Alaska. Our audit covered contract year 2014 and was conducted in October 2014 at Premera Alaska's offices in Mountlake Terrace, Washington.

What Did We Find?

During our review of the MSP Program operations at Premera Alaska, we identified three findings relating to the following areas: 1) internal controls; 2) rates and benefits; and, 3) segregation of funds.

1. Non-Excepted Abortion Claims Error

- Premera Alaska's incorrect benefit configuration allowed the processing and payment of non-excepted abortion claims on an MSP option that did not cover these services.

2. Summary of Benefits and Coverage (SBC) Errors and Exclusions

- Premera Alaska erroneously excluded the coverage of mental health and substance abuse services from its 2014 MSP SBC documents.

3. Segregation of Funds for Non-Excepted Abortion Services

- Premera Alaska did not collect separate premium payments on funds associated with non-excepted abortion services, nor did it allocate and segregate the premiums for the non-excepted abortion services from the premiums for all other general medical services.



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 |
| CFR | Blue Cross Blue Shield |
| FFM | Code of Federal Regulations |
| MSP | Federally-Facilitated Marketplace |
| OIG | Multi-State Plan |
| OPM | Office of the Inspector General |
| Premera Alaska | U.S. Office of Personnel Management |
| SBC | Premera Blue Cross Blue Shield of Alaska |
| SLI | Summary of Benefits and Coverage |
| | State-Level Issuer |

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I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit of the Multi-State Plan (MSP) Program operations at Premera Blue Cross Blue Shield of Alaska (Premera Alaska). The audit covered contract year 2014 and was conducted at Premera Alaska's offices in Mountlake Terrace, Washington. It 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.

The audit was conducted pursuant to the provisions of Contract MSPP-14; The Patient Protection and Affordable Care Act (Affordable Care Act); Title 45 Code of Federal Regulations (CFR) 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 Premera Alaska management. Additionally, Premera Alaska 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 product offerings 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, has entered into a contract with OPM to engage in the MSP Program. In accordance with requirements for the first year of the MSP Program contract, participating plans offer 154 MSP options in 30 states and the District of Columbia. Premera Alaska is one of 35 BCBS plans, or State-level issuers (SLI), 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 it contracts directly with more than 96% of hospitals and 92% of professional providers.

Premera Blue Cross is a not-for-profit independent licensee of the Association, which operates in Alaska as Premera Alaska. It provides health care services to 1.8 million people in Washington and Alaska. In addition to offering the MSP options on the Federally Facilitated Marketplace (FFM), Premera Alaska offers employer health plans, wellness programs, and Medicare supplement plans.

This is our first audit of Premera Alaska's MSP Program. The audit resulted from an MSP Program risk assessment of Premera Alaska that we conducted from July 1 through September 9, 2014. Our selection of Premera Alaska was based on factors such as the offering of a large number of MSP options (24 individual MSP options), being the only SLI to offer MSP options that covered non-excepted abortion services, and the fact that Premera Alaska only offered MSP options on the FFM and not any qualified health plans.

The preliminary results of this audit were discussed with Premera Alaska and the Association officials at an exit conference and in subsequent correspondence. A draft report was also provided to the Association for review and comment. The Association's comments were considered in preparation of this report and are included, as appropriate, as the Appendix to the report.

We would like to convey our appreciation to Premera Alaska and the Association for accommodating us and cooperating throughout the entire audit process.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objective of this performance audit was to obtain reasonable assurance that Premera Alaska 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 internal controls, enrollment, rates and benefits, segregation of funds, 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.

The audit fieldwork was performed from October 20, 2014 through October 31, 2014 at Premera Alaska's offices in Mountlake Terrace, Washington. Additional fieldwork was conducted at our Cranberry Township, Pennsylvania field office.

We obtained an understanding of Premera Alaska'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 Premera Alaska had in place for processing changes in circumstance, additions, and terminations related to enrollment; benefit configuration for non-excepted abortion claims; segregating funds for abortion services; developing rates; reconciling pharmacy pricing; and preparing and posting the Summary of Benefits and Coverage (SBC).

Specifically, we interviewed Premera Alaska personnel and reviewed policies and procedures over its enrollment functions. We judgmentally selected a sample and reviewed enrollment form 834s for additions and terminations to determine if they were processed timely and accurately. Our judgmental sample included 30 form 834s, out of a universe of 1,556, from the 2014 second quarter additions and terminations. We selected 15 addition transactions by choosing 5 additions from each month of the second quarter of 2014 (April, May, June) starting with the first addition for the first day of the month. We then selected the first addition on every sixth day. We selected 15 termination transactions by choosing 5 terminations from each month of the second quarter of 2014 (April, May, June) starting with the first termination for the first day of the month. We then selected the first termination on every eighth day. The results from our sample were not projected to the sample universe.

We reviewed Premera Alaska's process of recording insurance premiums, including portions of the premium associated with abortion services, to determine if it properly segregated funds for non-excepted abortion services. We interviewed personnel to clarify how potential enrollees were able to identify which plans offered non-excepted abortion services on the FFM. We also interviewed Premera Alaska personnel and reviewed rate development information used in assessing rates for non-excepted abortion services to determine compliance with rating regulations.

To gain an understanding of the internal controls of Premera Alaska's rating system, we reviewed its rating policies and procedures and interviewed personnel regarding the controls in place to ensure that the appropriate rates were charged. We reviewed the reconciliations performed between Premera Alaska and the pharmacy benefit manager and the pricing reports received from the pharmacy benefit manager. We also reviewed procedures and processes related to preparing and posting the SBCs to the FFM.

To determine if Premera Alaska's system configurations allowed non-elective abortion claims to be processed for any of the MSP options that did not cover elective abortion services, we used auditor assessment to judgmentally select 15 abortion procedure codes from Premera Alaska's December 2014 Pend Criteria List, including both elective and non-elective procedure codes. There was a universe of 100 unique procedure codes within the December 2014 Pend Criteria List. Specifically, we judgmentally selected 5 abortion procedure codes from Premera Alaska's original configuration list and 10 abortion procedure codes from its updated configuration list. We then provided the procedure codes to Premera Alaska and requested that it perform and support testing of its abortion claim system configurations. The results from our sample were not projected to the sample universe.

We reviewed Premera Alaska's internal control policies and procedures to verify the controls met the requirements stated within the OPM contract. Those requirements included compliance with applicable regulatory laws, safeguarding assets against waste, loss, and unauthorized use, and accurate and fair disclosure of all data included in submitted reports.

We reviewed any corrective actions taken by Premera Alaska in response to the OPM OIG Information System Audits Group report (Report #1A-10-70-14-007, issued 11/28/2014) to ensure corrective action has or is being taken to address the OIG's recommendations.

In conducting the audit, we relied to varying degrees on computer-generated data provided by Premera Alaska 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 testing utilizing the computer-generated data to cause us to doubt its reliability.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Internal Control Review

1. Non-Excepted Abortion Claims Error

Non-accepted abortion claims were processed for an MSP option that did not cover the services.

Premera Alaska's incorrect benefit configuration allowed the processing and payment of non-accepted abortion claims on an MSP option that should not have covered these services.

The 2012 Consolidated Appropriations Act, Division F, Title V, Section 507(a)(1)(2), defines non-accepted abortion services as abortion services performed except where the pregnancy is the result of an act of rape or incest, or the life of the pregnant woman would be endangered unless an abortion is performed.

Contract MSPP-2014, Sections 2.4(b)(4) and (c)(4) require the Issuer to "Perform the MSPP contract in accordance with prudent business practices," including the "Timely and accurate adjudication of claims or rendering of medical services"

Contract MSPP-2014 Section 2.4(c)(8)(i) requires the Issuer to establish and maintain "a system of internal controls that provides reasonable assurance that ... The provision and payments of benefits and other expenses comply with statutory, regulatory, and contractual requirements."

As part of our segregation of funds review, we reviewed journal entries that included non-accepted abortion claims. During the course of this review, Premera Alaska explained that these claims had been erroneously adjudicated and paid on an MSP option that did not cover non-accepted abortion services. Based on our review, we determined that the error resulted in two claims, totaling \$719, being adjudicated and paid on one MSP option that did not cover non-accepted abortion services. Although the errors did not have a material impact, by incorrectly adjudicating these claims Premera Alaska is not in compliance with Contract MSPP-2014, Sections 2.4(b)(4) and (c)(4), which requires accurate adjudication of MSP option claims.

According to Premera Alaska, the claims were paid incorrectly as a result of a benefit system configuration error. Specifically, rules had been configured to stop non-accepted abortion claims that met certain criteria; however, Premera Alaska had failed to activate

the rules, allowing the claims to be paid. Premera Alaska identified the issue in October 2014 as part of routine work and immediately activated the rules. As a result of our audit, Premera Alaska subsequently determined that the rules activated in October were overly inclusive, which could cause allowable excepted abortions to be denied. In addition, the system was not configured to identify situations in which drugs were administered in an office for non-excepted abortion services. Premera Alaska made the system configuration updates to address these issues in December 2014. We confirmed that no additional non-excepted abortion claims were adjudicated by any other MSP option as of December 17, 2014. Premera Alaska has planned further corrective action related to the two claims that were adjudicated in error, including removing these two claims from the MSP experience and reprocessing them appropriately. Premera Alaska also intends to assume financial responsibility for the full amount paid for these claims rather than pursuing reimbursement from the members.

Although Premera Alaska was taking corrective actions to address the issue, they noted that they had not performed testing of the initial configurations or subsequent configuration updates. The errors may not have occurred if the configurations had been tested. The fact that Premera Alaska did not conduct testing on the system configuration raises concerns about the adequacy of its system of internal controls required by Contract MSPP-2014 Section 2.4(c)(8).

In order to verify that Premera Alaska's configuration updates were functioning as intended, we conducted a review of 15 abortion test procedure code claims. As a result, we determined that the system configuration updates that Premera Alaska put in place at the end of 2014 are properly denying non-excepted abortion claims on MSP options that do not cover these services.

Recommendation 1

We recommend that the Contracting Officer verify that Premera Alaska is performing testing of its MSP product benefit system configurations and the effectiveness of its updated Information Technology Quality Assurance Testing document.

Issuer's Response:

Premera Alaska stated that it has implemented additional testing of MSP product benefit system configurations as of April 10, 2015 and has provided its updated Information Technology Quality Assurance Testing document.

OIG's Comments:

We accept Premera Alaska's corrective action plan. It has implemented additional testing of MSP product benefit system configurations and has updated its Information Technology Quality Assurance Testing document. We are unable to comment to the effectiveness and results of the policy implementation and will test the MSP product benefit configurations and updated Information Technology Quality Assurance Testing document during future audits.

Recommendation 2

We recommend that the Contracting Officer ensure that the two claims identified for the non-expected abortion services are excluded from any future MSP product claims experience submissions.

Issuer's Response:

Premera Alaska provided support to demonstrate the removal of the claims from the MSP product claims experience.

OIG's Comments:

We acknowledge and accept the support provided by Premera Alaska to show the adjustment of the non-expected abortion claims from the MSP option members. Although the support shows screen prints of the removal of the claims from the member's coverage, the Contracting Officer should still verify that these claims are not included in future claims experience submissions.

B. Enrollment Review

The results of our review showed that Premera Alaska accepted electronic enrollment data and performed enrollment reconciliations on a regular basis, which complied with Contract MSPP-14.

C. Rates and Benefits Review

1. Summary of Benefits and Coverage Errors and Exclusions

Premera Alaska erroneously excluded the coverage of mental health and substance abuse services from its 2014 MSP SBC documents.

Contract MSPP-14, Section 5.1(a), states that the Issuer must have a uniform benefits package, including the essential health benefits described within §1302 of the Affordable Care Act for each marketplace on which the MSP is certified.

Essential health benefits were erroneously excluded from the 2014 SBCs.

Furthermore, the Affordable Care Act, specifically §1302(b)(1), states that mental health and substance abuse disorder services, including behavioral health treatment, is considered to be an essential health benefit and is required to be covered.

As part of our rates and benefits review, we examined the SBCs of Premera Alaska's 2014 MSP options that were posted on the FFM via www.healthcare.gov. We determined that mental health and substance abuse services were erroneously excluded from the SBC, which is one of the essential health benefits that is required to be covered per the Contract MSPP-14 and the Affordable Care Act.

This exclusion was an error by Premera Alaska and the services were always covered per the benefit booklets. Premera Alaska stated that the error may have been the result of a change made to an input in another section of the SBC during its preparation, which inadvertently resulted in the accidental removal of the mental health and substance abuse services coverage prior to the SBCs being posted to the FFM.

Premera Alaska took measures to correct the errors on the 2014 SBCs in August 2014, five months after the conclusion of the 2014 open enrollment period. Enrollees shopping for health care on the FFM during the open enrollment period may have been dissuaded from choosing a Premera Alaska MSP option on the basis that the MSP options did not appear to cover mental health and substance abuse services. This may have caused a negative impact on enrollment in the MSP options. Although the benefit booklets provided to enrollees did show these services were covered, the benefit booklets are provided after enrollment into a plan through the FFM.

During the audit, we verified that Premera Alaska subsequently corrected the SBC error during August 2014 and that the 2015 SBCs that were posted to the FFM properly included the coverage of mental health and substance abuse services. During our review, we also confirmed that Premera Alaska made improvements to its SBC preparation and approval processes as a result of the 2014 error. These improvements included the development of a formal, written procedure, the use of a checks and balances process during the SBC internal review, and the implementation of an electronic document comparison tool that highlights differences for further review.

Recommendation 3

We recommend that the Contracting Officer review Premera Alaska's SBCs after the posting of the SBCs to the FFM to ensure that benefits are shown to accurately reflect the benefits within the approved MSP Program application.

Issuer's Response:

Premera Alaska agrees with our recommendation that the Contracting Officer should review its SBCs after the posting of the SBCs on the FFM.

D. Segregation of Funds Review

1. Segregation of Funds for Non-Excepted Abortion Services

Premera Alaska did not collect separate payments for premium funds associated with non-accepted abortion services, nor did it allocate and separate the premium funds for the non-accepted abortion services from the premium funds for all other general medical services, as required by Contract MSPP-14 and 45 CFR 156.280. The amount of premiums collected monthly from each enrollee for the non-accepted abortion services was also unclear.

Premiums for non-accepted abortion services were not separated from the premiums for all other medical services.

Contract MSPP-14, Section 8.5(a), requires Issuers to comply with the provisions of 45 CFR §156.280 regarding the segregation of funds for abortion services.

45 CFR §156.280(e)(1) disallows the use of Federal funds, such as premium tax credits and any cost-sharing reduction, for non-accepted abortion services.

45 CFR §156.280(e)(2)(i) states that from each enrollee within the plan, without regard to the enrollee's age, sex, or family status, a separate payment must be collected for each of the following:

- (A) An amount equal to the portion of the premium to be paid directly by the enrollee for coverage of medical services other than non-accepted abortion services (after reductions for credits and cost-sharing reductions); and
- (B) An amount equal to the actuarial value of the coverage for non-accepted abortion services.

Furthermore, 45 CFR §156.280(e)(2)(ii) states that the Issuer must deposit all such separate payments into separate allocation accounts.

45 CFR §156.280(e)(4)(iii) states that the estimated monthly cost per enrollee, determined on an average actuarial basis, for non-excepted abortion services may not be estimated at less than one dollar per enrollee, per month.

Lastly, Contract MSPP-14, Section 8.5(b), requires the Issuer to submit a plan detailing its processes and methodology for its segregation plan to OPM prior to submission to State health insurance commissioners as required by 45 C.F.R. § 156.280(e)(5)(ii).

As part of our segregation of funds review, we examined Premera Alaska's premium billing process, specifically for the two MSP options that offered non-excepted abortion services, and its segregation of the premiums collected for the non-excepted abortion services. We determined that Premera Alaska did not collect separate premiums for the portion of the MSP options' premiums that were directly associated with the non-excepted abortion services. Premera Alaska invoiced enrollees for the total premiums, including both general medical services and non-excepted abortion services, less any premium tax credit. Once these premiums were collected from the enrollee, they were deposited into one revenue account along with any premium tax credits. Because all of the premiums were co-mingled within one revenue account, Federal funds may, in effect, have been used to pay for non-excepted abortion services, which is prohibited by the regulations.

Also, due to the fact that all premiums were invoiced together and deposited into one revenue account, we were unable to determine if Premera Alaska was collecting at least one dollar per enrollee, per month, for the non-excepted abortion services premium in accordance with 45 CFR 156.280(e)(4)(iii).

Premera Alaska explained that the Centers for Medicare and Medicaid Services had not issued guidance on premium invoicing and that the regulations do not specify that the premium funds for non-excepted abortion services must be itemized or billed separately. It also stated that 45 CFR §156.280(f)(2) requires plans to provide premium information only with respect to the total premiums. However, this regulation is related in particular to enrollment and advertising information and should not supersede the earlier guidance within the regulations, 45 CFR 156.280(e)(2)(i)(A) and (B), which specifically states that separate payments must be collected for the non-excepted abortion services premiums.

Premera Alaska reasoned that although it did deposit all revenues into one revenue account, it also recorded the non-excepted abortion premium funds on a quarterly basis in

a statistical account for tracking purposes. This practice does not comply with 45 CFR §156.280(e), which requires that the premiums be deposited into separate allocated accounts.

In its MSP Program application to OPM, Premera Alaska submitted a segregation of funds plan. Based upon our review of the segregation of funds processes at Premera Alaska, the plan does not adequately ensure that proper processes are in place to segregate the funds for the non-expected abortion services from the general medical services.

Recommendation 4

We recommend that the Contracting Officer verify that Premera Alaska's January 2016 billing invoices for premium funds include separate line items for general medical services and non-expected abortion services in accordance with 45 CFR 156.280(e)(2)(i).

Issuer's Response:

Premera Alaska stated that it has initiated the process of separating the general medical services premium and non-expected abortion services premium by adding an additional line item to the billing invoice for non-expected abortion services. It anticipates the modified billing invoices to be available beginning with the January 2016 invoices.

OIG's Comments:

We accept Premera Alaska's corrective action plan to update its billing invoices to provide separate line items for the general medical services and non-expected abortion services. This will satisfy the requirements of 45 CFR 156.280(e)(2)(i).

Recommendation 5

We recommend that the Contracting Officer verify that Premera Alaska has established a separate allocation account for at least one dollar per enrollee, per month, for non-expected abortion services premiums in compliance with 45 CFR 156.280(e)(2)(ii).

Issuer's Response:

Premera Alaska believes that a member will pay for both the general medical service and non-expected abortion service premium in a single payment. Since Premera Alaska has

no practical way of manually intervening with each such premium payment, it will deposit all premium funds received into a general medical services allocation account, and then will move the one dollar premium per enrollee, per month, for non-excepted abortion services into a separate allocation account. It expects that this new process will be completed by December 31, 2015.

OIG's Comments:

We accept Premera Alaska's corrective action plan to deposit all premiums received into the general medical services allocation account and then move at least one dollar per enrollee, per month, for non-excepted abortion services premiums into a separate allocation account.

Recommendation 6

We recommend that the Contracting Officer verify that Premera Alaska has submitted an updated Segregation of Funds Plan after the implementation of any corrective action plans, in compliance with Section 8.5(b) of contract MSPP-14.

Issuer's Response:

Premera Alaska will submit an updated Segregation of Funds Plan after the corrective action plans have been implemented. It expects to submit the corrective action plans by December 31, 2015.

OIG Comments:

We accept Premera Alaska's response that it will submit an updated Segregation of Funds Plan after its corrective action plans have been implemented.

E. Data and Information Security Review

The results of our review showed that Premera Alaska had responded to all of the recommendations within a prior OPM OIG audit report (Report #1A-10-70-14-007, issued 11/28/2014) with corrective action plans to address the issues.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

COMMUNITY-RATED AUDITS GROUP

[REDACTED], Auditor-in-Charge

[REDACTED], Auditor

[REDACTED], Senior Team Leader

[REDACTED], Group Chief

APPENDIX



Federal Employee Program
1310 G Street, N.W.
Washington, D.C. 20005
202.626.4800

May 8, 2015

[REDACTED], Senior Team Leader
Community-Rated Audits Group
U.S. Office of Personnel Management
Office of the Inspector General
800 Cranberry Woods Drive
Suite 270
Cranberry Township, Pennsylvania 16066

**Reference: OPM Draft Audit Report of the Multi-State Plan Program Operations
Premera Blue Cross Blue Shield of Alaska (Premera Alaska)
Audit Report Number 1M-GA-00-15-005
(Dated and received March 5, 2015)**

Dear [REDACTED]:

This is the BCBSA response to the above referenced U.S. Office of Personnel Management (OPM) Draft Audit Report covering the Multi-State Plan Program Operations.

Our comments concerning the findings in the report are as follows:

A. INTERNAL CONTROL REVIEW

1. Non-Excepted Abortion Claims Error

Procedural

Recommendation 1

We recommend that the Contracting Officer direct Premera Alaska to strengthen its internal control system by developing policies and procedures for testing all new MSP benefit system configurations.

Plan Response:

The Plan stated that it implemented additional testing of MSP benefit system configurations as of April 10, 2015. The Plan provided the updated ITQA Testing document describing these additional steps. See Attachment 1.

Recommendation 2

We recommend that the Contracting Officer confirm Premera Alaska appropriately removed the non-expected abortion claims from the MSP claims experience.

Plan Response

The Plan has provided evidence showing the non-expected abortion claims have been appropriately removed from the MSP claims experience. See Attachment 2.

Deleted by the OIG - Not Relevant to Final Report

C. RATES AND BENEFITS REVIEW

1. Statement of Benefits and Coverage Errors and Exclusions

Recommendation 4

We recommend that the Contracting Officer review Premera Alaska's SBCs after the posting of the SBCs to the Federal Exchange to ensure that benefits are shown accurately to reflect the benefits within the approved MSPP application.

BCBSA Response:

BCBSA agrees with the recommendation that the Contracting Officer should review Premera Alaska's CBC after the posting of the SBC.

D. SEGREGATION OF FUNDS REVIEW

1. Segregation of Funds for Abortion Services

Recommendation 5

We recommend that the Contracting Officer direct Premera Alaska to collect separate premium funds, general medical services and non-excepted abortion services, from enrollees in accordance with 45 CFR §156.280(e)(2)(i).

Plan Response:

The Plan stated that it has initiated the process of adding an additional line item to the billing invoice for non-excepted abortion services thereby separating the general medical service and non-excepted abortion services. The Plan anticipates modified billing invoices to be available beginning with the January 2016 invoices.

Recommendation 6

We recommend that the Contracting Officer direct Premera Alaska to establish separate allocation accounts and to deposit all premium funds received into the appropriate account in compliance with 45 CFR 156.280(e)(2)(ii).

Plan Response

The Plan believes that Recommendation 6 relates to Recommendation 5. Even though Recommendation 5 requires the Plan to separately invoice general medical services and non-excepted abortion services, the Plan believes that a member will pay for both the general medical service and non-excepted abortion service premium in a single payment. As the Plan has no practical way of manually intervening with each such premium payment, the Plan will deposit all premium funds received into the general medical services allocation account, and then will move the \$1 premium per month for non-excepted abortion services into a separate allocation account. The Plan expects that this new process will be completed by December 31, 2015.

Recommendation 7

We recommend that the Contracting Officer direct Premera Alaska to submit an updated Segregation of Funds Plan, in compliance with Section 8.5(b) of contract MSPP- 14, after any corrective action plans have been implemented.

Plan Response

The Plan will submit an updated Segregation of Funds Plan after the corrective action plans have been implemented. The Plan expects to submit the corrective action plans by December 31, 2015.

We appreciate the opportunity to provide our response to this Draft Audit Report and request that our comments be included in their entirety as an amendment to the Final Audit Report.

Sincerely,

[REDACTED]

[REDACTED]

Managing Director, FEP Program Assurance

Attachment

cc: [REDACTED], OPM Contracting Officer
[REDACTED], Sr Regulatory Consultant – Privacy Program, Premera
Jena L. Estes, V.P. Government Program Integrity



Report Fraud, Waste, and Mismanagement

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Washington Metro Area: (202) 606-2423

By Mail: Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, NW
Room 6400
Washington, DC 20415-1100

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Report No. 1M-GA-00-15-005