



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

Final Interim Audit Report

**AUDIT OF THE U.S. OFFICE OF PERSONNEL
MANAGEMENT'S IMPLEMENTATION
OF THE POSTAL SERVICE HEALTH BENEFITS
PROGRAM: INTERIM REPORT**

**Report Number PSHB-086
December 10, 2024**

EXECUTIVE SUMMARY

Audit of the U.S. Office of Personnel Management's Implementation of the Postal Service Health Benefits Program: Interim Report

Report No. PSHB-086

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Why Did We Conduct the Audit?

The primary objective of this audit was to provide oversight of the implementation of the U.S. Postal Service Health Benefits Program (PSHBP) to ensure that the U.S. Office of Personnel Management (OPM) continued to follow appropriate laws, regulations, and guidance to implement the requirements of 5 United States Code (U.S.C.) Chapter 89 (Public Law 117-108), cited as the Postal Service Reform Act of 2022 (PSRA).

What Did We Audit?

In accordance with the Inspector General Act of 1978, as amended, 5 U.S.C. § 404(a), the OPM Office of the Inspector General completed this interim audit report to provide information to stakeholders on OPM's implementation operation activities related to the PSHBP. We conducted this portion of the audit in our Washington, D.C. and Cranberry Township, Pennsylvania offices from October 2023 through October 2024.



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What Did We Find?

We have been conducting oversight over OPM's implementation of the PSHBP since October 2022. This specific interim audit report focuses on the ongoing implementation operation activities associated with the Postal Service Health Benefits System (PSHBS), the Carrier Connect system, Postal Service Health Benefits (PSHB) carriers, policy development, and the Special Enrollment Period for Medicare Part B enrollment. In monitoring these activities, we found the following:

- The PSHBS development and implementation is on track and the PSHBS is being utilized by PSHB members beginning with the 2024 PSHBP Open Season.
- OPM's development and implementation of Carrier Connect has been successful to date and recent updates to the system have allowed it to exchange data with the PSHBS.
- We reviewed the conditionally approved PSHB carrier applicants and determined that the U.S. Postal Service enrollees will have adequate coverage to choose from for their 2025 health benefits.
- The development of regulations by OPM is vital to the success of the PSHBP. OPM has created these regulations in accordance with 5 U.S.C. § 8903c(g)(3).
- OPM, in coordination with other agencies, successfully implemented a Special Enrollment Period for Medicare Part B, as required by the PSRA.

ABBREVIATIONS

ATT	Authorization to Test
Authorization	Assessment and Authorization
Carriers	Health Insurance Carriers
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefits Program
FR	Federal Register
IFR	Interim Final Rule
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
NPRM	Notice of Proposed Rulemaking
Postal Service	U.S. Postal Service
PSHB	Postal Service Health Benefits
PSHBP	Postal Service Health Benefits Program
PSHBS	Postal Service Health Benefits System
PSRA	Postal Service Reform Act
QLE	Qualifying Life Event
SEP	Special Enrollment Period
SSA	U.S. Social Security Administration
U.S.C.	United States Code

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REPORT FRAUD, WASTE, AND MISMANAGEMENT

I. BACKGROUND

This final interim audit report details the results of the U.S. Office of Personnel Management’s (OPM) Office of the Inspector General’s (OIG) audit of OPM’s ongoing implementation of the Postal Service Health Benefits Program (PSHBP). Specifically, it communicates information on the Postal Service Health Benefits System (PSHBS), the Carrier Connect system, Postal Service Health Benefits (PSHB) carriers, policy development, and the Special Enrollment Period (SEP) for Medicare Part B enrollment.

The PSHBP was established within the Federal Employees Health Benefits Program (FEHBP) by the Postal Service Reform Act of 2022 (PSRA) (Public Law 117-108), enacted on April 6, 2022, and will be administered by OPM’s Healthcare and Insurance Office. The PSHBP was created to provide health insurance benefits for U.S. Postal Service (Postal Service) employees, annuitants, and eligible dependents beginning on January 1, 2025. For these individuals, eligibility for enrollment or coverage in the Federal Employees Health Benefits (FEHB) plans will end on December 31, 2024, and enrollment and coverage will only be offered by the PSHB plans after that time. Subject to limited exceptions, Postal Service annuitants who retire and become Medicare-eligible after December 31, 2024, and their Medicare-eligible¹ family members, will be required to enroll in Medicare Part B² as a condition of eligibility to enroll in the PSHBP. The first Open Season for the PSHBP will begin on November 11, 2024, and run through December 9, 2024. The first contract year will begin January 1, 2025.

Health insurance coverage is provided through contracts with health insurance carriers (carriers) who provide service benefits, indemnity benefits, or comprehensive medical services. Required benefits are listed in broad categories in the FEHB statute at 5 United States Code (U.S.C.) § 8904 and include hospital benefits, surgical benefits, medical care and treatment, and obstetrical benefits, among others. Each year, OPM issues guidance for health benefits carriers preparing FEHB plan benefit proposals. The guidance outlines technical requirements for each proposal, including benefit package details such as actuarial value, benefit changes from the previous year, and the drug formulary. Carriers offering PSHB plans, as part of the FEHBP, will be subject to the same or similar guidance. The PSRA requires that the carriers offering PSHB plans will, to the greatest extent practicable, offer benefits and cost-sharing equivalent to the benefits and cost-sharing for FEHB plans for that carrier in the initial contract year.

Section 101 of the PSRA added a new section, 8903c, to 5 U.S.C Chapter 89 which directs OPM to establish the PSHBP. “The [PSHBP] was authorized under the Title I Postal Service Financial Reforms provisions in the PSRA in furtherance of Congress’s objective to ‘improve the financial position of the Postal Service while increasing transparency and accountability of the Postal Service’s operations, finances, and performance.’” OPM issued a final rule on

¹ Medicare is generally for people 65 or older, but may also include people with disabilities, End-Stage Renal Disease, or Lou Gehrig’s disease.

² Medicare Part B is medical insurance covering services from doctors, outpatient care, home health care, durable medical equipment, and many preventative services.

May 6, 2024, to set forth standards to implement Section 101 of the PSRA to establish the PSHBP.

Our plan is to provide oversight and periodic interim audit reports throughout OPM's implementation of the PSHBP with a focus on critical aspects of the program implementation process. This is our sixth such interim audit report on OPM's implementation of the PSHBP. The preliminary results of this interim audit report were communicated to OPM officials during an exit conference on November 14, 2024.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The primary objective of this audit was to determine if OPM's ongoing PSHBP implementation operation activities were on schedule and in accordance with established regulations, including the PSRA (Public Law 117-108, relevant provisions codified at Chapter 89 of Title 5). Specifically, it communicates information on the PSHBS, the Carrier Connect system, PSHB carriers, policy development, and the SEP for Medicare Part B enrollment.

SCOPE

The audit was conducted pursuant to the provisions of the PSRA; 5 U.S.C. Chapter 89; and 5 Code of Federal Regulations Chapter 1, Parts 890 and 892. The audit was performed by OPM's OIG, as authorized by the Inspector General Act of 1978, as amended (5 U.S.C. sections 401 through 424).

We conducted this 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 objectives.

We obtained an understanding of OPM's internal control structure, as applicable to the specific review areas of the PSHBP implementation, 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 OPM has in place to ensure that its project management oversight is in accordance with the applicable laws, rules, and regulations.

In conducting the audit, we relied to varying degrees on computer-generated data provided by OPM. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our review utilizing the computer-generated data to cause us to doubt its reliability. We believe that the available data was sufficient to achieve our audit objectives. Except as noted above, the audit was conducted in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States.

We conducted our audit fieldwork for this audit in our Washington, D.C. and Cranberry Township, Pennsylvania offices from October 2023 through November 14, 2024.

METHODOLOGY

This interim final audit report provides details to stakeholders on OPM's implementation operation activities. We held frequent meetings with OPM during our audit fieldwork to discuss

the PSHBS, the Carrier Connect system, PSHB carriers, policy development, and the SEP for Medicare Part B enrollment. We issued questions to OPM and requested supporting documentation regarding these review areas. We were provided with demonstrations of the PSHBS and Carrier Connect systems. We obtained and reviewed the PSRA, OPM's final rule, which was published May 6, 2024, and the Notice of Proposed Rule Making.

Other auditing procedures were performed as necessary to meet our audit objectives.

We will issue interim audit reports periodically throughout our oversight of the implementation of the PSHBP. These reports will compile the results of our audits and provide any applicable updates on previously communicated results. As required by the Inspector General Act of 1978, as amended, 5 U.S.C. § 420, each final interim report will be available to the public on the OPM OIG's webpage³.

³ OPM OIG Website - <https://oig.opm.gov/>

III. AUDIT RESULTS

IMPLEMENTATION OPERATION ACTIVITIES

A. Postal Service Health Benefits System

As part of the implementation of the PSHBP, OPM, in collaboration with Deloitte, has been working on a central enrollment portal, the PSHBS. The PSHBS will be utilized, beginning with the 2024 Open Season, to enroll Postal Service employees, annuitants, and eligible dependents into the PSHBP. It will process all enrollments and changes in enrollments for PSHB, including open season transactions, qualifying life events⁴ (QLE), and enrollments for newly eligible individuals. It will provide an account-based, one-stop shop for enrollees to compare and learn about health insurance plan options, select a plan that fits their needs, and complete the enrollment process. The PSHBS will be the authoritative source for PSHBP enrollment data, including ongoing reconciliation of enrollment and premiums. The system was a commercial off-the-shelf product that is being heavily customized to meet the needs of OPM and the PSBHP. Notably, this central enrollment portal is to be developed using scalable, flexible technology to potentially service the remaining non-Postal Service FEHB members (estimated at 6.5 million) in the future.

Our oversight of the PSHBS has involved monitoring the system development life cycle as well as the Assessment and Authorization (Authorization) to ensure that the system is properly authorized to operate within OPM's production environment. To monitor the system development life cycle, we received monthly system demonstrations that showed the system's features and functionality, and we received and reviewed periodic updates to a Data Dashboard. The Data Dashboard provides tracking information on PSHBS development and integration, specifically showing areas that have delays.

The system currently resides in OPM's production environment and has gone through user acceptance testing. This testing involved executing pre-planned test scenarios, which mimic real-world scenarios that postal employees, annuitants, and eligible dependents will perform when using the system during open season and for future enrollment transactions.

From the PSHBS demonstrations, we learned that the system allows test users to complete end-to-end enrollment transactions for QLEs. Test users can log into the test environment using multi-factor authentication via Login.gov or use of their PIV card. The user can then report a QLE and search for a new health plan using a variety of search factors (e.g., doctors, facilities, prescriptions, enrollee contribution, out-of-pocket maximum, and others). The system then displays the available health plans, allows the comparison of plans, and shows the premiums so the member can choose to enroll in the one that best meets their needs.

⁴ Outside of Open Season, changes in enrollments in connection with certain events are called QLEs. Some examples of QLEs are a change in family status, a change in employment status, or the employee or a family member loses FEHB or other coverage.

Once the enrollee has selected a plan, the system prompts the user to submit proof of the QLE and generates a message on the enrollee’s dashboard notifying them to upload the required documentation. The system includes a feature that allows administrators to review and verify the documentation and determine whether to approve or deny the QLE.

As of January 1, 2025, OPM will begin collecting documentation to support dependent eligibility for all new enrollments and changes due to QLEs. We issued an interim audit report⁵ in September 2024 recommending that OPM develop a written plan and process to collect eligibility documentation for all dependents enrolled within the PSHBP. OPM agreed with the recommendation; however, OPM is not planning to collect dependent documentation for family members that will be automatically enrolled in the PSHBP at this time. OPM stated that this would “require resources that are not currently available for this program and would disrupt activities necessary to ensure that no Postal employee, annuitant, or eligible family member experiences a disruption in coverage.”

We routinely met with the OPM Office of the Chief Information Officer (OCIO) personnel, who are responsible for the system Authorization, to inquire about its progress. We have reviewed several documents related to the Authorization package, as available. The security categorization was approved in February 2024 and the system is classified as having moderate risk when applying guidance from Federal Information Processing Standards Publication 199. A Privacy Threshold Analysis and Privacy Impact Assessment have been documented and approved by OPM Privacy officials. The System Security and Privacy Plan was completed and approved at the end of August and independent security controls testing has been completed. The Contingency Plan was also completed and approved at the end of August.

The PSHBS was granted an Authorization to Test (ATT) in September 2024, which allowed for the system to be moved to the production environment for the specific purpose of testing system functionality prior to a fully approved Authorization to Operate. The ATT was bound by several conditions/limitations and expired and was superseded by the official Authorization to Operate, which was approved on October 29, 2024.

B. Carrier Connect

OPM developed the Carrier Connect system for carriers to apply to offer health insurance plans in the PSHBP. It also serves as a record between OPM and carriers for benefit and rate proposals, contracting decisions, and communication. The initial version of Carrier Connect received an Authorization to Operate on June 26, 2023, allowing carriers to create accounts

⁵ Report Number PSHB-088 – U.S. Office of Personnel Management’s Implementation of the Postal Service Health Benefits Program: Collection of Members’ Eligibility Documentation

and submit electronic applications, along with supporting documentation, for consideration to participate in the PSHBP.

On April 1, 2024, OPM released Carrier Connect version 2.0, which allowed carriers that were selected to participate in the PSHBP to upload required health plan information including annual benefit and rate proposals. OPM released Carrier Connect version 3.0 on August 2, 2024, which allowed for monthly data exchanges between Carrier Connect and the PSHBS. These data exchanges allow for the PSHBS to have the most up-to-date information on carriers' rates and benefit information.

Per OPM, the carriers participating in the PSHBP are satisfied overall with Carrier Connect, although carriers have informed OPM that the initial data input into the system was challenging due to the large amount of information required. OPM acknowledged the amount of information carriers were required to input in the initial year was large; however, in subsequent years only updates to information will be required from carriers already participating in the PSHBP.

C. PSHB Carriers

According to 5 U.S.C. 8903c(c)(1)(C), “The Program shall – (i) to the greatest extent practicable – (I) with respect to each plan provided by a carrier under this subchapter in which the total enrollment includes, in the contract year beginning in January 2023, 1,500 or more enrollees who are Postal Service employees or Postal Service annuitants, include a plan offered by that carrier with equivalent benefits and cost-sharing requirements ... (II) include plans offered by any other carrier determined appropriate by the Office.”

Upon review of the carrier applications within Carrier Connect, OPM conditionally approved PSHB carrier applicants. PSHB carrier applicants included carriers offering fee-for-service plans and health maintenance organizations in regional areas and/or nationwide plans. In addition to the regional plans, there are 2 Aetna plans that serve all 50 states and Washington, D.C., as well as 6 nationwide⁶ plans.

On Tuesday, March 12, 2024, OPM released a list of 32 conditionally approved PSHB carrier applicants. Since then, 2 of the 32 carrier applicants withdrew their applications for various reasons. We reviewed OPM's analysis of coverage for the remaining 30 carrier applicants. We determined that Postal Service enrollees will have adequate coverage available because at a minimum, they will have nine plans to choose from for their 2025 health benefits.

⁶ The nationwide plans cover all 50 states, Washington, D.C., and the U.S. territories.

D. Policy

The PSRA established the PSHBP for Postal Service employees, annuitants, and eligible dependents. Specifically, 5 U.S.C. § 8903c(g)(3) requires OPM’s regulation to include the necessary provisions to implement the PSRA; a process for members to be informed timely of the enrollment requirements; provisions for enrolled members to request a belated change to their plan and be prospectively enrolled in a plan of their choice; and provisions for members to cancel their coverage because they choose not to enroll in or to disenroll from Medicare Part B.

As reported in a previous OPM OIG interim audit report,⁷ OPM issued an interim final rule (IFR), 88 Federal Register (FR) 20383, in April 2023. We determined the IFR was issued in a timely manner, and it included all required information in accordance with 5 U.S.C. § 8903(g)(3). The final rule was published on May 6, 2024. The final rule provided clarifications to the IFR based on commentary received from relevant stakeholders. We determined the final rule was also issued in accordance with the requirements established within the PSRA.

OPM proposed an additional regulation that provided clarification related to the PSHBP, through a Notice of Proposed Rulemaking⁸ (NPRM), 89 FR 45782, which was published in the Federal Register on May 24, 2024. It was determined by OPM that there was a need to provide additional specifications on topics that were not included in the final rule. The NPRM “includes details on: reconsideration of PSHB eligibility decisions, various applications of the Medicare Part B enrollment requirement, allocation of reserve credits, calendar year alignment of government contribution requirements, financial reporting and actuarial calculations, premium payment prioritization from the Postal Service Retiree Health Benefits Fund, and Medicare Part D integration.” The clarifications within the final rule to the NPRM aid in implementing and regulating the PSHBP.

At a minimum, we received monthly updates from OPM on the status of the final rule to the NPRM. The final rule to the NPRM, 89 FR 85012, was published in the Federal Register on October 24, 2024.

The regulations developed by OPM for the PSHBP are vital to its success. These rules and regulations will be used during the implementation of the PSHBP in 2025 as well as subsequent years, pursuant to the PSRA.

⁷ PSHB-084 – PSHBP Implementation Project Management

⁸ An NPRM is the official document that announces and explains the agency’s plan to address a problem or accomplish a goal. All proposed rules must be published in the Federal Register to notify the public and to give them an opportunity to submit comments.

E. Special Enrollment Period

The PSRA requires Postal Service annuitants who are entitled to benefits under Medicare Part A to enroll in Medicare Part B, with exceptions,⁹ to be eligible for health benefits within the PSHBP. The PSRA established a one-time SEP for eligible Postal Service annuitants and their eligible dependents to sign up for Medicare Part B. The SEP offered an opportunity for members to enroll in Medicare Part B without the member incurring the cost of the late Medicare enrollment penalty. The PSRA allows the late enrollment penalties to be paid from the Postal Service Retiree Health Benefits Fund until it is depleted and then from the Postal Service Fund. The SEP began on April 1, 2024, and ended on September 30, 2024, giving interested eligible members six months to enroll in Medicare Part B. The Medicare Part B coverage becomes effective January 1, 2025.

If an eligible Postal Service annuitant does not elect to enroll in Medicare Part B during the SEP, but later decides to enroll, they may do so through a Medicare open enrollment period, although the member will be responsible for any late enrollment fees. Therefore, it was critical that all eligible Postal Service annuitants and eligible dependents were accurately identified, notified, and provided the opportunity to enroll during the SEP.

Unique to the PSHBP, if a Postal Service annuitant is already enrolled in Medicare Part B, their eligible dependents are also required to enroll in Medicare Part B to maintain PSHBP eligibility, if they have met Medicare eligibility requirements. Per OPM, this subset of individuals represents less than one percent of the members eligible for the SEP. This small population of spouses are the only members required by the PSRA to enroll in Medicare Part B to maintain eligibility for health benefits within the PSHBP. We will continue to monitor if any spouses required to enroll in Medicare Part B did not enroll during the SEP or following the SEP.

In support of the SEP, OPM collaborated with the U.S. Social Security Administration (SSA) by providing Postal Service annuitant information to the SSA so it could determine annuitants' eligibility and Medicare status for the SEP. The two agencies were able to match 99.4 percent of the data between their records. The Postal Service annuitants eligible for the SEP who were not already enrolled in Medicare Part B, along with their addresses, were provided to the Postal Service by OPM. The Postal Service mailed postcards and mailers to the eligible annuitants and dependents to notify them of the SEP and provide information on it.

Postal Service annuitants and eligible dependents who believe they may have been eligible for the SEP but did not receive the postcards or mailers should contact the Postal Service.

⁹ Current Postal Service annuitants as well as employees aged 64 years of age as of January 1, 2025, are not required to enroll in Medicare Part B to be eligible for health benefits within the PSHBP.

The Postal Service is responsible for reviewing their information and determining final eligibility for the SEP. In the event OPM received calls from Postal Service annuitants or eligible dependents requesting a determination of eligibility for the SEP, OPM collected the annuitant data and provided it to the Postal Service.

If any eligible Postal Service annuitants or eligible dependents did not receive the eligibility postcards or mailers or they were incapacitated and unable to enroll during the SEP, the SSA is offering equitable relief. Equitable relief allows those individuals to enroll in Medicare Part B with the late Medicare enrollment penalty being paid by the Postal Service Retiree Health Benefits Fund until it is depleted and then from the Postal Service Fund.

Controls were in place to prevent an ineligible annuitant or dependent from applying for Medicare Part B during the SEP. Specifically for the universe of eligible annuitants and dependents mentioned above, the Postal Service sent personalized letters, including instructions, which stated that a copy of the eligibility notification and the completed Centers for Medicare and Medicaid Services 40b form should be returned to the SSA. If an individual did not submit a copy of the eligibility notification that was received from the Postal Service, the SSA would check the individual's eligibility against a master list of all eligible Postal annuitants and dependents. If the individual was on the master list as being eligible, the SSA could waive the requirement that the individual return the eligibility notification. Furthermore, if an individual did not receive the SEP eligibility notification but believed they were eligible, they were directed to call the Postal Service, who would determine their SEP eligibility.

To date, approximately 31 percent of the eligible population has enrolled in the SEP.

OPM played a critical role, along with the SSA, in identifying those Postal Service annuitants and dependents who were eligible for the SEP and provided the information to the Postal Service. Although OPM's responsibility related to the SEP was limited and shared with other agencies, OPM performed a vital role in monitoring the SEP and coordinating with other agencies.



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