



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

Final Audit Report

**AUDIT OF THE FEDERAL EMPLOYEES HEALTH
BENEFITS PROGRAM OPERATIONS AT
MVP HEALTH CARE**

**Report Number 1C-GA-00-20-005
April 30, 2020**

EXECUTIVE SUMMARY

Audit of the Federal Employees Health Benefits Program Operations at MVP Health Care

Report No. 1C-GA-00-20-005

April 30, 2020

Why Did We Conduct The Audit?

The primary objectives of this performance audit were to determine whether MVP Health Care (Plan) developed the Federal Employees Health Benefits Program (FEHBP) premium rates using complete, accurate and current data, and that the rates are equivalent to the Plan's Similarly-Sized Subscriber Groups, as provided in the Federal Employees Health Benefits Acquisition Regulations 1652.216-70(a). Additional tests were performed to determine if the Plan was in compliance with the provisions of the laws and regulations governing the FEHBP.

What Did We Audit?

Under Contract CS 2362, the Office of the Inspector General (OIG) completed a performance audit of the FEHBP rates offered for contract year 2015. We conducted our audit fieldwork from November 4, 2019, through March 26, 2020, at the Plan's offices in Schenectady, New York and in our OIG offices.



Michael R. Esser
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for Audits*

What Did We Find?

We determined that the 2015 FEHBP rates for plan codes GA, GV, M9 and MX were developed by the Plan in accordance with applicable laws, regulations, and the U.S. Office of Personnel Management's Rate Instructions to Community-Rated Carriers for the year audited. We therefore did not issue a draft report and are not making any recommendations.

ABBREVIATIONS

CFR	Code of Federal Regulations
Contract	Contract CS 2362
FEHBAR	Federal Employees Health Benefits Acquisition Regulations
FEHBP	Federal Employees Health Benefits Program
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	MVP Health Care
SSSG	Similarly-Sized Subscriber Group
U.S.C	United States Code

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I. BACKGROUND

This final report details the audit results of the Federal Employees Health Benefits Program (FEHBP) operations at MVP Health Care (Plan). The audit was conducted pursuant to the provisions of Contract CS 2362 (Contract); 5 United States Code (U.S.C.) Chapter 89; and 5 Code of Federal Regulations (CFR) Chapter 1, Part 890. The audit covered contract year 2015 for plan codes GA, GV, M9 and MX, and was conducted at the Plan's offices in Schenectady, New York

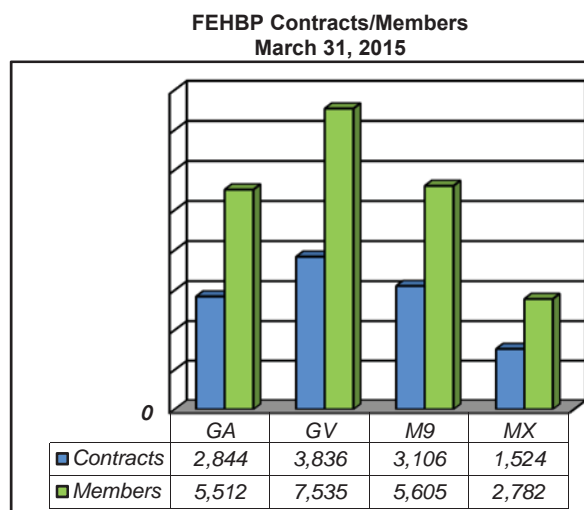
The FEHBP was established by the Federal Employees Health Benefits Act (Public Law 86-382), enacted on September 28, 1959. The FEHBP was created to provide health insurance benefits for Federal employees, annuitants, and dependents, and is administered by the U.S. Office of Personnel Management's (OPM) Healthcare and Insurance Office. The provisions of the Federal Employees Health Benefits Act are implemented by OPM through regulations codified in 5 CFR Chapter 1, Part 890. Health insurance coverage is provided through contracts with health insurance carriers who provide service benefits, indemnity benefits, or comprehensive medical services.

Community-rated carriers participating in the FEHBP are subject to various Federal, state and local laws, regulations, and ordinances. In addition, participation in the FEHBP subjects the carriers to the Federal Employees Health Benefits Act and implementing regulations promulgated by OPM.

The number of FEHBP contracts and members reported by the Plan as of March 31 for contract year audited is shown in the chart to the right.

The FEHBP should pay a market price rate, which is defined as the best rate offered to either of the two groups closest in size to the FEHBP. In contracting with community-rated carriers, OPM relies on carrier compliance with appropriate laws and regulations and, consequently, does not negotiate base rates. OPM negotiations relate primarily to the level of coverage and other unique features of the FEHBP.

The Plan has participated in the FEHBP since 1988 and provides health benefits to FEHBP members in Upstate New York. The last community-rated audits of the Plan were conducted in



2014 and concluded that there were no reportable findings for plan codes M9 (scope 2014), MX (scope 2014), and GV (scope 2013 and 2014).

The preliminary results of this audit were discussed with Plan officials at an exit conference. Since the audit concluded that the Plan's rating of the FEHBP was in accordance with applicable laws, regulations, and OPM Rate Instructions to Community-Rated Carriers (rate instructions), a draft report was not issued.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

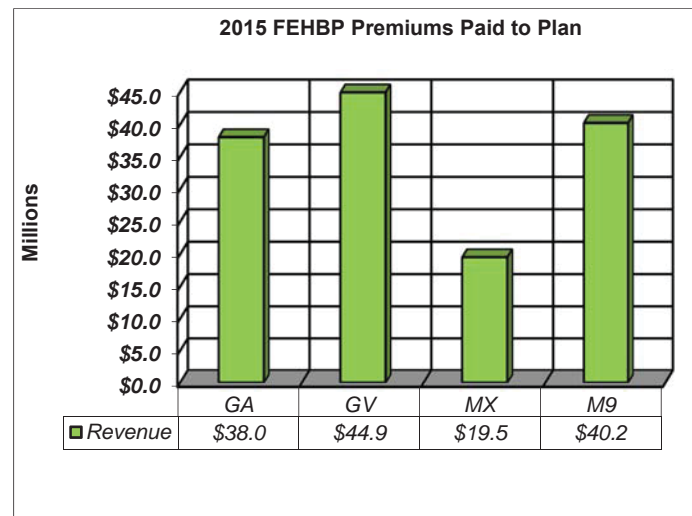
The primary objectives of the audit were to determine if the FEHBP premium rates were developed using complete, accurate and current data, and were equivalent to the Plan's similarly-sized subscriber groups (SSSG), as provided in Federal Employees Health Benefits Acquisition Regulation (FEHBAR) 1652.216-70(a). Additional tests were performed to determine whether the Plan was in compliance with the provisions of its Contract and the laws and regulations governing the FEHBP.

SCOPE

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 objectives.

This performance audit covered contract year 2015 for plan codes GA, GV, M9, and MX. For this year and plan codes, the FEHBP paid approximately \$142.6 million in premiums to the Plan.

The Office of the Inspector General's (OIG) audits of community-rated carriers are designed to test carrier compliance with the FEHBP contract, applicable laws and regulations, and the rate instructions. These audits are also designed to provide reasonable assurance of detecting errors, irregularities, and illegal acts.



We obtained an understanding of the Plan's internal control structure, 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 the Plan has in place to ensure that:

- The appropriate SSSGs were selected;
- the rates charged to the FEHBP were developed using complete, accurate, and current data, and were equivalent to the best rate given to the SSSGs; and

- the loadings to the FEHBP rates were reasonable and equitable.

In conducting the audit, we relied to varying degrees on computer-generated billing, enrollment, and claims data provided by the Plan. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our audit 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 from November 4, 2019, through March 26, 2020, at the Plan's offices in Schenectady, New York, as well as in our offices in Cranberry Township, Pennsylvania; Jacksonville, Florida; and Washington, D.C.

METHODOLOGY

We examined the Plan's Federal rate submission and related documents as a basis for validating its Certificates of Accurate Pricing. In addition, we examined the rate development documentation and billings to other groups, such as the SSSGs, to determine if the FEHBP rates were reasonable and equitable. Finally, we used the Contract, the FEHBP and the OPM rate instructions to determine the propriety of the FEHBP premiums and the reasonableness and acceptability of the Plan's rating system.

To gain an understanding of the internal controls over the Plan's rating system, we reviewed the Plan's rating system policies and procedures, interviewed appropriate Plan officials, and performed other auditing procedures necessary to meet our audit objectives.

III. RESULTS OF AUDIT

Our audit showed that the Plan's ratings of FEHBP plan codes GA, GV, M9 and MX were in accordance with applicable laws, regulations, and the OPM rate instructions for contract year 2015. Consequently, the audit did not identify any questioned costs, and no corrective action is necessary.



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