



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

Final Audit Report

**Audit of
BlueCross BlueShield of South Carolina
Columbia, South Carolina**

**Report Number 2023-ERAG-004
February 20, 2024**

EXECUTIVE SUMMARY

Audit of BlueCross BlueShield of South Carolina

Report No. 2023-ERAG-004

February 20, 2024

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that BlueCross BlueShield of South Carolina (Plan), plan codes 380 and 880, is complying with the provisions of the Federal Employees Health Benefits Act and regulations that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP) contract. The objectives of our audit were to determine if the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of Contract CS 1039.

What did we audit?

Our audit covered miscellaneous health benefit payments and credits, such as cash receipt and provider offset refunds, for contract year 2018 through September 30, 2022, and administrative expense charges for contract years 2017 through 2021, as reported in the Annual Accounting Statements. We also reviewed the Plan's cash management activities and practices related to FEHBP funds from July 1, 2021, through September 30, 2022, and the Plan's Fraud and Abuse Program activities from January 1, 2022, through September 30, 2022.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$43,461 in health benefit charges, cash management activities, and lost investment income (LII). The Blue Cross Blue Shield Association and/or Plan agreed with these questioned amounts. As part of our review, we verified that the Plan subsequently returned all of these questioned amounts to the FEHBP because of the audit.

Our audit results are summarized as follows:

- Miscellaneous Health Benefit Payments and Credits – We questioned \$40,090 for a health benefit refund that had not been returned to the FEHBP as of September 30, 2022, and \$1,221 for applicable LII calculated on health benefit funds that were returned untimely to the FEHBP.
- Administrative Expenses – The audit disclosed no findings pertaining to the Plan's administrative expense charges. Overall, we concluded that the Plan's administrative expenses charged to the FEHBP were actual, allowable, necessary, and reasonable expenses incurred in accordance with Contract CS 1039 and applicable laws and regulations.
- Cash Management – We questioned \$2,059 for an offset taken from the letter of credit account by the United States Department of the Treasury (Treasury) that the Plan had not returned to the FEHBP as of September 30, 2022, and \$91 for applicable LII calculated on this offset. Except for this Treasury offset finding, we determined that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations concerning cash management in the FEHBP.
- Fraud and Abuse Program – The Plan is complying with the communication and reporting requirements for fraud and abuse cases set forth in Contract CS 1039 and FEHBP Carrier Letter 2017-13.

ABBREVIATIONS

Association	Blue Cross Blue Shield Association
BCBS	Blue Cross and/or Blue Shield
BCBSA	Blue Cross Blue Shield Association
FAR	Federal Acquisition Regulations
FEHB	Federal Employees Health Benefits
FEHBAR	Federal Employees Health Benefits Acquisition Regulations
FEHBP	Federal Employees Health Benefits Program
FEP	Federal Employee Program
FSTS	FEP Special Investigations Unit Tracking System
LII	Lost Investment Income
LOCA	Letter of Credit Account
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	BlueCross BlueShield of South Carolina
SIU	Special Investigations Unit
SPI	Special Plan Invoice
Treasury	United States Department of the Treasury

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I. BACKGROUND

This final report details the findings, conclusions, and recommendations from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at BlueCross BlueShield of South Carolina (Plan). The Plan is located in Columbia, South Carolina.

The audit 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 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 Healthcare and Insurance 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. Health insurance coverage is made available through contracts with various health insurance carriers.

The Blue Cross Blue Shield Association (Association or BCBSA), on behalf of participating local Blue Cross and/or Blue Shield (BCBS) plans, has entered into a Government-wide Service Benefit Plan contract (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. The Plan is one of 34 BCBS companies participating in the FEHBP. These 34 companies include 60 local BCBS plans.

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

The Association has also established an FEP Operations Center. The activities of the FEP Operations Center are performed by the Service Benefit Plan Administrative Services Corporation, an affiliate of CareFirst BCBS, located in Washington, D.C. These activities include acting as intermediary for claims processing between the Association and local BCBS plans, processing and maintaining subscriber eligibility, adjudicating member claims on behalf of BCBS plans, approving or disapproving the reimbursement of local plan payments of FEHBP claims (using computerized system edits), maintaining a history file of FEHBP claims, and maintaining claims payment data.

¹ Throughout this report, when we refer to "FEP," we are referring to the Service Benefit Plan lines of business at the Plan. When we refer to the "FEHBP," we are referring to the program that provides health benefits to Federal employees, annuitants, and eligible family members.

Compliance with laws and regulations applicable to the FEHBP is the responsibility of the Association and Plan management. In addition, working in partnership with the Association, the Plan's management is responsible for establishing and maintaining a system of internal controls.

Our previous audit of the Plan (Report No. 1A-10-24-11-059, dated February 7, 2012), covering contract year 2006 through February 28, 2011, disclosed no audit findings and recommendations. We also included this Plan in each of the following recent focused audits that covered a sample of BCBS plans:

- Final Report No. 1A-99-00-18-045 (dated August 7, 2019) for pension, post-retirement benefit, and Affordable Care Act costs for contract years 2014 through 2017; and
- Final Report No. 2022-ERAG-0012 (dated December 13, 2022) for cash management activities and practices for contract year 2019 through June 30, 2021, and aging FEP refunds as of June 30, 2021.

There were no audit findings for BlueCross BlueShield of South Carolina in these recent focused audits.

The results of this audit were provided to the Plan in written audit inquiries; were discussed with Plan and/or Association officials throughout the audit and at an exit conference on September 5, 2023; and were presented in detail in a draft report, dated September 15, 2023. The Association's comments offered in response to the draft report were considered in preparing our final report and are included as an Appendix to this report.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of our audit were to determine whether the Plan charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract. Specifically, our objectives were as follows:

Miscellaneous Health Benefit Payments and Credits

- To determine whether miscellaneous payments charged to the FEHBP were in compliance with the terms of the contract.
- To determine whether credits and miscellaneous income relating to FEHBP health benefit payments were returned timely to the FEHBP.

Administrative Expenses

- To determine whether administrative expenses charged to the contract were actual, allowable, necessary, and reasonable expenses incurred in accordance with the terms of the contract and applicable laws and regulations.

Cash Management

- To determine whether the Plan handled FEHBP funds in accordance with the contract and applicable laws and regulations concerning cash management in the FEHBP.

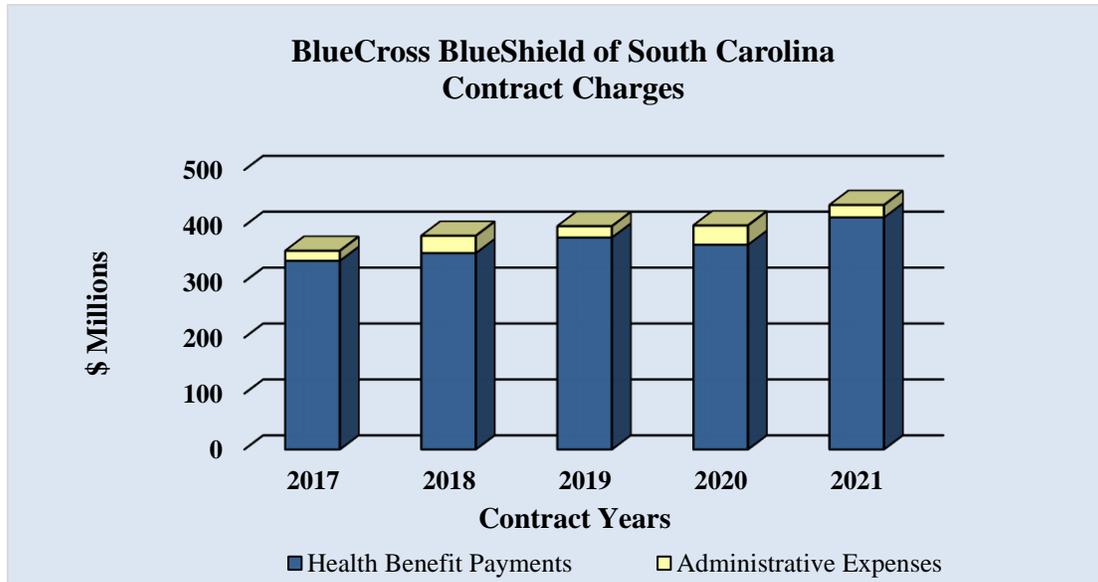
Fraud and Abuse Program

- To determine whether the Plan's communication and reporting of fraud and abuse cases complied with the terms of Contract CS 1039 and FEHBP Carrier Letter 2017-13.

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

We reviewed the Blue Cross and Blue Shield FEHBP Annual Accounting Statements pertaining to plan codes 380 and 880 for contract years 2017 through 2021. During this five-year period, the Plan paid approximately \$1.8 billion in FEHBP health benefit payments and charged the FEHBP approximately \$126 million in administrative expenses (see chart on the next page).



Specifically, we reviewed miscellaneous health benefit payments and credits (such as cash receipt and provider offset refunds) for contract year 2018 through September 30, 2022, and administrative expense charges for contract years 2017 through 2021. We also reviewed the Plan’s cash management activities and practices related to FEHBP funds from July 1, 2021, through September 30, 2022, and the Plan’s Fraud and Abuse Program activities from January 1, 2022, through September 30, 2022.

In planning and conducting our audit, we obtained an understanding of the Plan’s internal control structure to help determine the nature, timing, and extent of our auditing procedures. This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on substantive tests of transactions and not tests of controls. Based on our testing, we did not identify significant matters involving the Plan’s internal control structure and operations. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Plan’s system of internal controls taken as a whole.

We also conducted tests to determine whether the Plan had complied with the contract, the applicable procurement regulations (i.e., Federal Acquisition Regulations (FAR) and Federal Employees Health Benefits Acquisition Regulations (FEHBAR), as appropriate), and the laws and regulations governing the FEHBP. The results of our tests indicate that, with respect to the items tested, the Plan did not comply with all provisions of the contract and Federal regulations. Exceptions noted in the areas reviewed are set forth in detail in the “Audit Findings 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 Plan 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 Plan and the FEP Director’s Office. 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, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives.

The audit fieldwork was performed remotely as a desk audit in our Jacksonville, Florida; Cranberry Township, Pennsylvania; and Washington, D.C. offices from April 6, 2023, through September 5, 2023, except for a site visit to the Plan's offices in Columbia, South Carolina from June 13, 2023, through June 15, 2023. Throughout the audit process, the Plan did a great job providing complete and timely responses to our numerous requests for explanations and supporting documentation. We greatly appreciated the Plan's cooperation and responsiveness during the pre-audit and fieldwork phases of this audit.

METHODOLOGY

We obtained an understanding of the internal controls over the Plan's financial, cost accounting, and cash management systems by inquiry of Plan officials.

We interviewed Plan personnel and reviewed the Plan's policies, procedures, and accounting records during our audit of miscellaneous health benefit payments and credits. For contract year 2018 through September 30, 2022, we judgmentally selected and reviewed the following FEP items:

- A high dollar sample of 220 FEP health benefit refunds, totaling \$12,000,157 (from a universe of 51,470 FEP health benefit refunds, totaling \$36,758,063 for the audit scope).² From the Plan's original universe (dated December 15, 2022), our sample consisted of the 100 highest dollar cash receipt refunds and the 100 highest dollar provider offset refunds for the audit scope, which included refunds from \$17,335 to \$292,795. From the Plan's revised universe (dated April 3, 2023), our sample also included the 10 highest dollar cash receipt refunds and the 10 highest dollar provider offset refunds for the audit scope, ranging from \$28,290 to \$180,875, that were not previously included in the Plan's original universe.
- A judgmental sample of 21 uncollected FEP claim overpayments, totaling \$104,265 (from a universe of 560 uncollected FEP claim overpayments, totaling \$295,597 as of September 30, 2022). Our sample included all uncollected FEP claim overpayments of \$2,500 or more. We reviewed these uncollected claim overpayments to determine if the Plan made diligent efforts to recover the overpayments.

² We received the Plan's original universe of FEP health benefit refunds on December 15, 2022. However, the Plan provided a revised universe on March 24, 2023. The original universe did not include all health benefit refunds due to an error in the way the Plan prepared the data file extract, which caused refund control numbers that were created before contract year 2018 to be excluded from the final extract even though applicable funds were recovered during and/or after contract year 2018. On April 3, 2023, the Plan provided another revised universe to also include a specific refund type that the Plan had inadvertently excluded from the original universe and prior revision. The Plan's FEP universe of health benefit refunds included cash receipt and provider offset refunds for items such as solicited and/or unsolicited refunds (claim overpayment recoveries), subrogation recoveries, provider audit recoveries, and hospital bill audit recoveries.

- A judgmental sample of 10 FEP fraud recoveries, totaling \$36,704 (from a universe of 1,844 FEP fraud recoveries, totaling \$265,345 for the audit scope). From this universe, our sample included the 10 highest fraud recoveries.
- A judgmental sample of 14 special plan invoices (SPI) for miscellaneous health benefit payments and credits, totaling \$2,431,605 in net FEP payments (from a universe of 231 SPIs, totaling \$3,919,827 in net FEP payments for the audit scope). We judgmentally selected these SPIs based on our nomenclature review of high dollar invoice amounts. Specifically, we selected nine SPIs with the highest dollar payment amounts and five SPIs with the highest dollar credit amounts from the audit scope. We reviewed these SPIs to determine if the Plan properly calculated, charged, and/or credited SPI amounts to the FEHBP. SPIs are used by the Plan to process items such as miscellaneous health benefit payment and credit transactions that require manual adjustments and do not include primary claim payments or checks.

We reviewed these samples to determine if health benefit refunds and recoveries were timely returned to the FEHBP and if miscellaneous payments were properly charged to the FEHBP. The results of these samples were not projected to the universe of miscellaneous health benefit payments and credits, since we did not use statistical sampling.

We judgmentally reviewed administrative expenses charged to the FEHBP for contract years 2017 through 2021. Specifically, we reviewed administrative expenses relating to cost centers; natural accounts; account payable transactions; allocations; pensions; post-retirement benefits; employee health benefits; employee compensation limits; Association dues; non-recurring items/projects; lobbying; and Patient Protection and Affordable Care Act fees.³ We used the FEHBP contract, the FAR, the FEHBP, and/or the Affordable Care Act (Public Law 111-148) to determine the allowability, allocability, and reasonableness of charges.

We reviewed the Plan's cash management activities and practices to determine whether the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations. Specifically, we reviewed letter of credit account (LOCA) drawdowns, working capital calculations, adjustments and/or balances, United States Department of the Treasury offsets, and interest income earned from July 1, 2021, through September 30, 2022, as well as the Plan's dedicated FEP investment account activity during the scope and balance as of September 30, 2022. As part of our testing, we selected and reviewed a judgmental sample of 25 LOCA

³ In general, the Plan records administrative expense transactions to natural accounts that are then allocated through cost centers to the Plan's various lines of business, including the FEP. For contract years 2017 through 2021, the Plan allocated administrative expenses of \$120,603,428 (before adjustments) to the FEHBP, from 203 cost centers that contained 156 natural accounts. From this universe, we selected a judgmental sample of 42 cost centers to review, which totaled \$60,751,380 in expenses allocated to the FEHBP. We also selected a judgmental sample of 35 natural accounts to review, which totaled \$34,654,562 in expenses allocated to the FEHBP through the cost centers. For contract year 2021, we additionally reviewed a sample of 45 accounts payable transactions that were judgmentally selected from cost centers and natural accounts that were charged to the FEHBP. Because of the way we select and review each of these samples, there is a duplication of some of the administrative expenses tested. We selected these cost centers, natural accounts, and accounts payable transactions based on high dollar amounts, our nomenclature review, and/or our trend analysis. We reviewed the expenses from these cost centers, natural accounts, and accounts payable transactions for allowability, allocability, and reasonableness. The results of these samples were not projected to the universe of administrative expenses, since we did not use statistical sampling.

drawdowns, totaling \$54,042,625 (from a universe of 304 LOCA drawdowns, totaling \$516,601,622 from July 1, 2021, through September 30, 2022), for the purpose of determining if the Plan's drawdowns were appropriate and adequately supported. Our sample included five weeks of LOCA drawdowns that were selected based on the week with the highest dollar drawdown day within the highest dollar drawdown month from each of the five quarters in the audit scope. The sample also included two additional LOCA drawdowns that were selected based on our nomenclature review of the universe. The sample results were not projected to the universe of LOCA drawdowns, since we did not use statistical sampling.

We also interviewed the Plan's Special Investigations Unit regarding the compliance of the Fraud and Abuse Program, as well as reviewed the Plan's communication and reporting of fraud and abuse cases from January 1, 2022, through September 30, 2022, to test compliance with Contract CS 1039 and FEHBP Carrier Letter 2017-13.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Health Benefit Refunds and Recoveries \$41,311

Our audit determined that the Plan had not returned a health benefit refund, totaling \$40,090, to the FEHBP as of September 30, 2022. The Plan subsequently returned this questioned health benefit refund to the FEHBP in March 2023 and May 2023, ranging from 193 to 266 days late, after receiving our audit notification letter, and/or because of our audit. Also, the Plan untimely returned eight health benefit refund and recovery amounts, totaling \$199,488, to the FEHBP during the audit scope. Since the Plan returned these eight health benefit refund and recovery amounts to the FEHBP during the audit scope and prior to our audit notification date, we did not question this principal amount as a monetary finding. As a result, we are questioning \$41,311 for this audit finding, consisting of \$40,090 for the questioned health benefit refund and \$1,221 for applicable lost investment income (LII) on the health benefit refunds and recoveries that were returned untimely to the FEHBP.

Contract CS 1039, Part II, Section 2.3 (i) states, “All health benefit refunds and recoveries, including erroneous payment recoveries, must be deposited into the working capital or investment account within 30 days and returned to or accounted for in the FEHBP letter of credit account within 60 days after receipt by the Carrier.”

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.”

FAR 52.232-17(a) states, “all amounts that become payable by the Contractor . . . shall bear simple interest from the date due . . . The interest rate shall be the interest rate established by the Secretary of the Treasury . . . which is applicable to the period in which the amount becomes due, . . . and then at the rate applicable for each six-month period as fixed by the Secretary until the amount is paid.”

Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected (i.e., . . . untimely health benefit refunds were already processed and returned to the FEHBP) prior to audit notification.”

Health Benefit Refunds – Cash Receipts and Provider Offsets

On April 3, 2023, the Plan provided a revised FEP universe of health benefit refunds that included cash receipt and provider offset refunds for items such as solicited and unsolicited refunds (claim overpayment recoveries), subrogation recoveries, provider audit recoveries, and hospital bill audit recoveries. For contract year 2018 through September 30, 2022, there were 51,470 FEP health benefit refunds totaling \$36,758,063. From this revised universe, we selected and reviewed a high dollar sample of 220 health benefit refunds, totaling \$12,000,157, to determine if the Plan timely returned these refunds to the FEHBP. From the Plan’s original universe (dated December 15, 2022),

our sample included the 100 highest dollar cash receipt refunds, ranging from \$17,335 to \$146,987, and the 100 highest dollar provider offset refunds, ranging from \$34,718 to \$292,795, for the audit scope. From the Plan's revised universe (dated April 3, 2023), our sample also included the 10 highest dollar cash receipt refunds, ranging from \$28,290 to \$180,875, and the 10 highest dollar provider offset refunds, ranging from \$34,470 to \$140,818, that were not previously included in the Plan's original universe.

Based on our review, we noted the following exceptions in our sample:

- In one instance, the Plan had not returned a health benefit refund, totaling \$40,090, to the FEHBP as of September 30, 2022. The Plan subsequently returned \$35,350 of this questioned refund to the FEHBP in March 2023 and then \$4,740 in May 2023. We noted that these funds were returned to the FEHBP from 193 to 266 days late, after receiving our audit notification letter (dated October 3, 2022), and/or because of our audit (after receiving our original sample). Therefore, we are questioning this refund as a monetary finding, as well as \$997 for applicable LII on this refund returned untimely to the FEHBP (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation. We also verified that the Plan subsequently returned this questioned LII of \$997 to the FEHBP in July 2023.
- The Plan returned six health benefit refunds, totaling \$163,604, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these refunds into the dedicated FEP investment account from 5 to 68 days late. Since the Plan returned these refunds to the FEHBP during the audit scope and prior to our audit notification date, we did not question the refund principal amounts as a monetary finding. However, since these six health benefit refunds were deposited untimely into the FEP investment account, we are questioning LII of \$215 on these refunds (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation. We also verified that the Plan subsequently returned this questioned LII of \$215 to the FEHBP in September 2023

Special Plan Invoices (SPI)

For contract year 2018 through September 30, 2022, there were 231 SPIs for miscellaneous health benefit payments and credits with a total of \$3,919,827 in net FEP payments. From this universe, we selected and reviewed a judgmental sample of 14 SPIs, totaling \$2,431,605 in net FEP payments, for the purpose of determining if the Plan properly calculated, charged, and/or credited SPI amounts to the FEHBP. We judgmentally selected these SPIs based on our nomenclature review of high dollar invoice amounts. Specifically, we selected nine SPIs with high dollar payment amounts and five SPIs with high dollar credit amounts from the audit scope.

Based on our review, we determined that the Plan returned two SPI amounts for subrogation and workers' compensation recoveries, totaling \$35,884, untimely to the FEHBP during the audit scope. Specifically, we noted that the Plan deposited these SPI amounts into the dedicated FEP investment account from 5 to 48 days late. Since the Plan returned these recovery amounts to the FEHBP during the audit scope and prior to

our audit notification date, we did not question these SPI principal amounts as a monetary finding. However, since these SPI recovery amounts were deposited untimely into the dedicated FEP investment account, we are questioning LII of \$9 on these recoveries (as calculated by the Plan). We reviewed and accepted the Plan's LII calculation. We also verified that the Plan subsequently returned this questioned LII of \$9 to the FEHBP in September 2023.

Summary of Exceptions

In one instance, the Plan had not returned a health benefit refund of \$40,090 to the FEHBP as of September 30, 2022.

In total, the Plan subsequently returned the questioned health benefit refund of \$40,090 to the FEHBP in March 2023 and May 2023. For the questioned LII of \$1,221 (\$997 plus \$215 plus \$9) on the health benefit refunds and recoveries that were returned untimely to the

FEHBP, the Plan also subsequently returned this LII amount to the FEHBP in July 2023 and September 2023.

Recommendation 1

We recommend that the contracting officer require the Plan to return \$40,090 to the FEHBP for the questioned health benefit refund. However, since we verified that the Plan subsequently returned \$40,090 to the FEHBP for the questioned health benefit refund, no further action is required for this amount.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$1,221 to the FEHBP for the questioned LII on health benefit refunds and recoveries that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$1,221 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Recommendation 3

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that cash receipt health benefit refunds and recoveries, including SPI credit amounts, are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt).

Association Response:

The Association agrees with the finding and recommendations. For the procedural recommendation, the Association states that the Plan has updated the applicable policies and procedures. The Association will work with the Plan to provide evidence that the Plan has implemented these updated policies and procedures.

B. ADMINISTRATIVE EXPENSES

The audit disclosed no findings pertaining to the Plan’s administrative expense charges. Overall, we concluded that the Plan’s administrative expenses charged to the FEHBP were actual, allowable, necessary, and reasonable expenses incurred in accordance with Contract CS 1039 and applicable laws and regulations.

C. CASH MANAGEMENT

The audit disclosed no significant findings pertaining to the Plan’s cash management activities and practices related to FEHBP funds. Overall, we concluded that the Plan handled FEHBP funds in accordance with Contract CS 1039 and applicable laws and regulations concerning cash management in the FEHBP, except as noted in the audit finding for “United States Treasury Offsets.”

1. United States Treasury Offsets **\$2,150**

Our audit determined that the Plan had not returned \$2,059 to the FEHBP as of September 30, 2022, for an offset taken from the LOCA by the United States Department of the Treasury (Treasury). As a result, we are questioning \$2,150 for this audit finding, consisting of \$2,059 for the Treasury offset exception against the LOCA and \$91 for LII on this Treasury offset that was subsequently returned untimely to the FEHBP.

As previously cited in Contract CS 1039, costs charged to the FEHBP must be actual, allowable, allocable, and reasonable. Also, as previously cited from FAR 52.232-17(a), all amounts that become payable by the Contractor should include simple interest from the date due. Regarding reportable monetary findings, Contract CS 1039, Part III, Section 3.16 (a) states, “Audit findings . . . in the scope of an OIG audit are reportable as questioned charges unless the Carrier provides documentation supporting that the findings were already identified and corrected . . . prior to audit notification.”

The Treasury will occasionally recover non-FEHBP debts from a BCBS plan by reducing LOCA drawdowns made to the plan for FEHBP claim payments. If this occurs, the BCBS plan should make the FEHBP whole by transferring funds into the plan’s dedicated FEP investment account to replenish the funds that were taken.

In one instance, the Plan had not returned a Treasury offset of \$2,059 to the FEHBP as of September 30, 2022.

During our review of Treasury offsets, we noted an exception by the Plan. Specifically, the Plan identified a Treasury offset of \$2,059 on May 27, 2022, and transferred the applicable funds for this offset to the dedicated FEP investment account on June 2, 2022. However, the Plan then inadvertently withdrew these funds from the FEP investment account on June 8, 2022, which left the FEP investment account short by \$2,059 as of September 30, 2022. As a result of our audit finding, the Plan subsequently redeposited these Treasury offset funds of \$2,059 into the FEP investment account on June 22, 2023, and then calculated and returned

applicable LII of \$91 to the FEHBP on July 19, 2023. We reviewed and accepted the Plan's LII calculation for this Treasury offset exception.

Recommendation 4

We recommend that the contracting officer require the Plan to return \$2,059 to the FEHBP for the questioned Treasury offset. However, since we verified that the Plan subsequently returned \$2,059 to the FEHBP for this questioned Treasury offset, no further action is required for this amount.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$91 to the FEHBP for LII on the questioned Treasury offset that was returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$91 to the FEHBP for the questioned LII, no further action is required for this LII amount.

Association Response:

The Association agrees with the finding and recommendations.

D. FRAUD AND ABUSE PROGRAM

The Plan timely entered fraud and abuse cases into the Association's FSTS.

The audit disclosed no findings pertaining to the Plan's Fraud and Abuse Program activities and practices. From January 1, 2022, through September 30, 2022, the Plan opened 23 fraud and abuse cases with potential FEP exposure. From this universe, we selected and reviewed all of these cases and determined if the Plan timely entered these fraud and abuse cases into the Association's FEP Special Investigations Unit Tracking System (FSTS) and if the Association timely reported these cases to the OPM OIG.⁴ Based on our review, we identified no exceptions with the Plan timely entering cases into the Association's FSTS and the Association timely reporting cases to the OPM OIG. Overall, we determined that the Plan complied with the communication and reporting requirements for fraud and abuse cases that are set forth in Contract CS 1039 and FEHBP Carrier Letter 2017-13.

⁴ FSTS is a multi-user, web-based FEP case-tracking database application and storage warehouse administered by the Association's FEP Special Investigations Unit (SIU). FSTS is used by the local BCBS plans' SIUs, the FEP Pharmacy Benefit Managers' SIUs, and the Association's FEP SIU to store, track and report potential fraud and abuse activities.

IV. SCHEDULE A – QUESTIONED CHARGES

BLUECROSS BLUESHIELD OF SOUTH CAROLINA COLUMBIA, SOUTH CAROLINA								
QUESTIONED CHARGES								
AUDIT FINDINGS	2017	2018	2019	2020	2021	2022	2023	TOTAL
A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS								
1. Health Benefit Refunds and Recoveries*	\$0	\$89	\$9	\$42	\$84	\$40,808	\$279	\$41,311
TOTAL MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS	\$0	\$89	\$9	\$42	\$84	\$40,808	\$279	\$41,311
B. ADMINISTRATIVE EXPENSES								
TOTAL ADMINISTRATIVE EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
C. CASH MANAGEMENT								
1. United States Treasury Offsets*	\$0	\$0	\$0	\$0	\$0	\$2,104	\$46	\$2,150
TOTAL CASH MANAGEMENT	\$0	\$0	\$0	\$0	\$0	\$2,104	\$46	\$2,150
D. FRAUD AND ABUSE PROGRAM								
TOTAL FRAUD AND ABUSE PROGRAM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL QUESTIONED CHARGES	\$0	\$89	\$9	\$42	\$84	\$42,912	\$325	\$43,461

* We included lost investment income (LII) within audit findings A1 (\$1,221) and C1 (\$91). Therefore, no additional LII is applicable.

APPENDIX



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October 27, 2023

Mr. John A. Hirschmann, Group Chief
Experience-Rated Audits Group
Office of the Inspector General
U.S. Office of Personnel Management
1900 E Street, Room 6400
Washington, DC 20415-11000

**Reference: OPM Draft AUDIT REPORT
BlueCross BlueShield of South Carolina
Audit Report Number 2023-ERAG-004**

Dear Mr. Hirschmann:

This is the Blue Cross BlueShield of South Carolina response to the above referenced U.S. Office of Personnel Management OPM Draft Audit Report covering the Federal Employees Health Benefits Program (FEHBP). Our comments concerning the findings in the report are as follows.

A. MISCELLANEOUS HEALTH BENEFIT PAYMENTS AND CREDITS

1. Health Benefit Refunds and Recoveries \$41,311

Recommendation 1

We recommend that the contracting officer require the Plan to return \$40,090 to the FEHBP for the questioned health benefit refund. However, since we verified that the Plan subsequently returned \$40,090 to the FEHBP for the questioned health benefit refund, no further action is required for this amount.

BCBSA Response

BCBSA agrees with this recommendation and as stated, no additional action is necessary.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$1,221 to the FEHBP for the questioned LII on health benefit refunds and recoveries that were returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$997 of this questioned LII to the FEHBP, the contracting officer only needs to ensure that the Plan returns the remaining questioned LII of \$224 to the FEHBP.

BCBSA Response

BCBSA agrees with this recommendation and the Plan has returned the funds to the Program.

Recommendation 3

We recommend that the contracting officer require the Association to provide evidence or supporting documentation demonstrating that the Plan has implemented the necessary corrective actions to ensure that cash receipt health benefit refunds and recoveries, including SPI credit amounts, are timely returned to the FEHBP (i.e., deposited into the FEP investment account within 30 days after receipt and returned to the LOCA via drawdown adjustments within 60 days after receipt).

BCBSA Response

BCBSA agrees with this recommendation. The Plan has updated its Policy and Procedures. BCBSA will work with the Plan to provide evidence of that corrected policies and procedures have been implemented. Documentation will be provided once the Final Report is issued.

C. CASH MANAGEMENT

1. United States Treasury Offsets

\$2,150

Recommendation 4

We recommend that the contracting officer require the Plan to return \$2,059 to the FEHBP for the questioned Treasury offset. However, since we verified that the Plan subsequently returned \$2,059 to the FEHBP for this questioned Treasury offset, no further action is required for this amount.

BCBSA Response

BCBSA agrees with this recommendation and as stated, no additional action is necessary.

Recommendation 5

We recommend that the contracting officer require the Plan to return \$91 to the FEHBP for LII on the questioned Treasury offset that was returned untimely to the FEHBP. However, since we verified that the Plan subsequently returned \$91 to the FEHBP for this questioned LII, no further action is required for this LII amount.

BCBSA Response

BCBSA agrees with this recommendation and as stated, no additional action is necessary.

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,

██████████

Managing Director, FEP Program Assurance

cc: ██████████, Director, Program Assurance
██████████, Manager, Program Assurance
██████████, FEP Senior Financial Auditor, Program Assurance



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