DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201

May 29, 2012

TO: Marilyn Tavenner
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: /Gloria L. Jarmon/
Deputy Inspector General for Audit Services

SUBJECT: WellPoint, Inc., Did Not Always Calculate Enrollees' True-Out-Of-Pocket Costs in Accordance With Federal Requirements (A-05-11-00018)

Attached, for your information, is an advance copy of our final report on WellPoint, Inc.'s, calculation of enrollees' True-Out-Of-Pocket costs. We will issue this report to WellPoint, Inc., within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Brian P. Ritchie, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through email at Brian.Ritchie@oig.hhs.gov or Sheri L. Fulcher, Regional Inspector General for Audit Services, at (312) 353-2621 or through email at Sheri.Fulcher@oig.hhs.gov. Please refer to report number A-05-11-00018.

Attachment

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDIT SERVICES, REGION V
233 NORTH MICHIGAN, SUITE 1360
CHICAGO, IL 60601

May 31, 2012

Report Number: A-05-11-00018

Angela F. Braly
Chair, President and CEO
WellPoint, Inc.
120 Monument Circle
Indianapolis, IN 46204-4903

Dear Ms. Braly:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *WellPoint, Inc. Did Not Always Calculate Enrollees' True-Out-Of-Pocket Costs in Accordance With Federal Requirements*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Lynn Barker, Audit Manager, at (317) 226-7833, extension 21, or through email at Lynn.Barker@oig.hhs.gov. Please refer to report number A-05-11-00018 in all correspondence.

Sincerely,

/Sheri L. Fulcher/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Timothy B. Hill
Deputy Director
Centers for Drug and Health Plan Choice
Centers for Medicare & Medicaid Services
7500 Security Boulevard, C5-19-16
Baltimore, MD 21244-1850

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

WELLPOINT, INC., DID NOT ALWAYS CALCULATE ENROLLEES' TRUE-OUT-OF-POCKET COSTS IN ACCORDANCE WITH FEDERAL REQUIREMENTS

Daniel R. Levinson
Inspector General

May 2012
A-05-11-00018

Office of Inspector General

http://oig.hhs.gov

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 amended Title XVIII of the Social Security Act (the Act) by establishing the Medicare Part D prescription drug benefit. Medicare Part D provides optional prescription drug coverage for individuals who are entitled to Medicare Part A or enrolled in Medicare Part B. The Centers for Medicare & Medicaid Services (CMS), which administers Medicare, contracts with Part D sponsors (sponsor) to provide prescription drug coverage to beneficiaries enrolled in the Part D program (enrollee). Sponsors may offer drug coverage through more than one Part D drug plan (plan).

Medicare Part D requires that for every prescription filled, drug sponsors must submit an electronic summary record, called the prescription drug event (PDE), to CMS. The PDE record contains prescription drug cost and payment data. Medicare Part D sponsors are required to track enrollees' True-Out-Of-Pocket (TrOOP) costs. According to section 1860D-2(b)(4) of the Act, TrOOP costs are defined as prescription drug costs paid by the enrollee, or by specified third parties on their behalf, that count toward the annual out-of-pocket threshold that enrollees must meet before their catastrophic drug coverage begins. In this report, we will call PDE information for 1 year an enrollee-year.

Pursuant to 42 CFR § 423.104(d)(5), once an enrollee's incurred costs exceed the annual out-of-pocket threshold, the enrollee's cost-sharing is the greater of either the copayments designated by the enrollee's plan or five percent of actual cost (which is known as "coinsurance"). The *Medicare Prescription Drug Benefit Manual*, publication 100-18, chapter 14, section 50.4, states that sponsors must correctly calculate the TrOOP costs to properly adjudicate enrollee claims.

WellPoint, Inc. (WellPoint), located in Indianapolis, Indiana, is a Plan D sponsor that contracted with CMS to provide Medicare Part D coverage to approximately 1.7 million enrollees as of December 2008 and 1.5 million enrollees as of December 2009. WellPoint sponsored 29 plans in calendar year (CY) 2008 and 28 plans in CY 2009.

OBJECTIVE

Our objective was to determine whether WellPoint calculated TrOOP costs in accordance with Federal requirements.

SUMMARY OF FINDINGS

WellPoint did not always calculate TrOOP costs in accordance with Federal requirements. For 167 of the 200 enrollee-years we reviewed, WellPoint calculated TrOOP costs correctly. For the remaining 33 enrollee-years, WellPoint did not calculate TrOOP costs in accordance with Federal requirements. For calendar years 2008 and 2009, we estimated that the Federal Government (on behalf of enrollees) overpaid while WellPoint underpaid their respective shares

of the drug costs by $2.8 million. Had WellPoint calculated TrOOP in accordance with Federal requirements, the Federal Government would have saved $2.8 million in 2008 and 2009.

WellPoint did not properly calculate TrOOP costs because it did not have adequate internal controls to ensure that claims were correctly calculated and recorded in the PDE records.

RECOMMENDATIONS

We recommend that WellPoint:

- calculate TrOOP costs in accordance with Federal requirements, which would have saved the Federal Government $2.8 million in 2008 and 2009 alone;

- enhance communication with other plans to ensure TrOOP balances are transferred properly;

- implement system edits to ensure each claim is processed according to its plan benefits; and

- implement system edits to ensure that PDE records are adjusted to accurately update TrOOP balances.

WELLPOINT COMMENTS

In written comments on our draft report, WellPoint agreed with our findings and described steps it has taken to address our recommendations. WellPoint's comments are included in their entirety as Appendix E.

TABLE OF CONTENTS

INTRODUCTION

BACKGROUND

Medicare Part D Prescription Drug Program

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) amended Title XVIII of the Social Security Act (the Act) by establishing the Medicare Part D prescription drug program. Part D program expenditures totaled more than $60 billion in 2009. As of the end of 2009, more than 33 million Medicare beneficiaries were enrolled (enrollee) in Part D prescription drug plans (plan). Part D sponsors (sponsor) are responsible for tracking enrollees' True-Out-Of-Pocket (TrOOP) costs. Section 1860D-2(b)(4) of the Act defines TrOOP costs as prescription drug costs paid by enrollees, or by specified third parties on the enrollees' behalf, that count toward the annual out-of-pocket threshold that enrollees must meet before their catastrophic drug coverage begins. Tracking and calculating TrOOP costs involves the coordination of many entities and data systems. The amount of enrollees' TrOOP costs affects their cost sharing, as well as Centers for Medicare & Medicaid Services (CMS) payments to sponsors.

CMS contracts with sponsors to provide prescription drug coverage for individuals who are entitled to Medicare Part A or enrolled in Medicare Part B. Each contract between CMS and a sponsor may include many plan benefit packages.

Pursuant to 42 CFR § 423.104(d)(5), once an enrollee's incurred costs exceed the annual out-of-pocket threshold, the enrollee's cost-sharing is the greater of either the copayments designated by the enrollee's plan or coinsurance (in this instance, five percent of the actual cost). The *Medicare Prescription Drug Benefit Manual* (the Manual), publication 100-18, chapter 14, section 50.4, states that sponsors must correctly calculate the TrOOP costs to properly adjudicate enrollee claims. We conducted this audit to determine whether one sponsor, WellPoint, Inc. (WellPoint), calculated TrOOP costs in accordance with these Federal requirements in calendar years 2008 and 2009.

Standard Prescription Drug Coverage

Sponsors are required by the MMA to offer a standard prescription drug benefit or an alternative benefit that is "actuarially equivalent" to the standard benefit. Sponsors may also offer enhanced plan benefit packages. Most enrollees are responsible for certain costs, which may include a monthly premium, an annual deductible, and coinsurance. However, enrollees with limited income are eligible to receive assistance to pay for some or all of these costs in a low-income subsidy. Low-income subsidy payments are included in an enrollee's TrOOP costs.

The standard drug benefit required enrollees to pay a maximum deductible of $275 in 2008 and $295 in 2009. In the initial phase of the Part D benefit, after this deductible was paid, enrollees contributed 25-percent coinsurance toward their drug costs and the plan paid the remaining 75 percent until combined enrollee and plan payments reached $2,510 in 2008 and $2,700 in 2009. After that limit was reached, enrollees entered the coverage gap phase of the benefit, in

which they were responsible for 100 percent of their drug costs. The catastrophic phase generally began when combined enrollee and plan payments reached $5,726.25 in 2008 and $6,153.75 in 2009 (out-of-pocket threshold). The enrollee's share of this amount, the true out-of-pocket threshold, was $4,050 and $4,350, respectively. These amounts included the enrollee's deductible and coinsurance payments. Once enrollees reached the catastrophic phase of the benefit, they contributed approximately 5 percent coinsurance toward their drug costs. Of the remaining 95 percent, the Part D sponsors were responsible for approximately 15 percent and Medicare paid the sponsors the remaining 80 percent. This 80-percent reimbursement is called a reinsurance subsidy. Please see Appendix A for graphs showing the standard defined benefit for 2008 and 2009.

True-Out-Of-Pocket Costs and Coordination of Prescription Drug Benefits

Tracking TrOOP costs involves coordination and communication between CMS, sponsors, and other payers of prescription drug benefits, as well as the TrOOP facilitator.[1] The TrOOP facilitator assists plans in coordinating beneficiaries' prescription drug benefits at the point of sale. Among other responsibilities, the TrOOP facilitator identifies costs that are reimbursed by other payers and facilitates the transfer of TrOOP-related data if an enrollee changes plans during the coverage year.

Prescription Drug Event Data

For every prescription filled, a plan must submit an electronic summary record, called a prescription drug event (PDE) record, to CMS. A PDE record contains prescription drug cost and payment data. Sponsors are required to submit PDE records, including retroactive changes, to CMS.

WellPoint, Inc.

WellPoint, Inc. (WellPoint), in Indianapolis, Indiana, is a sponsor that contracted with CMS to provide Medicare Part D coverage to approximately 1.7 million enrollees as of December 2008 and 1.5 million enrollees as of December 2009. WellPoint sponsored 29 plans in 2008 and 28 plans in 2009.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether WellPoint calculated TrOOP costs in accordance with Federal requirements.

[1] CMS contracts with an outside organization to act as the TrOOP facilitator.

Scope

Our review covered 345,157 enrollee-years associated with WellPoint enrollees who reached catastrophic coverage in 2008 and/or 2009. During this 2-year period, WellPoint reported TrOOP costs totaling $2.1 billion for these enrollees.

Our internal control review was limited to obtaining an understanding of WellPoint's policies and procedures for calculating and reporting TrOOP costs and for reporting PDE records to CMS. We performed fieldwork at WellPoint's office in Mason, Ohio, from March through July 2011.

Methodology

To accomplish our audit objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- interviewed WellPoint and CMS officials regarding policies and procedures for calculating TrOOP costs;
- analyzed PDE records to identify 345,157 enrollee-years in which enrollees reached catastrophic coverage in 2008 and/or 2009;
- selected a stratified random sample of 200 enrollee-years (see Appendix B) and reviewed the enrollee-years by:
    - calculating TrOOP cost in accordance with Federal requirements and the plans' explanation of coverage and
    - comparing the PDE records submitted to CMS by WellPoint to data in WellPoint's claim system; and
- estimated the total amount of overpayment, underpayment, or misallocation of payments among the plan, the enrollee, and Medicare due to improper TrOOP cost calculations (Appendix C).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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 objective.

FINDINGS AND RECOMMENDATIONS

WellPoint did not always calculate TrOOP costs in accordance with Federal requirements. For 167 of the 200 enrollee-years reviewed, WellPoint calculated TrOOP costs correctly. For the

remaining 33 enrollee-years, WellPoint did not calculate TrOOP costs in accordance with Federal requirements. WellPoint calculated TrOOP costs incorrectly because it did not:

- transfer TrOOP balances or did not transfer correct TrOOP balances for 5 enrollee-years, resulting in a $5,284 overstatement of TrOOP costs;

- process transactions in accordance with plan benefits for 10 enrollee-years, resulting in a $764 overstatement of TrOOP costs; and

- adjust PDE records to update TrOOP costs for 18 enrollee-years, resulting in a $54 net overstatement of TrOOP costs.

Using our sample results, we estimated that the Federal Government—on behalf of Low-Income Cost Sharing (LICS) enrollees—overpaid, while WellPoint underpaid, their respective shares of the drug costs by $2.8 million for 2008 and 2009. Had WellPoint calculated TrOOP costs in accordance with Federal requirements, the Federal Government would have saved $2.8 million.

WellPoint did not properly calculate TrOOP costs because it did not have adequate internal controls to ensure that claims were correctly calculated and recorded in the PDE records.

TRUE-OUT-OF-POCKET COST BALANCES NOT TRANSFERRED OR INACCURATE

Federal regulations at 42 CFR 423.464(a) require sponsors to coordinate benefits with other sponsors. In addition, the *Manual*, Pub. 100-18, chapter 14, section 30.4, requires the TrOOP facilitator to identify costs that are being reimbursed by other payers and facilitate the transfer of TrOOP-related data when an enrollee changes plans during the coverage year. To ensure that enrollees are placed in the appropriate coverage phase, section 16.3 of CMS's *Updated Instructions: Requirements for Submitting Prescription Drug Event Data*, issued April 27, 2006, requires sponsors to track enrollees' TrOOP costs. The TrOOP costs are calculated annually and must be transferred between plans if an enrollee changes plans before the end of the coverage year.

For 5 sampled enrollee-years, WellPoint did not calculate TrOOP costs in accordance with Federal requirements because WellPoint did not transfer TrOOP costs between plans or transferred incorrect TrOOP costs. As a result, TrOOP costs for these 5 enrollees were overstated by $5,284. Specifically:

- For 2 sampled enrollee-years, TrOOP balances totaling $4,298 were not transferred from another sponsor to WellPoint.

- For 2 sampled enrollee-years, WellPoint did not transfer TrOOP balances totaling $688 to another WellPoint plan.

- For 1 sampled enrollee-year, WellPoint did not enter the correct TrOOP balance when an enrollee transferred to WellPoint from another sponsor, which resulted in the enrollee's TrOOP balance being overstated by $298.

PROCESSING ERRORS

Section 2 of CMS's *Updated Instructions: Requirements for Submitting Prescription Drug Event Data*, issued April 27, 2006, states "plans are responsible for ensuring that beneficiaries are charged amounts that are consistent with their benefit packages as approved in the bidding process." Section 10 of these instructions states "plans must implement business rules that apply LICS calculations to covered drugs and facilitate the accurate processing and timely submission of PDE records." Pursuant to 42 CFR § 423.104(d)(5), once an enrollee's incurred costs exceed the annual out-of-pocket threshold, cost-sharing is equal to the greater of copayments or coinsurance of 5% of the actual cost.

For 10 sampled enrollee-years, WellPoint did not calculate TrOOP costs in accordance with Federal requirements because WellPoint did not process drug transactions according to the plan's benefits as defined in the explanation of coverage. WellPoint did not pay its share of the benefit or correctly calculate the deductible and catastrophic coinsurance amounts. As a result, TrOOP costs for these 10 enrollees were overstated by $764. Specifically:

- For 9 sampled enrollee-years, WellPoint made processing errors that caused it to pay less than its share of prescription costs, as defined in the coverage plan, during the initial coverage phase, resulting in a $530 overstatement of TrOOP costs.

- For 1 sampled enrollee-year, WellPoint counted twice a portion of the enrollee's deductible of $234 when calculating TrOOP costs.

ADJUSTMENTS NOT MADE

The *Manual*, publication 100-18, chapter 14, section 50.4, states that sponsors must correctly calculate TrOOP costs to properly adjudicate enrollee claims. Section 9 of CMS's *Updated Instructions: Requirements for Submitting Prescription Drug Event Data* states "[a]s of year-end, aggregate PDE data must be consistent with year-end TrOOP balances maintained by the plan. When plans have to deal with retroactive changes that alter TrOOP accounting, the plan has two choices. The plan may submit adjustments for each PDE that was affected by the retroactive changes or the plan may report as they administer the benefit, provided that PDEs accurately report TrOOP balances by the end of the coverage year."

WellPoint did not calculate TrOOP costs correctly for 18 enrollee-years because WellPoint did not take steps to ensure that PDEs accurately reported TrOOP balances by the end of the coverage year. This resulted in a net overstatement of TrOOP costs of $54.

Specifically:

- For 4 sampled enrollee-years, WellPoint did not make necessary adjustments, resulting in a $277 overstatement of TrOOP costs.

- For 14 sampled enrollee-years, WellPoint did not make necessary adjustments, resulting in a $223 understatement of TrOOP costs.

INTERNAL CONTROLS NOT IMPLEMENTED

WellPoint did not properly calculate TrOOP costs because it did not have adequate internal controls to ensure that claims were correctly calculated and recorded in the PDE records. Specifically, WellPoint did not have:

- controls in place that ensured proper communication between plans to verify TrOOP balances were accurate and transferred to the new plan when enrollees changed plans,

- edits in place to ensure that claims were processed using enrollees' plan benefits, and

- edits in place to trigger a PDE record adjustment once a claim was adjusted in its system.

IMPACT OF TRUE-OUT-OF-POCKET MISCALCULATIONS

For 2008 and 2009, we estimated that the Federal Government (on behalf of enrollees) overpaid while WellPoint underpaid their respective shares of the drug costs by $2.8 million. Had WellPoint calculated TrOOP costs in accordance with Federal requirements, the Federal Government would have saved $2.8 million.

In the catastrophic phase, three payers share in the costs of providing drug coverage to the enrollee: (1) the enrollee (or Federal Government on behalf of a LICS enrollee) pays 5%, (2) the plan pays 15%, and (3) Medicare pays 80%. Accordingly, if one payer has paid more than its equitable share of drug costs, the remaining payers have paid less than their equitable share of drug costs. Therefore, both the Federal Government's responsibility for reinsurance and its share of LICS enrollee cost-sharing are affected by TrOOP miscalculations.

For the 33 enrollees (32 LICS enrollees and 1 non-LICS enrollee) in 2008 and 2009 that WellPoint calculated TrOOP costs incorrectly, we estimated that enrollees and Medicare paid $17.7 million more than the enrollees' 5% share in the catastrophic phase. Of this amount, WellPoint should have paid $2.8 million. Please see Appendix D for a further explanation of the calculation of WellPoint's underpayment of Part D drug costs.

RECOMMENDATIONS

We recommend that WellPoint:

- calculate TrOOP costs in accordance with Federal requirements, which would have saved the Federal Government $2.8 million in 2008 and 2009 alone;

- enhance communication with other plans to ensure TrOOP balances are transferred properly;

- implement system edits to ensure each claim is processed according to its plan benefits; and

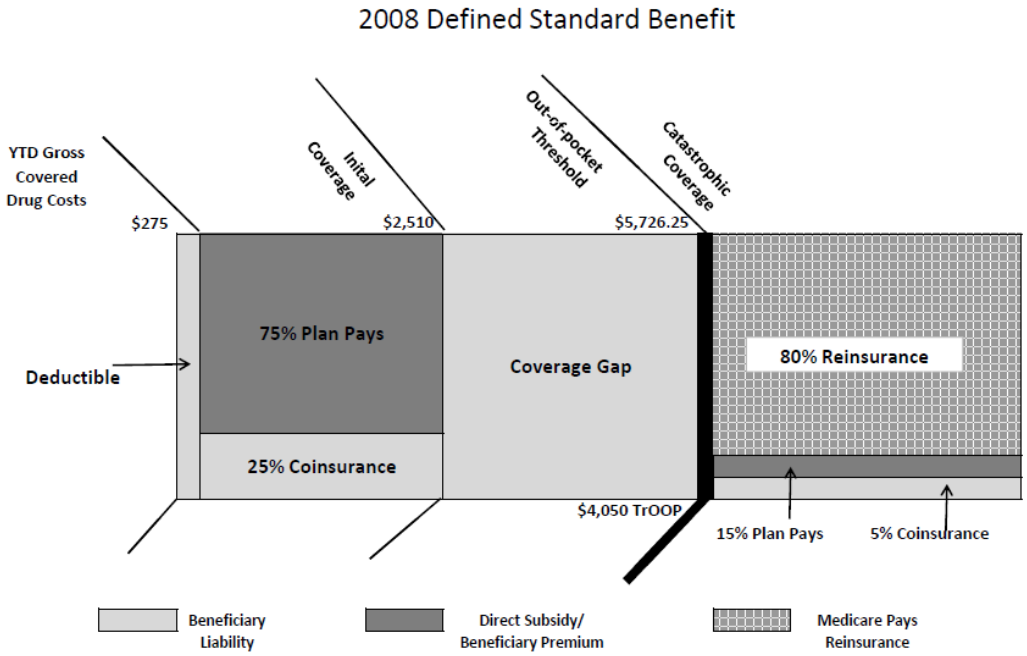
- implement system edits to ensure that PDE records are adjusted to accurately update TrOOP balances.

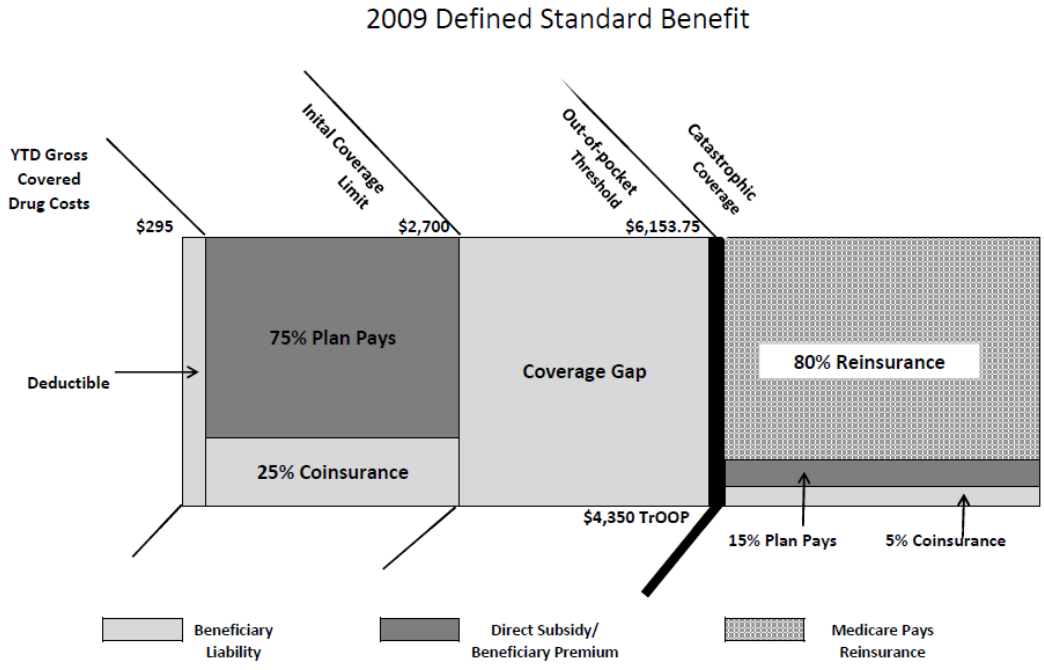
WELLPOINT COMMENTS

In written comments on our draft report, WellPoint agreed with our findings and described steps it has taken to address our recommendations. WellPoint's comments are included in their entirety as Appendix E.

APPENDIXES

APPENDIX A: DEFINED STANDARD BENEFIT FOR PART D ENROLLEES IN 2008 AND 2009





YTD = year to date

Source for graphics: Centers for Medicare & Medicaid Services, "Prescription Drug Event Data Foundations," (regional training presentation), July 2007; dollar amounts updated.

APPENDIX B: SAMPLING METHODOLOGY

POPULATION

The population consisted of all WellPoint, Inc. (WellPoint), enrollees in Part D plans (plan) that reached catastrophic coverage in a given year during our audit period of January 1, 2008, through December 31, 2009.

SAMPLING FRAME

The sampling frame was an MS Access database file containing prescription drug event (PDE) information for 345,157 enrollee-years associated with WellPoint enrollees who reached catastrophic coverage in calendar year 2008 or 2009 with True-Out-Of-Pocket (TrOOP) costs totaling $2,143,626,603.

SAMPLE UNIT

The sampling unit was an enrollee-year (PDE information for 1 year).

SAMPLE DESIGN

We used a stratified random sample, defined as follows.

Stratum 1: the 1,344 enrollees who reached catastrophic coverage in 2008 and had large attachment point transactions[1] (covered plan paid >$1,782) that crossed multiple phases.

Stratum 2: the 176,950 remaining enrollees who reached catastrophic coverage in 2008.

Stratum 3: the 1,208 enrollees who reached catastrophic coverage in 2009 and had large attachment point transactions (covered plan paid >$1,918) that crossed multiple phases.

Stratum 4: the 165,655 remaining enrollees who reached catastrophic coverage in 2009.

SAMPLE SIZE

We selected and reviewed a random sample of 50 enrollees from each stratum.

SOURCE OF RANDOM NUMBERS

We used the Office of Inspector General, Office of Audit Services (OAS) statistical software.

[1] The attachment point is the point at which a beneficiary enters the catastrophic phase of the benefit based on accumulated TrOOP costs.

ESTIMATION METHODOLOGY

We used the OAS statistical software to estimate the amount of TrOOP costs not properly calculated and reported.

APPENDIX C: SAMPLE RESULTS AND ESTIMATES

Sample Results

Stratum	Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Incorrect TrOOP Calculations	Value of Incorrect TrOOP Calculations
1	1,344	$8,220,194	50	$290,910	13	$1,044
2	176,950	$1,058,233,765	50	$234,001	12	$4,232
3	1,208	$7,850,176	50	$382,732	0	$0
4	165,655	$1,069,322,468	50	$234,949	8	$826
Totals	**345,157**	**$2,143,626,603**	**200**	**$1,142,592**	**33**	**$6,102**

Estimated Impact of Incorrect TrOOP Calculations
(Limits Calculated for a 90-percent Confidence Interval)

Overall	Total Unallowable
Point Estimate	$17,741,728
Lower Limit	-$4,250,163
Upper Limit	$39,733,620

APPENDIX D: CALCULATION OF WELLPOINT'S UNDERPAYMENT OF PART D DRUG COSTS

Based on the results of our sample, we estimated that enrollees overpaid their shares of Part D drug costs by $17.7 million. Of this amount, $14.9 million represented an underpayment by Medicare and $2.8 million represented an underpayment by WellPoint.

Medicare's Underpayment of Its Share of Drug Costs

$14.9 million	=	$17.7 million	x	[80	÷	95]
Medicare's underpayment		Enrollees' overpayment		Percentage of drug costs paid by Medicare in the catastrophic phase		80% of drug costs paid by Medicare + 15% paid by Wellpoint

WellPoint's Underpayment of Its Share of Drug Costs

$2.8 million	=	$17.7 million	x	[15	÷	95]
WellPoint's underpayment		Enrollees' overpayment		Percentage of drug costs paid by WellPoint in the catastrophic phase		80% of drug costs paid by Medicare + 15% paid by Wellpoint

APPENDIX E: WELLPOINT COMMENTS

Edward L. Stubbers
VP Compliance, Senior Business
4241 Irwin Simpson Road
Mason, OH 45040
(513) 336-2541
Edward.Stubbers@WellPoint.com

April 12, 2012

Sheri Fulcher
Regional Inspector, Region V
US Department of Health and Human Services
Office of Inspector General, Office of Audit Services
233 North Michigan, Suite 1360
Chicago, IL 60601

VIA HHS/OIG Delivery Server:

Re: Draft Report Number A-05-11-00018 entitled WellPoint Did Not Always Calculate Enrollees' True-Out-Of-Pocket Costs In Accordance With Federal Requirements

Dear Ms. Fulcher:

WellPoint has reviewed the draft Audit Report from the U.S. Department of Health and Human Services, Office of Inspector General (OIG) entitled *WellPoint Did Not Always Calculate Enrollees' True-Out-Of-Pocket Costs In Accordance With Federal Requirements.* WellPoint appreciates the opportunity to comment on the Findings and Recommendation in the draft Audit Report.

The OIG reviewed whether the WellPoint affiliated plans that had contracts with the Centers for Medicare & Medicaid Services (CMS) in 2008 and 2009 to provide Part D prescription drug coverage calculated TrOOP costs pursuant to CMS rules and guidelines. The OIG made four findings as well as recommendations. WellPoint addresses each of the findings below.

Finding
The OIG asserts that WellPoint, for 5 sampled enrollee-years, did not calculate TrOOP costs in accordance with Federal requirements because WellPoint did not transfer TrOOP costs between plans or transferred incorrect TrOOP costs. As a result, TrOOP costs for these 5 enrollees were overstated by $5,284.

Response
WellPoint agrees with this finding and was placed under a Corrective Action Plan for this issue by CMS on October 10, 2008. To resolve the non-compliance, WellPoint increased internal controls and improved policies and procedures. In addition, WellPoint retired the manual process for balance transfers that was in place before 2009. Effective January 1, 2009, CMS required Part D Sponsors to utilize the new NCPDP Financial Information Reporting (FIR) standard to transfer TrOOP balances and gross covered drug costs whenever a beneficiary makes an enrollment change at the contract-level during the coverage year. The FIR process is highly automated and requires coordination between Relay Health, the Part D Transaction Facilitator, the Pharmacy Benefit Manager (PBM), and the Part D

Edward L. Stubbers
VP Compliance, Senior Business
4241 Irwin Simpson Road
Mason, OH 45040
(513) 336-2541
Edward.Stubbers@WellPoint.com

Sponsor. FIR transactions that request or deliver gross drug cost and true out-of-pocket balances for cost are automatically triggered by RelayHealth. This replaced a manual process used in 2008. Transactions are initiated by RelayHealth using eligibility information received nightly from the CMS Medicare Beneficiary Database. A WellPoint data analyst logs and reconciles the transactions and maintains several databases in an effort to monitor and ensure timely and compliant TrOOP transfers. FIR TrOOP transfer transactions which fail to complete the transaction sequencing are monitored and tracked to resolution. As the automated process was implemented, WellPoint continued to make refinements to its oversight processes throughout 2009. CMS acknowledged compliance and released WellPoint from the Corrective Action Plan on March 4, 2009.

Finding

The OIG asserts that WellPoint, for 10 sampled enrollee-years, did not calculate TrOOP costs in accordance with Federal requirements because WellPoint did not process drug transactions according to the plan's benefits as defined in the explanation of coverage. WellPoint did not pay its share of the benefit or correctly calculate the deductible and catastrophic coinsurance amounts. As a result, TrOOP costs for these 10 enrollees were overstated by $764.

Response

WellPoint agrees that these drug transactions were not handled correctly. Since 2008, the process has evolved greatly. WellPoint, in conjunction with its PBM, Express Scripts, has implemented a more robust and complex validation process to confirm that benefits are configured in accordance with the evidences of coverage and to monitor transactions.

Finding

The OIG asserts that WellPoint did not calculate TrOOP costs correctly for 18 enrollee-years because WellPoint did not take steps to ensure that PDEs accurately reported TrOOP balances by the end of the coverage year. This resulted in a net overstatement of TrOOP costs of $54.

Response

WellPoint agrees with this finding but notes that it has since moved from a manual to an automated process to address retroactive adjustments. The automated process is more refined and has controls in place to help ensure that PDEs accurately reflect TrOOP balances by the end of the coverage year.

Finding

The OIG asserts that WellPoint did not properly calculate TrOOP costs because it did not have adequate internal controls to ensure that claims were correctly calculated and recorded in the PDE records.

Response

WellPoint acknowledges that its internal controls were not as strong as they should have been in 2008. As noted above, CMS placed WellPoint under a Corrective Action Plan for this issue on October 10, 2008. To resolve the non-compliance, WellPoint increased internal controls and improved policies and

Edward L. Stubbers
VP Compliance, Senior Business
4241 Irwin Simpson Road
Mason, OH 45040
(513) 336-2541
Edward.Stubbers@WellPoint.com

procedures. CMS acknowledged compliance and released WellPoint from the Corrective Action Plan on March 4, 2009.

Regarding the impact of True-Out-of-Pocket miscalculations, WellPoint questions the validity of the random sample used to determine the impact of TrOOP miscalculations. In 2008, LICS members comprised forty-six percent of the universe (WellPoint total member months), yet LICS members represented seventy-eight percent of the sample. The fact that LICS members were so overrepresented in the sample most likely impacted the error calculation. LICS members are far more likely to have adjustments made to their TrOOP due to eligibility determinations being made retroactively. LICS members are more susceptible to calculation errors due to such retroactive changes to their eligibility, and they are not reflective of the overall Part D population. Nevertheless, WellPoint has since improved its processes for handling retroactive transactions and has automated processes that are less likely to have errors than the older processes which had manual components.

We trust that the information provided includes the detail requested. If you have any questions regarding this communication, please contact me at 513-336-2541 or via email at edward.stubbers@wellpoint.com. Thank you in advance for your prompt attention and response to this matter.

Sincerely,

Edward L. Stubbers, Esq.
Vice President of Compliance, Senior Business