



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

February 2, 2012

Office of the  
Inspector General

MEMORANDUM FOR JOHN BERRY  
Director

FROM: PATRICK E. McFARLAND  
Inspector General

A handwritten signature in black ink that reads "Patrick E. McFarland".

SUBJECT: Test of the BlueCross BlueShield Association's Federal Employee  
Program Portability System (Report No. 1A-10-00-12-022)

The purpose of this memorandum is to communicate to you the conclusions resulting from our test of the BlueCross BlueShield Association's (BCBSA) Federal Employee Program (FEP) Portability system.

The BCBSA currently contracts with CareFirst BlueCross BlueShield (CareFirst) to host and operate FEP Express and other supporting information systems used to adjudicate claims for the nationwide BlueCross BlueShield FEP program. FEP "Portability" is the methodology in which BlueCross BlueShield of South Carolina (BCBSSC) replicates and takes over support of these information systems in the event that CareFirst is no longer able to fulfill its contract.

The BCBSA has performed several Portability tests and has hired outside vendors to certify the successful results of these tests. At the request of the Assistant Director for Federal Employee Insurance Operations, we reviewed the infrastructure supporting the Portability system and participated in a recent Portability test to perform an independent evaluation of the system's functionality.

**Executive Summary**

We toured the BCBSSC data center hosting the Portability system and determined that adequate physical and environmental controls were in place and that the technical infrastructure supporting Portability is physically and logically separate from BCBSSC's own business operations.

To test the system's functionality, we submitted an identical set of test claims into both the CareFirst environment and the BCBSSC Portability environment. We compared the results of these tests to evaluate whether the two systems have the same processing capabilities. Our review determined that the FEP system hosted by BCBSSC appeared to adjudicate claims in an identical manner to the system hosted by CareFirst. However, it came to our attention that prior BCBSA Portability tests did not include the following elements that would be critical to a

real-life switchover of the FEP systems from CareFirst to BCBSSC:

- Sending a response file from the FEP system back to the local BCBS plans for final claim adjudication; and,
- Enabling the modules of the system that are used by local Plans to resolve claims that are suspended within FEP Express.

We recommend that the BCBSA include these elements in future Portability tests.

### **Background**

The BCBSA is responsible for adjudicating all FEP claims from BCBS Plans nationwide. The BCBSA has executed a contract with CareFirst through December 2014 to host and maintain the FEP Express application and other supporting information systems used to process these claims.

The Portability project was initiated to create an alternative processing site for FEP claims should CareFirst be unable to fulfill its contract due to the company losing its BCBS license or going out of business altogether (referred to as a “triggering event”). There were also concerns that FEP Express was so tightly interconnected to CareFirst’s local claims processing system that the BCBSA would be unable to extract FEP Express functionality if necessary.

The BCBSA awarded BCBSSC a contract, also through December 2014, to provide an alternative processing site for the FEP systems should a triggering event occur. BCBSSC built a technical infrastructure independent from its local systems to support the FEP systems, and worked with CareFirst to extract the applications’ functionality. We performed an independent evaluation of both the infrastructure and system functionality.

### **Scope and Methodology**

In March 2011, we toured the BCBSSC data center hosting the technical infrastructure supporting the Portability system and evaluated the physical and environmental controls of this site.

To test the functionality of the Portability system, we created a set of 50 test claims (32 professional and 18 hospital/institutional) to be processed by both the CareFirst and BCBSSC FEP systems. BCBS of Delaware (BCBSDE) assisted us with the test by processing the claims in their local adjudication system and allowing their system to route the claims to the FEP systems.

In August 2011, BCBSDE entered the 50 claims into their local system and then routed the claims to the FEP system housed by CareFirst. In September 2011, we visited BCBSDE and observed claims adjudicators as they entered the same 50 claims into the FEP system housed by BCBSSC. We then compared the results of the two sets of test claims to determine whether the same results were produced by both FEP environments.

Our review was not conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The nature and scope of the work performed was consistent with that

expected of a GAGAS audit; however, because we consider this to be a review, the documentation, reporting, and quality control standards are not as stringent.

### **Test Results**

Based on our tests, we concluded that BCBS SC has adequate physical and environmental controls at the data center supporting the Portability system. BCBS SC's technical infrastructure supporting Portability is physically and logically separate from the Plan's own business operations; this includes dedicated software, servers, mainframe, and data transmission lines. In a previous audit of BCBS SC, we recommended that the Plan reevaluate its practice of storing data backup tapes at a location only several miles from its primary data centers (see Report No. 1A-10-24-11-014). If BCBS SC were to become the primary host of FEP Express, the urgency of implementing this recommendation would greatly increase, as the Plan would be processing claims for FEP members nationwide instead of just those in South Carolina.

The results of the functionality test revealed no instances in which a claim was processed or priced differently between the CareFirst and BCBS SC systems. There were also no instances in which a claim was suspended or deferred in one system but not the other. Nothing came to our attention to indicate that the FEP system hosted by BCBS SC does not adjudicate claims in an identical manner to the system hosted by CareFirst. However, our testing exercise revealed two opportunities for improvement regarding BCBSA's methodology for testing the functionality of the Portability process.

#### **a) Resolving Deferred Claims**

Several hospital claims were unexpectedly deferred due to problems with the membership data in the FEP systems' test environments. We asked that BCBS DE resolve or bypass these deferrals so that the claim could continue adjudicating, and this was done successfully for the test batch processed through CareFirst. However, when these claims hit the same deferral in the BCBS SC system, BCBS DE was unable to override the deferral. It was determined that the modules of the FEP system required to work deferrals were not enabled for this testing exercise, and had not been enabled for any prior Portability tests.

Each local BCBS plan is responsible for resolving claims from that plan that are deferred by the nationwide FEP system. If this capability were not functional in a production FEP system, the only claims that could be processed and paid are those that adjudicate without encountering any deferrals or suspensions.

#### **Recommendation 1:**

We recommend that future Portability exercises include local plans testing their ability to resolve deferred claims.

#### **b) Response Files**

Each local BCBS plan prepares batches of claims to be further processed by the nationwide FEP system. After the claims are processed, local plans are automatically sent a "response

file” that contains the results of the FEP system adjudication. Local plans use the response file to finalize the claims status in their local systems, which then generate payments to providers.

In previous Portability exercises, several local plans sent batch files to the FEP system, but there has never been a test that included local plans receiving a response file. For our test, BCBSDE personnel manually retrieved the response file and loaded it to their local system. However, this process would not be feasible to perform manually in a production environment due to the frequency of batch transfers required.

If response files were not sent to the local plans in a production environment, the plans would not be able to finalize claims in their systems and no payments to providers would be generated.

**Recommendation 2:**

We recommend that future Portability exercises include the testing of response file transfers.

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