

News Release



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BLUE CROSS AND BLUE SHIELD OF FLORIDA ANNOUNCES FAVORABLE END TO MEDICARE INVESTIGATION

(Jacksonville) -- The federal government will not seek any criminal charges against Blue Cross and Blue Shield of Florida (BCBSF) after concluding an exhaustive investigation arising out of the 1988 Medicare Part B conversion to a GTE Data Services, Inc. (GTEDS) computer system, a company official announced today.

In a letter to BCBSF, United States Attorney Douglas N. Frazier of the Middle District of Florida stated that " the United States has determined...to conclude this investigation and will not file any criminal charges against BCBSF, its officers, directors or employees...".

"We are very pleased with this decision by the U.S. Attorney," said BCBSF general counsel Bruce Bagni. "We cooperated fully with the investigation knowing that a complete review of the facts would lead to this favorable result. The U.S. Attorney's decision not to pursue any criminal charges says more than any statement we could make," he said.

Bagni also said that subject to court approval, the company reached a resolution of all outstanding issues and disputes arising out of the 1988 Medicare Part B computer system conversion, including a civil lawsuit filed by the government under the U.S. False Claims Act, and an action brought by BCBSF against GTEDS, which supplied BCBSF the new computer system for the Medicare program. Upon court approval, GTEDS will pay \$9.5 million in damages in addition to over \$2 million already assessed for its computer's initial poor performance. Also subject to court approval, the U.S. Health Care Financing Administration (HCFA) agreed to the release of \$4 million to BCBSF as reimbursement for added administrative expenses the company incurred because of the computer system's difficulties. BCBSF, without acknowledging any liability, will pay \$10 million to the federal government, subject to final court approval. A separate, reserve account previously had been established for expenses associated with the investigation and dispute.

BCBSF consolidated financial results for the first quarter of 1993 showed an increase in policyholders' equity to \$424.4 million on revenues of \$489.9 million. Annual revenues at the end of 1992 stood at \$1.88 billion. The strong level of policyholders' equity and revenue enables the company to meet the needs of a growing business and the future needs of its customers.

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The investigation of BCBSF focused on a major conversion to a computer system provided by GTEDS in 1988. The conversion, one of the largest of its kind, was undertaken with a 7 month deadline at the request of the U.S. government. Initially, as is common in a major conversion within the short time frame allowed for the change-over, the system was unable to handle the large workload. Today, only four out of 47 Medicare carriers in the country rank higher than BCBSF for its accurate and timely payment of claims. The company has attained this high performance level even as it processes more claims than any single state Medicare Part B carrier in the nation. In 1992, BCBSF Medicare employees processed about 47 million Medicare Part B (physician) claims.

"Our current high performance rankings attest to our employees' perseverance and dedication, in the midst of very challenging circumstances," said Bagni.

As a result of the conversion, noted Bagni, data processing competition now is in place for the country's large Medicare carriers where little previously existed. The more competitive environment has helped produce price reductions in data processing services for Medicare that is estimated to have saved the taxpayers at least \$75 million over the past five years, he said.

BCBSF's private business claims were unaffected by the conversion. All private business claims are processed on the company's own internal computer system, which consistently exceeds high performance goals. BCBSF is a Florida-based, mutual insurance company, subject to the same regulation by the Department of Insurance as other insurers operating in the state of Florida. For 1992, the company is expected to pay \$39.4 million in taxes and assessments.

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