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 Termination Process at Health Plan of Nevada, Inc.

Report Number 2022-CRAG-0010

February 15, 2023

Executive Summary

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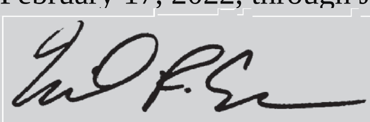
Why Did We Conduct the Audit?

The primary objective of the audit was to determine whether Health Plan of Nevada, Inc. (Plan) complied with the provisions of its contract and the laws and regulations governing the Federal Employees Health Benefits Program (FEHBP). Specifically, we verified whether FEHBP member enrollment was terminated in accordance with contract regulations and Carrier Letter guidance established by the U.S. Office of Personnel Management (OPM).

What Did We Audit?

Under Contract CS 1942 (Contract), the Office of the Inspector General completed a performance audit of the Plan's FEHBP termination process for contract years 2016 through 2020. This limited scope audit verified if the Plan's FEHBP member termination, conversion, and temporary continuation of coverage policies and procedures were effective in meeting FEHBP program requirements. We conducted our audit fieldwork remotely from February 17, 2022, through July 14, 2022.



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What Did We Find?

We reviewed the Plan's member enrollment termination policies and procedures as well as a total sample of FEHBP member termination samples, derived from five categories, to determine if the Plan terminated FEHBP member enrollment in accordance with Contract regulations. During our review, we identified the following issues:

- Terminated and eligible FEHBP members did not receive the required 31-day extension of coverage (EOC).
- The Plan had insufficient FEHBP termination policies and procedures in place to effectively administer FEHBP enrollment in contract years 2016 through 2020.
- The Plan distributed conflicting disenrollment letters to terminated FEHBP members.
- Dependent terminations could not be properly assessed for 31-day EOC due to inadequate data.
- Manual keying errors, inaccurate member data, late dependent terminations, unsupported dependent terminations, and evidence of unsupported FEHBP dependent enrollments impacted the Plan's ability to meet the FEHBP enrollment Contract requirements.
- There are overall FEHBP enrollment process deficiencies and other program administration issues that require immediate attention by OPM.

Abbreviations

CFR	**Code of Federal Regulations**
CL	**Carrier Letter**
CLER	**Centralized Enrollment Clearinghouse System**
CLER Policy	**Plan's CLER Reconciliation Instructions**
Contract	**Contract CS 1942**
CY	**Contract Year**
EDI	**Electronic Data Interface**
EOC	**Extension of Coverage**
FEHB	**Federal Employees Health Benefits**
FEHBP	**Federal Employees Health Benefits Program**
GAGAS	**Generally Accepted Government Auditing Standards**
HIPAA	**Health Insurance Portability and Accountability Act**
Job Aid	**Feds Procedure Job Aid**
NFC	**National Finance Center**
OIG	**Office of the Inspector General**
OPM	**U.S. Office of Personnel Management**
Plan	**Health Plan of Nevada, Inc.**
SOP	**Standard Operating Procedure**
SF	**Standard Form**
Standard Contract	**OPM's FEHBP Standard Contract for Community-Rated Health Maintenance Organizations**

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I. Background

This final report details the audit results of the Federal Employees Health Benefits Program (FEHBP) operations at Health Plan of Nevada, Inc. (Plan), plan code NM. The audit was conducted pursuant to the provisions of Contracts CS 1942 (Contract); 5 United States Code Chapter 89; and 5 Code of Federal Regulations (CFR) Chapter 1, Part 890. The audit covered contract years 2016 through 2020 and was conducted remotely by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG) staff.

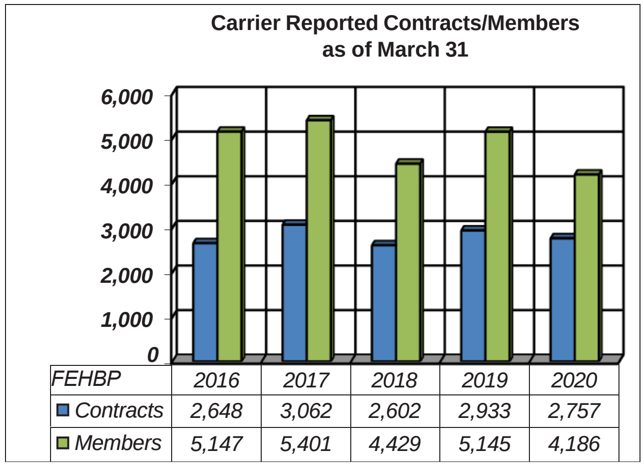
The FEHBP was established by the Federal Employees Health Benefits (FEHB) Act (Public Law 86-382), enacted on September 28, 1959, and became effective in July of 1960. The FEHBP was created to provide health insurance benefits for federal employees, annuitants, and dependents, and is administered by OPM's Healthcare and Insurance Office. The provisions of the FEHB Act are administered by OPM through regulations codified in Chapter 1, Part 890 of Title 5, CFR. Health insurance coverage is provided through contracts with health insurance Carriers who provide service benefits, indemnity benefits, or comprehensive medical services.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) and 45 CFR Part 162.1502 provide a standard electronic enrollment transaction format, the Electronic Data Interface (EDI) 834, for the electronic transmission of certain health insurance enrollment information. OPM issued Companion Guides to specify and explain enrollment information provided electronically from the OPM-Macon Data-Hub for enrollment actions. These Companion Guides do not modify or affect FEHB law, regulations, or policies nor the contracts between OPM and Carriers participating in the FEHB Program.

The Plan is an accredited health maintenance organization that is a wholly owned subsidiary of Sierra Health Services, Inc. with its ultimate parent as UnitedHealth Group Incorporated. OPM previously shared concerns with the OIG about the Plan's member termination process and the proper application of the 31-day extension of coverage (EOC) entitled to members; therefore, this limited scope audit was selected for review.

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 FEHB Act and implementing regulations promulgated by OPM.

The number of FEHBP contracts and members reported by the Plan as of March 31 of each contract year, for each plan code audited, is shown in the chart (right).



The Plan has participated in the FEHBP since 1984 and provides health benefits to FEHBP members in the Clark, Esmeralda, and Nye Counties of Nevada.

The last audit of Health Plan of Nevada was conducted by our office in 2019 and covered contract years 2014 and 2015. This audit was to determine if the Plan complied with its contract and the laws and regulations governing the FEHBP, specifically regarding MLR requirements for 2014 and 2015. The audit determined that portions of the MLR calculations were not prepared in accordance with the laws and regulations governing the FEHBP and the requirements established by OPM. All audit findings were resolved and the audit was closed with no further actions necessary.

The preliminary results of this audit were communicated to Plan officials and OPM during the Notice of Finding and Recommendations (NFR) process as well as through a draft report. The Plan’s and OPM’s comments, if any, to both the NFR’s and draft report, were considered in preparation of this report and are included, as appropriate, in the report. Additionally, we discussed the issues outlined in this report with Plan officials during the Exit Conference.

II. Objectives, Scope, and Methodology

Objectives

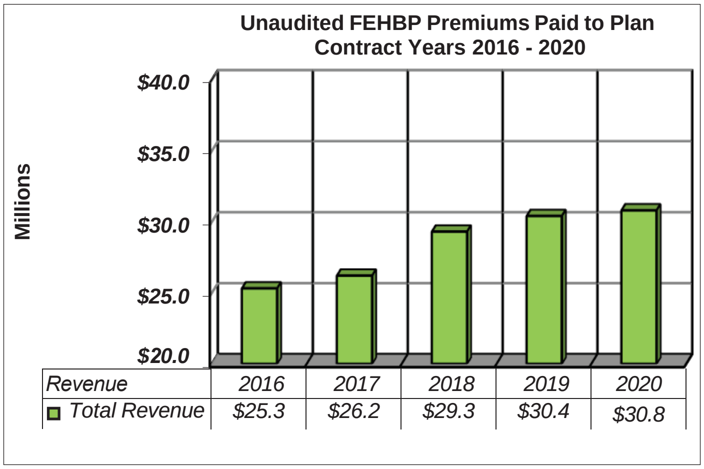
Our primary objective was to determine if the Plan's FEHBP member termination, conversion, and temporary continuation of coverage policies and procedures were effective in adhering to the 2016 through 2020 Contract requirements and applicable criteria.

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 years 2016 through 2020. For these years, the FEHBP paid approximately $141.9 million in premiums to the Plan. Due to the limited scope nature of this audit, the premium rate developments were not included as part of our reviews.

The OIG's audits of community-rated Carriers are designed to test Carrier compliance with the FEHBP contract, applicable laws, and program regulations. 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 did not use this information to determine the nature, timing, and extent of our review procedures. Our review of internal controls was limited to the procedures the Plan has in place to ensure that the terminations are processed accurately and that any other procedures performed surrounding this process are conducted in accordance with the terms of our contract.

In conducting the audit, we relied to varying degrees on computer-generated enrollment 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 remotely conducted our audit fieldwork from February 17, 2022, through July 14, 2022.

Methodology

We examined the Plan's termination support and related documents as a basis for validating the proper application of the 31-day extension of coverage. Specifically, we examined Plan provided support, including but not limited to: Centralized Enrollment Clearinghouse (CLER) system screen shots, OPM Enrollment Forms (Standard Forms (SF) 2810 and SF 2809), Plan enrollment system (FACETs) screen shots, 2809 and 2810 EDI 834 file transmission record language, disenrollment letters, and any other applicable support required to process terminations and ensure the 31-day EOC is applied when required. We also used the Contract, the FEHB Handbook, OPM issued Carrier Letters (CL), and OPM Companion Guides to determine the propriety of the Plan's FEHBP 2016 through 2020 termination process.

To gain an understanding of the internal controls over the Plan's FEHBP termination processes as well as its claims processing system, we reviewed the Plan's termination policies and procedures. We also interviewed appropriate Plan officials regarding the controls in place to ensure that the FEHBP terminations were completed accurately and appropriately. Other auditing procedures were performed as necessary to meet our audit objectives.

III. Plan Audit Findings and Recommendations

Plan's FEHBP Termination Process Review

The 2016 through 2020 FEHBP Brochures, established under the Contract, stipulate that FEHBP members are entitled to an additional 31-days of coverage, for no additional premium, when enrollment ends or when the subscriber/family member is no longer eligible for coverage. Per 5 CFR 890.401(a)(1), "An enrollee whose enrollment is terminated other than by cancellation of the enrollment or discontinuance of the plan, in whole or part, and a covered family member whose coverage is terminated other than by cancellation of the enrollment or discontinuance of the plan, in whole or in part, is entitled to a 31-day extension of coverage for self only, self plus one, or self and family, as the case may be, without contributions by the enrollee or the Government, during which period he or she is entitled to exercise the right of conversion provided for by this part." Carriers may process enrollment changes and terminations using 2809 and 2810 EDI 834 files or through paper forms, submitted by employee offices.

1. Errors Resulting in Early Termination - 2810/EDI 834 File

As part of our review of Health Plan of Nevada's (Plan) FEHBP member termination process, we selected a sample of 139 terminated members, identified as "Per Tape," to verify the Plan's application of the 31-day EOC requirement, stipulated in the Contract. The "Per Tape" termination category is defined by the Plan's Standard Operating Procedure (SOP) as an EDI term that failed. Our review identified that 19 of the 139 FEHBP members whose coverage was terminated, representing 14 percent of our sample, did not receive the 31-day EOC.

Specifically, we identified that 19 terminated FEHBP members that were transmitted to the Plan on the EDI 834 file with data content consisting of maintenance type values 024 "Cancellation/Termination," maintenance reason values 07 "Termination of Benefits," and date time values 349 "Benefit End," did not receive the 31-day EOC. It is unclear why this particular 834 file data content resulted in the exclusion of the 31-day EOC, since 5 CFR 890.401(1)(a) supports its application; however, insufficient controls and a lack of written policies and procedures for applying the 31-day EOC to FEHBP members terminated through the 2810/EDI 834 file appear to be the underlying cause.

The issues identified indicate that the Plan was not in compliance with the Contract and lacked internal controls to ensure FEHBP members receive the 31-day EOC benefit as required under applicable regulations. As such, this noncompliance resulted in early FEHBP terminations for not only the timeframe specified for the scope of this audit, but for all contract years the Plan terminated members with the previously mentioned 2810/EDI 834 file content values.

The Plan’s lack of internal controls enhances the risk of improperly denying claims for FEHBP members for several years, and therefore, does not adhere to the regulations set forth under Contract Section 5.64. Those regulations stipulate that plans must establish procedures to timely identify Contract issues and administer a sufficient internal control program to meet the terms of the Contract.

Recommendation 1:

We recommend that the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated using the 2810/EDI 834 files.

Recommendation 2:

We recommend that the Plan immediately implement a quality assurance review and employee training program to ensure FEHBP members terminated via the 2810/EDI 834 file are processed correctly and the overall process complies with the provisions of the Contract to ensure FEHBP members receive the 31-day extension of coverage moving forward.

Plan Response:

The Plan agreed with the findings and recommendations. The Plan furnished the policy and procedure document directing the application of the 31-day EOC for FEHB members terminated via the 2810/EDI 834 file. Additionally, the Plan implemented quality assurance reviews for these types of terminations.

OIG Comment:

We recognize that the Plan has developed written policies and procedures to ensure all EDI files appropriately apply the 31-day extension to eligible FEHB members. These policies appear to ensure members terminated via the 2810/EDI 834 file (only) receive the 31-day EOC; however, these policies along with the quality reviews were implemented outside the scope of our audit. The effectiveness of the new policies and procedures will be reviewed during future audits to ensure they are working as intended.

2. Insufficient FEHBP Termination Policies and Procedures

As part of our review of the Plan's FEHBP member termination process, we selected a sample of 29 terminated members, identified as "Left Employment", to verify the Plan's application of the 31-day EOC requirement, stipulated in the Contract. The "Left Employment" termination category is defined by the Plan's SOP for an employee that has left employment. Our review identified that 23 of the 29 FEHBP members whose coverage was terminated, representing 79 percent of our sample, did not receive the total 31-day EOC.

The Plan's policy and procedure document for FEHBP enrollment transactions using 2809 and 2810 Forms is titled Feds Procedure Job Aid (Job Aid) and includes a section dedicated to 2810 Form terminations processed with the Part B box marked with an "X," indicating a termination occurred and the FEHBP member should receive the 31-day EOC. The Job Aid language in this section provides instruction to add 31 days to the 2810 Form box 8, which is the date the action becomes effective; however, the corresponding illustration in the Job Aid, when applied to a formula, yields only 30 days of additional coverage. Consequently, the Plan is not providing the additional 31-day EOC as the Job Aid implies nor as the 2810 Form instructs. As a result, the process is not in compliance with the Contract and the internal controls were insufficient to ensure FEHBP members receive the 31-day EOC benefit as required under 5 CFR 890.401(1)(a).

As such, this noncompliance resulted in early FEHBP terminations for not only the timeframe specified for the scope of this audit, but potentially for all contract years the Plan terminated members using the Job Aid instructions to manually calculate termination dates processed using 2810 forms with an "X" populated in the Part B section. The insufficient internal controls surrounding the manual application of the 31-day EOC does not adhere to the regulations set forth under Contract Section 5.64, which stipulates that plans must establish procedures to timely identify Contract issues and administer a sufficient internal control program to meet the terms of the Contract.

Recommendation 3:

We recommend that the Plan immediately revise the Feds Procedures Job Aid to reflect the proper guidance and illustrations to ensure FEHBP terminations manually completed using the 2810 Forms receive the required 31-day EOC moving forward.

Plan Response:

The Plan agreed and updated its SOP for 2809 and 2810 forms.

OIG Comment:

We recognize the Plan updated its SOP for 2809 and 2810 forms, which appear to ensure terminated eligible FEHB members receive the 31-day EOC. The effectiveness of the new SOP will be reviewed during future audits to ensure they are working as intended.

3. FEHBP Federal Quarterly Reconciliation Termination Errors

As part of our review of the Plan's FEHBP member termination process, we selected a sample of 20 terminated members, identified as "Federal Quarterly Reconciliation", to verify the Plan's application of the 31-day EOC requirement, stipulated in the Contract. This termination category represents terminations processed as a result of the Plan's FEHBP Centralized Enrollment Clearinghouse System (CLER) Quarterly Reconciliation process. One of the terminated members was incorrectly included in the "Federal Quarterly Reconciliation" category, instead belonging to the "Per Tape" category. Of the remaining 19 terminated members, we could not discern if the Plan assessed and applied the 31-day EOC correctly due to a lack of policies and procedures surrounding the quarterly CLER reconciliation process, in some cases including conflicting language sent to FEHBP members in the Plan's intent to disenroll letters.

The Plan's policy document, "CLER RECONCILIATION INSTRUCTIONS" (CLER Policy), does not include procedures for determining 31-day EOC eligibility when an FEHBP member is reported with a discrepancy code during the CLER reconciliation process, impeding the Plan's ability to correctly assess and apply the 31-day EOC benefit for eligible FEHBP terminations as required under the terms of the Contract. Repetitive reporting of CLER discrepancy codes in the CLER reconciliation process are counted quarterly as failed to reconcile (fail counts). Specifically, we found that 20 samples (including the "Per Tape" sample) had a minimum of 2 CLER fail counts and as many as 10 CLER fail counts, representing an enrollment error, but not necessarily a termination, over a six month to a two-and-a-half-year period. Per 5 CFR 890.110(b), the Plan must coordinate with the payroll offices to resolve CLER discrepancies timely; however, six of the samples were found to be unresolved for a year or more, due to insufficient guidance in the CLER Policy.

Furthermore, when the Plan resolved the CLER discrepancies, resulting in FEHBP member terminations, there was no policy to address FEHBP member enrollment compliance and regulations. Consequently, the Plan inconsistently applied a retroactive termination date in Facets, the Plan's claims processing system, implying the FEHBP member was no longer enrolled with the Plan days to weeks before the Plan sent the FEHBP member an intent to disenroll letter. The intent to disenroll letter itself stated that FEHBP members have 31-days of coverage after the date of the letter; however, since the letter date significantly varied from the termination date recorded in Facets, we cannot discern when the FEHBP member was specifically terminated from coverage and if the Plan gave the FEHBP member the applicable 31-day EOC.

Contract Section 5.64 specifies that the Plan must establish an internal control system to facilitate timely discovery of contract compliance issues and promptly institute and carry out corrective action. Since we cannot discern if the Plan is applying the 31-day EOC requirement to FEHBP members due to conflicting and undocumented processes, it is apparent that there is a lack of controls over the Plan's CLER reconciliation processes. If updated and enhanced FEHBP-specific policies and procedures are not implemented to strengthen controls, the Plan will continue to be in non-compliance with the Contract, FEHBP members may not be receiving the applicable EOC, and/or FEHBP members may be counted as Plan enrollees when they are no longer actual members of the Plan.

Recommendation 4:

We recommend that the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated as a result of the CLER reconciliation process.

Recommendation 5:

We recommend that the Plan immediately develop written policies and procedures to ensure that the actual FEHBP member termination dates, resulting from the required CLER reconciliation process, are accurately recorded in Facets.

Recommendation 6:

We recommend that the Plan include FEHBP terminations in the weekly Quality Assurance audit to ensure Plan policies and procedures are adhered to for not only the Federal Quarterly Reconciliation category, but all FEHBP termination categories moving forward.

Recommendation 7:

We recommend that the Plan create more robust policies and procedures surrounding the CLER discrepancy resolution process to mitigate untimely and excessive discrepancy counts in CLER reports moving forward.

Recommendation 8:

We recommend that the Plan issue FEHBP member intent to disenroll letters that align with the Plan's newly documented and implemented CLER reconciliation processes (Recommendation 1 and 2) and the applicable 31-day EOC requirement.

Plan Response:

The Plan agreed with the findings and recommendations. The Plan developed and documented a quarterly CLER audit process to ensure FEHBP members are appropriately terminated. The Plan also developed an SOP for weekly FEHBP quality assurance audits.

OIG Comment:

We recognize that the Plan has developed and documented a Quarterly Audit CLER process along with weekly quality assurance audits. The implementation of these processes was made outside the scope of our audit. The effectiveness of the new quarterly CLER audit will be reviewed during future audits to ensure they are working as intended.

4. Inadequate 2809 Data to Process FEHBP Terminations

During our review of the Plan's FEHBP member termination process, we selected a sample of 114 terminated members, identified as "Need to Review," to verify the Plan's application of the 31-day EOC requirement, stipulated in the Contract. As noted by the Plan, the "Need to Review" termination category is the result of a manual transaction that did not include a termination code. For the 114 terminated members, we found 84 electronic (2809/834 file) and 7 paper form 2809 enrollment transactions in which we could not discern if the Plan assessed 31-day EOC applicability in cases where dependents (i.e., spouse and children) were omitted from FEHBP coverage on the 2809 forms/files. Also, we found three additional terminated members from other termination categories (i.e., per tape/federal quarterly reconciliation), with the same issues.

Per Contract Section 1.5, the Plan shall adhere to OPM issued guidance and criteria relating to enrollment reconciliation, including receiving the CLER Corrective Action 2809 to update enrollment records and resolve discrepancies during the CLER enrollment reconciliation process. The data in the electronic 2809/834 format is used to enroll, decline enrollment, change enrollment, or to cancel enrollment according to the FEHBP Handbook. As it relates to our review of the termination samples that were tier changes with the dependent terminations by omission, we identified that the 2809/834 file with maintenance type values 001 “Change,” maintenance reason values 29 “Benefit Selection,” and date time values 303 “Maintenance Effective” triggered the Plan to terminate the family member omitted from the 834 file details. It is unclear why this 2809/834 combination resulted in a termination of a dependent without the assessment and application of the 31-day EOC, as required under Contract provisions; however, insufficient controls and a lack of written policies and procedures for applying the 31-day EOC to FEHBP members terminated through the CLER 2809/834 file appear to be part of the underlying cause.

As outlined under the “FEHB Program Business Rules and Limitations” section of the 2809 Companion Guide, Federal agencies are not required to provide dependent information on the CLER 2809/834 file, therefore limiting the use of the 834 file itself to aid in determining 31-day EOC for members being terminated. Consequently, the companion guide is designed by default to permit a change in a benefit selection such as a tier reduction, but not provide any data on the dependent that is impacted by this tier reduction. As such, the 2809/834 file does not provide adequate data to properly determine 31-day EOC applicability of the terminating dependent as required under the terms of the Contract.

The paper versions of the SF 2809 and the OPM 2809 Forms that result in the termination of dependents do not have the all the necessary fields to indicate if the termed dependent is eligible for the 31-day EOC as required under the terms of the Contract. However, this does not preclude the Plan from assessing if the terminated family member is eligible for the 31-day EOC benefit as specified under 5 CFR 890.308(g). Conversely, there may be instances where the member was removed because they were never eligible as a family member, and therefore do not have the right to 31-day EOC as outlined under 5 CFR 890.401(1)(a).

The Plan’s weak controls surrounding the assessment of the 31-day EOC for dependents dropped from coverage due to omission on the 2809/834 file and/or insufficient information on the 2809 paper forms enhances the risk of improperly denying claims for FEHBP dependent members for several years. As such, the Plan is not compliant with Contract Section 5.64, which stipulates that plans must establish procedures to timely identify Contract issues and administer a sufficient internal control program to meet the terms of the Contract.

Recommendation 9:

We recommend that the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated using the CLER 2809/834 file moving forward.

Recommendation 10:

We recommend that the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated using SF2809 and OPM 2809 Forms moving forward.

Recommendation 11:

We recommend that the Plan immediately implement a quality assurance review and employee training program to ensure FEHBP members terminated via the CLER 2809/834 file and 2809 paper versions are processed correctly to ensure FEHBP members receive the 31-day extension of coverage moving forward.

Recommendation 12:

We recommend that the Plan immediately develop written policies and procedures surrounding the "Need to Review" termination category to ensure FEHBP terminations are properly handled in this category in a timely manner and processed in accordance with Contract provisions moving forward.

Plan Response:

The Plan agreed with the findings and recommendations. The Plan has developed and provided written policies and procedures to ensure FEHBP members properly receive the 31-day EOC according to contract provisions. As previously noted, the Plan implemented quality assurance reviews and also published procedures to ensure that terminations are being properly handled in a timely manner.

OIG Comment:

Based on our review of the Plan's policies and procedures relating to the application of the 31-day EOC from EDI files, they appear to ensure that FEHBP members are properly provided the 31-day extension for some of the maintenance type/reason code combinations. However, the policy does not address the required assessment of the 31-day EOC for members terminated from the 2809/834 EDI file with maintenance type values 001 "Change," maintenance reason values 29 "Benefit Selection," and date time values 303 "Maintenance Effective." We continue to recommend the Plan implement a policy for the determination of eligibility of the 31-day EOC for dependents removed based on the aforementioned EDI values.

5. FEHBP Enrollment System Termination Errors

During our review of the Plan's termination records, we identified various system errors and process deficiencies that impacted the Plan's claims processing system, Facets, resulting in invalid and unsupported FEHBP member enrollment records. Specifically, we identified Facets manual keying errors, inaccurate member data, late dependent terminations, unsupported dependent terminations, and evidence of unsupported FEHBP dependent enrollments. The Plan's weak controls surrounding the accuracy of Facets data and lack of oversight relating to the FEHBP enrollment process enhances the risk of improperly denying or paying claims for FEHB members for several years, could contribute to misstated enrollment records, and lastly, could trigger excessive CLER discrepancies. As such, the Plan is not compliant with Contract Section 5.64, which stipulates that plans must establish procedures to timely identify Contract issues and administer a sufficient internal control program to meet the terms of the Contract.

As part of the review of all termination categories, a large portion of the supporting documentation consisted of screen shots derived from the Plan's claims processing system, Facets. The screen shots were provided as source documentation to support sampled member eligibility and termination dates. It was indicated by the Plan that an FEHBP member termination date is the Facets "through" date; however, we found in numerous instances that the termination dates indicated on the 834 files and the coverage end dates on Student Status Letters were not the same dates manually recorded as the "through" date in Facets. Student Status Letters are completed on a monthly basis and are mailed to the member to advise of the 31-day extension of coverage. Additionally, the presence of weak internal controls attributed to a flawed file transfer that changed a subscriber's name to the spouse's name, resulting in varying subscriber ID numbers, varying relationship codes, and varying birthdates reported in Facets.

Furthermore, we identified FEHBP dependents that were covered well beyond the age of 26 with no evidence that the dependent was incapable of self-support, as required under the terms of the Contract Section 3.4 and as outlined in 5 CFR 890.302(a) and (c). Additionally, we identified aging-out dependent terminations that were processed late and not in accordance with the Contract. It is unclear why some aging-out dependents were not flagged for termination as the process is illustrated in the Plan's Job Aid; however, weak internal controls and inadequate policies appear to be the underlying causes for this issue as well as the coverage of overage dependents.

Finally, we identified two instances in our sample reviews where the Plan terminated dependents due to tier reductions and then reenrolled the same dependents without any support or justification from a payroll office. Additionally, our review identified one unsupported dependent that was terminated for unknown reasons. It’s possible these members were erroneously termed early and then reinstated by the Plan, or conversely, the dependent member was never eligible for coverage under the listed subscriber and subsequently obtained individual coverage. It’s unclear how the Plan processed claims for these individuals and received premiums for these individuals after the Plan reenrolled them, as the subscriber they were linked to was enrolled in Plan code NM1 (self-only) according to the 834 files, CLER Records, and OPM Form 2810 documents. OPM CL No. 2020-16 sets forth a process for FEHB Carriers to verify the eligibility of currently enrolled family members and for removing ineligible family members from coverage under the FEHB Program. In addition, a subsequent FEHB Program CL (No. 2021-06) was issued to outline the process for plans to obtain proof of family member eligibility before adding a new family member to an existing enrollment.

Since plans are required to compare the data provided by each employing office to their own enrollment records as part of the enrollment reconciliation process specified in 5 CFR 890.110(b), errors in Facets invalidate enrollment records which result in discrepancy errors during the reconciliation process. If sufficient controls were in place to ensure Facets has valid and accurate member data, many of the enrollment reconciliation errors and discrepancies would not occur; however, we found that the Plan did not have adequate internal controls in place to ensure FEHBP member enrollment data maintained in Facets was accurate and in compliance with the provisions of Contract Section 5.64.

Recommendation 13:

We recommend that the Plan immediately establish written policies and procedures to strengthen internal controls over the maintenance and integrity of FEHBP enrollment records, including but not limited to the manual entry of termination dates and the validation of enrollee information in Facets.

Recommendation 14:

We recommend that the Plan immediately establish written policies and procedures to strengthen internal controls over the maintenance and retention of FEHBP enrollment records, including support for overage dependents incapable of self-support and verification of dependent coverage, to comply with Contract provisions and OPM CLs.

Recommendation 15:

We recommend that the Plan improve the current job aid used to process aging-out dependents to ensure members receive the 31-day EOC as stipulated under Contract terms. We also recommend a quality assurance check of this process to validate that the improved policy instruction is adequate and enhances internal controls.

Plan Response:

The Plan agreed with the findings and recommendations. The Plan has implemented quality assurance reviews and has a verification process pertaining to dependents designated as handicapped. The Plan also documented and published an OPM Max Age Letter process to ensure aging out dependents receive the 31-day EOC.

OIG Comment:

We recognize that the Plan has implemented quality assurance reviews and policy documents to ensure aging out dependents properly receive the 31-day EOC. This policy appears to confirm that aging out dependents receive the 31-day EOC and will be further reviewed in future audits. We also recognize the Plan published a policy document to ensure handicapped dependents are properly verified. Since these reviews and policies were adopted outside the scope of our audit, we will review their effectiveness in addressing the issue in future audits.

IV. OPM Program Findings and Recommendations

OPM FEHBP Enrollment Process Issues

We identified FEHBP enrollment process deficiencies and other FEHBP administration issues because of our audit of the Plan's application of the 31-day EOC covering contract years 2016 through 2020. Specifically, we determined that the current 2809/EDI 834 File layout and corresponding Companion Guide issued by OPM does not include the necessary information required for Carriers to determine the proper 31-day EOC application for dependent (i.e, spouse, children) terminations resulting from a benefit selection for tier reductions, as required under the provisions of the FEHBP Standard Contract for Community-Rated Health Maintenance Organizations (Standard Contract). Furthermore, we identified that the Standard Form 2809 and OPM 2809 Form lack the necessary fields for Carriers to assess the 31-day EOC applicability for family members (dependents) terminated due to enrollment changes. We also determined a lack of sufficient oversight and enforcement of the CLER process, resulting in excessive unresolved fail counts, of which Carriers are not held accountable to resolve, as well as reporting errors between the CLER and the 2809/EDI 834 file, of which Carriers have no means to resolve. Finally, we identified instances where OPM did not post finalized CLs to its website.

While our overall audit objective and scope focused on the Plan's FEHBP termination processes, the cause of some of the issues stems from OPM's insufficient administration and oversight of the FEHBP enrollment processes. Generally Accepted Government Auditing Standards (GAGAS) stipulate that "The purposes of the audit reports are to (1) clearly communicate the results of audits to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials … ." GAGAS also states that "When feasible, auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions." Our decision to include recommendations to OPM in this report was to communicate to the reader that various parties are responsible for the termination process and to recommend appropriate corrective actions to improve the process for the FEHB program.

1. Dependent Terminations by Omission Issues

HIPAA and 45 CFR Part 162.1502 provide a standard electronic enrollment transaction format, the EDI 834, for the electronic transmission of certain health insurance enrollment information. OPM adopted the ASC X12N 834 5010 EDI format in 2011 to transmit enrollment transactions to FEHBP Carriers. The data in the electronic 2809/EDI 834 format is used to enroll, decline enrollment, change enrollment, or to cancel enrollment according to the FEHBP Handbook. Per Standard Contract Section 1.5, "The Carrier shall at least quarterly reconcile its enrollment records with those provided by the Government or the FEHB Clearinghouse in accordance with OPM's guidelines and criteria."

On September 13, 2021, OPM issued CL 2021-15 as part of an initiative to reduce the amount of manual and paper processes relating to enrollment transactions, requiring the first round of electronic actions for implementation by March 1, 2022. The actions include the addition and removal of dependents in Self and Family Enrollment, and to Correct "Name" and "Date of Birth" errors for dependents. This CL stipulates that Carriers are not to add the 31-day EOC, as the 349 "Benefit End" date will already include this continuation of coverage and the removed (i.e., terminated/cancelled) dependents names will now explicitly be included in the 2809/834 details.

Although the 2809/834 Companion Guide, version 4.0, advises Carriers not to add the 31-day EOC to the 349 "Benefit End" date when the transaction is an Informational Only SF 2809 transaction, it fails to address the handling of the removed dependents in cases of benefit selections such as tier reductions and the application of the 31-day EOC. Specifically, during our audit of the Plan, we identified that the 2809/EDI 834 file with maintenance type values 001 "Change," maintenance reason values 29 "Benefit Selection," and date time values 303 "Maintenance Effective" triggered the Plan to terminate the dependent omitted from the EDI 834 file details. This combination of values (i.e., 001, 29, 303) results in a dependent termination without a 349 "Benefit End" or the dependent name. This does not require Carriers to discern if the 31-day EOC should or should not be applied to the dependent that is arbitrarily removed due to 2809/EDI 834 file omission.

Furthermore, as outlined under the "FEHB Program Business Rules and Limitations" section of the 2809/EDI 834 Companion Guide, Federal agencies are not required to provide a reason for change in enrollment code. The Companion Guide directs the use of the previously mentioned values (i.e., 001, 29, 303) for tier reductions, but does not provide any comments or notes regarding the 31-day application for the dependent terminated due to this tier reduction. As such, the companion guide is designed by default to permit a change in a benefit selection such as a tier reduction, but not provide any data on the dependent that is impacted by this tier reduction to assess 31-day EOC applicability. Therefore, the 2809/EDI 834 file does not provide adequate data to the Carrier to properly determine 31-day EOC applicability for the terminating dependent in tier reduction actions as required under the terms of the Standard Contract.

Finally, the paper versions of the SF 2809 and the OPM 2809 Form, that result in the termination of dependents, do not have all the necessary fields to indicate if the termed dependent is eligible for the 31-day EOC as required under the terms of the Standard Contract. This lack of information impedes the Carriers' ability to assess if the terminated family member is eligible for the 31-day EOC benefit as specified under 5 CFR 890.308(g). Conversely, there may be instances where the member was removed because they were never eligible as a family member, and therefore do not have the right to 31-day EOC as outlined under 5 CFR 890.401(1)(a).

Recommendation 16:

We recommend that OPM conduct a comprehensive overview of the 2809/834 Companion Guides and 834 layouts to address dependent terminations due to tier reductions and changes to ensure all possible value combinations advise Carriers of the applicability of the 31-day EOC as required under the Standard Contract terms.

Recommendation 17:

We recommend that OPM conduct a comprehensive overview of the paper SF 2809 and the OPM 2809 Form to ensure all necessary information is reported for Carriers to process dependent terminations and determine 31-day EOC applicability as required under the Standard Contract terms.

OPM Response:

OPM disagrees with both recommendations pertaining to the SF 2809/OPM 2809 and the 2809/834 file layout not containing the necessary information for carriers to determine 31-day EOC application for dependent terminations resulting from a benefit selection for enrollment tier reductions. Specifically, OPM states, "As noted in our response to the NFR, when an enrollee changes from a Self and Family enrollment to a Self Plus One enrollment, the enrollee must designate on the new SF 2809 which family member will be the 'plus one.' The carrier would be able to compare the family members listed on the existing SF 2809 with the "plus one" listed on the new SF 2809, such that any family members on the Self and Family enrollment not listed on the new 'plus one' SF 2809 would be removed from coverage and entitled to the 31-day EOC. The same holds true for a change from Self and Family to Self Only, or a change from Self Plus One to Self Only; the carrier would have the two forms to compare and would know which family members are entitled to the 31-day EOC. While OPM did not provide specific guidance or criteria for Carriers to compare the existing SF/OPM

2809s to the new forms, Carriers have applied this method since the inception of the Program.

The 2809 Companion Guide clarifies and specifies how the data content to process enrollment and disenrollment actions transmitted electronically to the FEHB carriers is provided in accordance with the X12N 834 Implementation Guide adopted under the Health Insurance Portability and Accountability Act (HIPAA). The 2809 Companion Guide did not eliminate or alter any FEHB Program rules or regulations including 5 CFR 890.401(a)(1), which provides that 'a covered family member whose coverage is terminated other than by cancellation of the enrollment or discontinuance of the plan, in whole or in part, is entitled to a 31-day extension of coverage….' Therefore, carriers would have the necessary information to ensure that the family member is given the 31-day EOC as required by 5 CFR 890.401(a)(1).

On September 13, 2021, OPM issued Carrier Letter 2021-15. The letter advised carriers that OPM created the capability for agency data providers to send family member updates electronically through the OPM-Macon Data-Hub. These changes include adding newly eligible family members and removing family members in certain situations. The guidance in Carrier Letter 2021-15 addressed certain situations where carriers are instructed not to add the 31-day EOC when a family member is removed. This new capability allows the updating of family member information without agencies creating paper 'information-only' 2809s. Updating family members, without a change in plan, plan option, or enrollment type, is not a function of the SF/OPM 2809 even though agencies created these 'information-only' 2809s to assist their enrollees. The paper SF/OPM 2809 will not be modified to match the 834 file layout in this circumstance."

OIG Comment:

We do not agree with OPM's position that Carriers have the necessary information to apply the 31-day EOC to terminating family members (i.e., dependents) resulting from subscriber tier reductions via the 2809/834 EDI file, with the specified maintenance type values 001 "Change," maintenance reason values 29 "Benefit Selection," and date time values 303 "Maintenance Effective." OPM is failing to recognize that the 31-day EOC as specified in 5 CFR 890.401(a)(1) is only applicable to eligible family members, and that tier reductions can be processed to remove ineligible family members that may have already received coverage well beyond the 31-day EOC. Our position is substantiated by OPM's Benefits Administration Letter 20-203, which speaks to the removal of erroneously covered ineligible family members who are not eligible for the 31-day EOC and may be removed via a tier reduction transaction.

OPM did not provide specific instruction in the 2809 Companion Guide to advise Carriers to add the 31-day EOC for the dependents terminated due to tier reductions, and it is unclear how Carriers are to assess eligibility for family members that are terminated due to tier reductions completed via the 834 EDI file and 2809 paper forms. Although OPM notes that CL 2021-15 "addressed certain situations where carriers are instructed not to add the 31-day EOC when a family member is removed," the CL only advises that in instances where the electronic 834 language includes a termination and a benefit end date, on self and family enrollments that will continue, the 31-day EOC is already included and should not be applied by the Carrier. Attachment I of CL 2021-15 provides the template 834 language specifying the inclusion of the 31-day EOC as maintenance type values 001 "Change," maintenance reason code 7 "Termination of Benefits," and date time values 349 "Benefit End Date." As expressed above, this is not the 834 electronic language identified during the audit in which FEHBP members are being terminated due to a tier change and Carriers lack the required information to know if the member is eligible to receive the 31-day EOC. We therefore do not agree that CL 2021-15 addresses this finding.

To date, we are not aware of any OPM guidance or criteria directing Carriers to compare the existing SF 2809 and OPM 2809 forms to the new forms of the same name to identify the family member that should be terminated due to a tier reduction. Furthermore, the information on the existing and new forms themselves would not provide the information specifying if an ineligible family member already received coverage that exceeded the 31-day EOC. As such, we maintain our position that there is not enough evidence present on the paper forms and 834 EDI file formats to indicate the eligibility status of the family member being terminated due to a tier reduction, which is essential in determining if the member is entitled to the 31-day EOC benefit under the terms of the Standard Contract.

2. CLER Process Issues

We also determined that the CLER process does not have a threshold for excessive fail counts (discrepancy errors); consequently, users (i.e., payroll offices, Carriers, and OPM) are not cognizant of when excessive fail counts exist. As such, excessive fail counts can occur indefinitely, causing erroneous enrollment records for several years, as evidenced in this audit of the Plan. Specifically, we identified instances of 10 fail counts in CLER, which equates to two-and-a-half years of conflicting enrollment records.

OPM has issued guidance on reducing enrollment reconciliation discrepancies but does not have guidelines surrounding excessive fail counts with the exception of the Standard Contract guidelines in place for discrepancy code 160, which denotes the enrollee is on the Carrier record but no agency payroll office record was found. However, even those guidelines, established under Standard Contract Section 1.9, do not define any sort of reporting process or consequences if Carriers have four or higher fail counts for discrepancy code 160, making it unlikely that Carriers will resolve CLER enrollment discrepancies when they occur. OPM does not have a sufficient process to evaluate and enforce Carrier CLER compliance as expressed in the Standard Contract that “The Carrier shall not have any CLER records with a 160 error code and fail count of four or higher.”

OPM entered into an interagency agreement with the National Finance Center (NFC) to design, develop, and implement CLER. It’s noted on the NFC’s website that “CLER will provide a reliable system of records that will save the Federal Government money previously spent in litigation regarding Agency payroll office and FEHB carriers not reconciling records timely.” It is unclear what the NFC and OPM consider to be “timely” since we previously noted that CLER allows fail counts to continue for several quarters and even years. Per 5 CFR 890.110(b), Carriers must coordinate with the payroll offices to resolve CLER discrepancies. However, the CFR, the Carrier Handbook, the Standard Contract, and the NFC, do not explicitly outline the timeframe in which the discrepancies should be resolved, thereby increasing the risk that erroneous enrollment records will exist for years, with the potential to improperly pay or deny claims for FEHBP members for extensive time periods.

Additionally, we noted a reason code 164 CLER discrepancy for a member that the payroll office reported as being enrolled in plan code NM2 (Self + family), yet the Carrier noted in the CLER “Carrier Comments” field that they are reporting NM3 (Self + one). The 2809/EDI 834 file confirmed that the member was enrolled in NM3 with a maintenance effective date several weeks prior to the processing date on the CLER report. It is unclear why the CLER report had NM2 as the enrollment code when the 2809/EDI 834 file clearly indicated the member was in enrolled in NM3; however, discrepancies such as these are not easily resolved by the Carrier since the reporting discrepancy originated from CLER and the 2809/EDI 834 file.

Recommendation 18:

We recommend that OPM request that NFC revise the CLER system platform to establish an excessive discrepancy code fail count threshold and oversee the system to hold both agency payroll offices and Carriers accountable for making progress to resolve all discrepancy codes within an established period of time.

Recommendation 19:

We recommend that OPM develop procedures to monitor and enforce progress towards resolution of the CLER for fail counts of 4 or higher for code 160. This includes ensuring payroll offices and Carriers are aware of and resolving the enrollment discrepancies. OPM should also consistently adjust Carrier Plan Performance Assessments for excessive discrepancy code 160 fail counts as a method of enforcing the terms of the Standard Contract.

OPM Response:

OPM does not concur with the findings and recommendation stating, "The audit report, which reviewed a sample of enrollment cases of a single plan operating in a single state, does not present adequate evidence that CLER policies need to be updated. CLER policy and guidance have been carefully developed to consider multiple stakeholder issues and concerns, including multiple partner employing agencies' resource limitations, as well as the potential complexity of CLER fail counts. CLER errors often represent complex issues which do not allow for standardized 'thresholds.' Therefore, CLER is used by carriers and payroll offices primarily as an informational tool to become informed of, and research resolutions to, enrollment discrepancies. As such, there doesn't appear to be any change to the system configuration that would hold users accountable for resolving discrepancies, regardless of an established fail count threshold.

As noted in our response to the NFR, we continue to believe it would be unreasonable to hold carriers accountable for all discrepancy code fail counts above a specific threshold because most discrepancies other than '160' discrepancies cannot be resolved by the carrier independently. We also continue to believe that instead of expending resources on updating the aging CLER system, we are focusing and should continue to focus efforts on a future centralized FEHB enrollment system that would fully incorporate regular reconciliation using enrollment records contained within the system as the source of truth."

Regarding Recommendation [19], OPM stated, "we agree that carriers should be disenrolling according to our guidance and monitoring for carrier compliance can be a best practice, albeit a resource heavy endeavor. However, CLER reconciliation is already factored into the Plan Performance Assessment, at the contracting officer's discretion, under the Contract Compliance domain. CLER doesn't allow users to

search for discrepancies across all carriers, so identification of these discrepancies would be on a carrier-by-carrier basis."

OIG Comment:

The CLER process is required for all FEHBP Carriers, and the 834 electronic file and 2809 and 2810 paper forms are standard in the process across the FEHBP. It is common for FEHBP subscribers to elect a tier change for a variety of reasons, including divorce and dependents electing their own insurance coverage. As determined on this audit, when the subscriber elects a tier change, the dependent dropping off the FEHBP is terminated through omission (no data available electronically or on paper form) and there is no way for the Carrier to know if the member was terminated timely or may have received FEHBP benefits as an ineligible member well past the allotted 31-day EOC.

We do not agree with OPM's statement that "CLER errors often represent complex issues which do not allow for standardized 'thresholds.'" It is unclear which discrepancy errors OPM considers representative of "complex issues," as the CLER discrepancy code table in NFC's Procedure Manual CLER for OPM provides descriptions and explanations that define discrepancy error codes. Additionally, there are no program regulations supporting OPM's decision to "not allow" thresholds for CLER errors or restrict the implementation of metrics that would trigger oversight action by OPM.

Per 5 C.F.R. 890.103(b), "OPM may order correction of an administrative error upon a showing satisfactory to OPM that it would be against equity and good conscience not to do so." Additionally, the OPM CLER Procedural Manual states, "OPM oversees the operation of CLER. To perform this role, OPM has inquiry and report capabilities for all Carrier and Agency participants. The system provides statistical information relative to the number of discrepancies, occurrence rates, corrective actions, enrollment changes, etc. This information provides OPM with data needed to effectively manage and oversee the FEHB reconciliation process." As such, OPM has the authority and the tools to oversee and enforce that Carriers and agency payroll offices resolve FEHBP enrollment discrepancies, especially those with four or more fail counts, equating to a year or more of unresolved issues. OPM's continued assertions that this process is the responsibility of the users, while not naming itself as a user, does not reflect effective management of the CLER process and does not align with the regulation and OPM's own guidance.

Furthermore, OPM did not clearly address how it holds Carriers accountable for CLER discrepancy code 160 with fail counts of four or higher, which is a requirement in OPM Standard Contract Section 1.9(j). If OPM is not utilizing its statistical analysis of discrepancy codes, occurrences, etc. to evaluate Carriers that don't meet the terms of Standard Contract Section 1.9(j) and permits the use of discretion in the application of plan performance adjustments, OPM cannot be aware of applicable issues nor enforce CLER compliance and the terms of its Standard Contract with Carriers.

Although we agree that a replacement of the CLER process and centralized tracking of FEHBP enrollment is warranted, the current process in place should not be neglected until such a time that funding and implementation of the new system occurs. OPM readily states the benefit of its planned centralized enrollment system when issues with the current FEHBP enrollment processes are identified; however, there is not any evidence of tangible progress showing that the planned system will be implemented. Until a centralized enrollment system is devoted the necessary resources, properly tested, and ready to come on-line for the FEHBP, OPM should use the authority currently granted to it and consistently assess and enforce resolution of CLER discrepancies among FEHBP Carriers and agency payroll offices.

3. Carrier Letters Not Posted to OPM's Website

During our research and audit of the Plan, we identified that CL 2021-15, FEHBP Changes to SF 2809 834 File Format, was not posted to OPM's website. Although the Plan received a copy from OPM, CLs not posted to OPM's website present a risk that Carriers and applicable parties will not receive the instruction required to meet the Standard Contract terms and other compliance measures. Furthermore, the OPM OIG relies on the data posted to OPM's website to ensure the most current and accurate OPM guidance is utilized when making prospective recommendations to Carriers. As such, we reviewed OPM's listing of current and archived CLs on OPM's website and found multiple instances of missing sequential CL numbers. Although there may be other reasons why a CL number is missing from OPM's website, the exclusion of CL 2021-15 indicates there's a risk that other important CLs are missing from OPM's website.

Recommendation 20:

We recommend that OPM review its current and archived FEHB CLs on its website, OPM.gov, to ensure that all CLs are posted and available for Carriers and other users.

OPM Response:

OPM concurred with the recommendation that all FEHB Program CLs be posted to its website. OPM added additional staff with the ability to post documents on the OPM website.

Conclusion

The insufficient information on the 2809/834 file and the 2809 paper forms enhances the risk of Carriers improperly denying or paying claims for FEHBP dependent members for periods up to several years and does not provide the required information for Carriers to properly assess the appropriateness of 31-day EOC as required under the Standard Contract and regulations.

Furthermore, OPM's insufficient oversight of the CLER process, including a lack of enforcement of CLER discrepancy code fail count resolution, impedes the Carrier's ability to comply with the Standard Contract and resolve enrollment discrepancies. Finally, since OPM guidance issued via CL is essential to Carrier Standard Contract compliance and the OPM OIG audit process, OPM should ensure that all CLs are posted timely to its website and there is a process in place to monitor CL postings.

Exhibit A

Health Plan of Nevada, Inc.
FEHBP Member Termination Sample Selection Methodology

Data Provided by Plan	Contract Years					Data Analysis		Sample Selection*			
Termination Category	2016	2017	2018	2019	2020	Total Count of Terminations	Percentage of Universe	First Level Selection	Second Level Selection	Third Level Selection	Fourth Level Selection
Age Limit Exceeded	74	54	62	37	39	266	**7.4%**	Judgmentally selected the 5 largest termination categories in the Universe. Categories are "Age Limit Exceeded", "Federal Quarterly Recon", "Left Employment", "Need to Review", "Per Tape."	Judgmentally selected 50 percent of the total "Need to Review" termination category resulting in 114 samples.	Judgmentally selected 25 percent of the contract year 2019 "Per Tape" termination category resulting in 139 samples.	Judgmentally selected 50 percent of the contract year 2019 "Age Limit Exceeded", "Federal Quarterly Recon", and "Left Employment" termination categories resulting in 19, 20, and 29 samples respectively.
Chose Other Insurance	0	0	7	3	8	18	0.5%				
Deceased	23	49	30	32	25	159	4.4%				
Divorce	1	1	0	0	2	4	0.1%				
Federal quarterly recon	81	60	58	40	44	283	**7.9%**				
Group Term	0	0	0	1	0	1	0.0%				
Group/AR Recon	0	2	0	0	0	2	0.1%				
Left Employment	24	34	49	58	31	196	**5.5%**				
Left Service Area	4	5	9	5	0	23	0.6%				
Need to Review	48	41	54	46	38	227	**6.3%**				
Newborn adj term	2	1	2	5	1	11	0.3%				
No reason Given	0	1	0	0	4	5	0.1%				
Open enrollment	10	0	1	6	0	17	0.5%				
Other	9	2	8	13	8	40	1.1%				
Per Fax/E-mail	1	1	0	0	5	7	0.2%				
Per Inv.	0	0	0	0	1	1	0.0%				
Per tape	432	424	437	555	477	2,325	**64.8%**				
Reservist Called to Duty	1	0	0	0	0	1	0.0%				
SHS Batch Dependent Separation	2	1	0	0	0	3	0.1%				

Universe Total: 3,589
Sample Total: 321

*The results of our review of this sample selection were not projected to the universe.

Appendix I

Health Plan of Nevada
A UnitedHealthcare Company

Mr. Matthew R. Knupp
Chief
Community Rated Audits Group
U.S. Office of Personnel Management
Office of the Inspector General 1900
E Street, N.W.
Washington, DC 20415

Received by the OIG on October 18, 2022

RE: Comments to the Draft Audit Report on Federal Employees Health Benefits Program operations at Health Plan of Nevada, Inc., Plan Code NM, Report Number 2022-CRAG-0010

Dear Mr. Knupp:

On September 20, 2022, the United State Office of Personnel Management, Office of the Inspector General ("OPM/OIG") submitted to the Plan a "Draft Report" (2022-CRAG-0010) ("Draft Report"), detailing the results of the audit of the Federal Employees Health Benefits Program operations at Health Plan of Nevada, Inc., Plan Code NM, for contract years 2016 through 2020. Upon submission, OPM/OIG requested the Plan provide comments to the Draft Report.

The Plan appreciates the opportunity to respond to this Draft Report and the willingness of OPM to help resolve the outstanding issues in this audit. The Plan has used its best efforts to obtain all relevant information to respond to the Draft Report's findings and recommendations. This Response will address each issue presented in the Draft Report.

Audit Findings and Recommendations

2810/EDI 834 file 31-day EOC Termination Errors

<u>Recommendation 1</u>

In its Draft report, the auditors stated "*We recommend the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated using the 2810/EDI 834 files.*"

The Plan has developed written policies and procedures to ensure all 2809/2810 834 EDI files properly apply the 31-day extension. See Attachment 1. Note pages 13-14 directly pertain to the 31-day extension.

Recommendation 2

In its Draft report, the auditors stated *“We recommend the Plan immediately implement a quality assurance review and employee training program to ensure FEHBP members terminated via the 2810/EDI 834 file are processed correctly and the overall process complies with the provisions of the Contract to ensure FEHBP members receive the 31-day extension of coverage moving forward.”*

The Plan has implemented quality assurance reviews for all 2810 834 EDI terms that are processed both electronically and any fallout that would manually need to be corrected/updated. Proof of the quality assurance audit has been provided in Attachment 2 for manually processed EDI terms and Attachment 7 for all electronically processed to this response.

The Plan has trained the selected team members that are processing the FEHB transactions. Training is based on the attached Policies.

Insufficient FEHBP Termination Policies and Procedures

Recommendation 3

In its Draft report, the auditors stated *“We recommend that the Plan immediately revise the Feds Procedures Job Aid to reflect the proper guidance and illustrations to ensure FEHBP terminations manually completed using the 2810 Forms receive the required 31-day EOC moving forward.”*

The Plan has updated its Standard Operating Procedure for 2809 & 2810 forms. See Attachment 3 page 5 Part B regarding 2810 forms and the 31 day extension.

FEHBP Federal Quarterly Reconciliation Termination Errors

Recommendation 4

In its Draft report, the auditors stated *“We recommend the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated as a result of the CLER reconciliation process.”*

The Plan has developed a Quarterly Audit CLER process. See Attachment 4, page 9 of the Quarterly Audit CLER process for the 31 day extension process. The 31 day extension was applied during the 2nd quarter CLER reconciliation audit.

Recommendation 5

In its Draft report, the auditors stated *"We recommend the Plan immediately develop written policies and procedures to ensure that the actual FEHBP member termination dates, resulting from the required CLER reconciliation process, are accurately recorded in Facets."*

The Plan has documented the Quarterly Audit CLER process to ensure members are terminated with the appropriate date. See Attachment 4, page 9 of the Quarterly Audit CLER process.

Recommendation 6

In its Draft report, that auditors stated *"We recommend the Plan include FEHBP terminations in the weekly Quality Assurance audit to ensure Plan policies and procedures are adhered to for not only the Federal Quarterly Reconciliation category, but all FEHB termination categories moving forward."*

The Plan has implemented a Standard Operating Procedure for FEHBP weekly Quality Assurance audit. Federal Audit SOP, See Attachment 2.

Recommendation 7

In its Draft report, the auditors stated *"We recommend the Plan create more robust policies and procedures surrounding the CLER discrepancy resolution process to mitigate untimely and excessive discrepancy counts in CLER reports moving forward."*

The Plan has documented the Quarterly Audit CLER process to ensure members are terminated with the appropriate date. See Attachment 4, page 9 of the Quarterly Audit CLER process.

Recommendation 8

In its Draft report, the auditors stated *"We recommend the Plan issue FEHBP member intent to disenroll letters that align with the Plan's newly documented and implemented CLER reconciliation processes (Recommendation 1 and 2) and the applicable 31-day EOC requirement."*

The Plan has documented the 31 day extension in the Quarterly Audit CLER process to ensure members are terminated with the appropriate date. See Attachment 4, page 9 of the Quarterly Audit CLER process.

Inadequate 2809 Data to Process FEHBP Terminations

<u>Recommendation 9</u>

In its Draft report, the auditors stated *"We recommend the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated using the CLER 2809/834 file moving forward."*

The Plan has developed written policies and procedures to ensure all 2809/2810 834 EDI files properly apply the 31-day extension. See Attachment 2. Note pages 13-14 directly pertain to the 31-day extension.

<u>Recommendation 10</u>

In its Draft report, the auditors stated *"We recommend the Plan immediately develop written policies and procedures to ensure it properly applies the 31-day extension of coverage for eligible FEHBP members that are terminated using SF2809 and OPM 2809 Forms moving forward."*

The plan has updated its Standard Operating Procedure for 2809 & 2810 forms. See Attachment 3 note on page 2 Part B and C regarding 2809 regarding the 31 day extension.

<u>Recommendation 11</u>

In its Draft report, the auditors stated *"We recommend the Plan immediately implement a quality assurance review and employee training program to ensure FEHBP members terminated via the CLER 2809/834 file and 2809 paper versions are processed correctly to ensure FEHBP members receive the 31-day extension of coverage moving forward."*

The Plan has implemented quality assurance reviews for all terms that are processed both electronically and any fallout that would manually need to be corrected/updated. Proof of the quality assurance audit has been provided in Attachment 2 to this response.

The Plan has trained the selected team members that are processing the FEHB transactions. Training is based on the attached policies.

<u>Recommendation 12</u>

In its Draft report, the auditors stated "*We recommend the Plan immediately develop written policies and procedures surrounding the "Need to Review" termination category to ensure FEHBP terminations are properly handled in this category in a timely manner and processed in accordance with Contract provisions moving forward."*

The Plan has documented and published procedures to ensure that terminations are being properly handled in a timely manner and in accordance with contract provisions. See Attachment 1 page 14.

FEHBP Enrollment Systems Termination Errors

Recommendation 13

In its Draft report, the auditors stated *"We recommend that the Plan immediately establish written policies and procedures to strengthen internal controls over the maintenance and integrity of FEHBP enrollment records, including but not limited to the manual entry of termination dates and the validation of enrollee information in Facets."*

The Plan has implemented quality assurance reviews for all terms that are processed both electronically and any fallout that would manually need to be corrected/updated. Proof of the quality assurance audit has been provided in Attachment 2 to this response.

The Plan has documented and published procedures to ensure that terminations are being properly handled in a timely manner and in accordance with contract provisions.

Recommendation 14

In its Draft report, the auditors stated *"We recommend that the Plan immediately establish written policies and procedures to strengthen internal controls over the maintenance and retention of FEHBP enrollment records, including support for overage dependents incapable of self-support and verification of dependent coverage, to comply with Contract provisions and OPM Carrier Letters."*

The Plan has a handicap verification process for new and existing dependents in place. The process shows that any documentation supporting the handicap status is to be scanned to the member's online folder. See Attachment 5, Page 5 Step 11.

Recommendation 15

In its Draft report, the auditors stated *"We recommend that the Plan improve the current job aid used to process aging-out dependents to ensure members receive the 31-day EOC as stipulated under Contract terms. We also recommend a quality assurance check of this process to validate that the improved policy instruction is adequate and enhances internal controls."*

The Plan has documented and published OPM Max Age Letter process to ensure that aging out dependents receive the 31 day extension. Attachment 6. Page 5.

Proof of the quality assurance audit has been provided in Attachment 2 to this response.

CONCLUSION

In conclusion, the Plan has reviewed the recommendations provided by the auditors and has provided documentation that demonstrates that each recommendation has been addressed. Any remediation that was required as a result of the auditors' recommendation has been completed or is in progress with a date certain provided for resolution.

Once you have had an opportunity to review our response and the documentation provided, please contact me if you have any questions or require additional information.

Respectfully,

Jeff Oszakiewski
Manager, Employer Installation
[redacted]@uhc.com

Appendix II

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
1900 E Street, NW, Washington, DC 20415

Healthcare and Insurance

Date:	October 24, 2022
Memorandum for:	Michael R. Esser Assistant Inspector General for Audits
From:	Laurie E. Bodenheimer Associate Director, Healthcare and Insurance
Subject:	OPM’s Response to Draft Audit Report of the Federal Employees Health Benefits (FEHB) Program Operations at Health Plan of Nevada, Inc., Report Number 2022-CRAG0010 September 20, 2022

Thank you for the opportunity to respond to the Office of the Inspector General’s (OIG) Draft Audit Report, Report Number 2022-CARAG-0010. The draft audit report provides the results of the FEHB Program operations at Health Plan of Nevada, Inc (Carrier). The audit objective was to determine if the Carrier’s FEHB Program member termination, conversion, and temporary continuation of coverage policies and procedures were effective in adhering to the 2016 through 2020 Contract requirements and applicable criteria.

The draft audit report contains five recommendations addressed to OPM; however, OPM was not the audited party. OPM continues to disagree with including program findings and recommendations in a Carrier audit. While we welcome feedback from OIG, we believe recommendations for the Contracting Officer, Program Office, or OPM in connection with contractor audits are more appropriately provided to OPM through another OIG vehicle, such as a Management Advisory report or other internal audit vehicle.

In the interest of transparency, we have provided a response to each of the FEHB Program recommendations below.

Dependent Terminations by Omission Issues

Recommendation 1

We recommend OPM conduct a comprehensive overview of the 2809/834 Companion Guides and 834 layouts to address dependent terminations due to tier reductions and changes to ensure all possible value combinations advise Carriers of the applicability of the 31-day EOC as required under Contract terms.

Management Response: We do not concur.

OPM's response to the Notice of Finding and Recommendation (NFR) noted that we did not concur with the factual accuracy of this finding and that we did not concur with the recommendation. We continue to disagree with the OIG's statement that the 2809/834 electronic data interface (EDI) file layout do not contain the necessary information required for carriers to determine 31-day extension of coverage (EOC) application for dependent terminations resulting from a benefit selection for enrollment tier reductions.

As noted in our response to the NFR, when an enrollee changes from a Self and Family enrollment to a Self Plus One enrollment, the enrollee must designate on the new SF 2809 which family member will be the "plus one." The carrier would be able to compare the family members listed on the existing SF 2809 with the "plus one" listed on the new SF 2809, such that any family members on the Self and Family enrollment not listed on the new "plus one" SF 2809 would be removed from coverage and entitled to the 31-day EOC. The same holds true for a change from Self and Family to Self Only, or a change from Self Plus One to Self Only; the carrier would have the two forms to compare and would know which family members are entitled to the 31-day EOC. While OPM did not provide specific guidance or criteria for Carriers to compare the existing SF/OPM 2809s to the new forms, Carriers have applied this method since the inception of the Program.

The 2809 Companion Guide clarifies and specifies how the data content to process enrollment and disenrollment actions transmitted electronically to the FEHB carriers is provided in accordance with the X12N 834 Implementation Guide adopted under the Health Insurance Portability and Accountability Act (HIPAA). The 2809 Companion Guide did not eliminate or alter any FEHB Program rules or regulations including 5 CFR 890.401(a)(1), which provides that "a covered family member whose coverage is terminated other than by cancellation of the enrollment or discontinuance of the plan, in whole or in part, is entitled to a 31-day extension of coverage…." Therefore, carriers would have the necessary information to ensure that the family member is given the 31-day EOC as required by 5 CFR 890.401(a)(1).

On September 13, 2021, OPM issued Carrier Letter 2021-15. The letter advised carriers that OPM created the capability for agency data providers to send family member updates electronically through the OPM-Macon Data-Hub. These changes include adding newly eligible family members and removing family members in certain situations. The guidance in Carrier Letter 2021-15 addressed certain situations where carriers are instructed not to add the 31-day

EOC when a family member is removed. This new capability allows the updating of family member information without agencies creating paper "information-only" 2809s. Updating family members, without a change in plan, plan option, or enrollment type, is not a function of the SF/OPM 2809 even though agencies created these "information -only" 2809s to assist their enrollees. The paper SF/OPM 2809 will not be modified to match the 834 file layout in this circumstance.

Recommendation 2

We recommend OPM conduct a comprehensive overview of the paper SF 2809 and OPM 2809 Form to ensure all necessary information is reported for Carriers to process dependent terminations and determine 31-day EOC applicability as required under Contract terms.

Management Response: We do not concur.

OPM's response to the NFR noted that we did not concur with the factual accuracy of this finding and that we did not concur with the recommendation. We continue to disagree with the OIG's statement that the SF 2809 and OPM 2809 Form do not contain the necessary information required for carriers to determine 31-day extension of coverage (EOC) application for dependent terminations resulting from a benefit selection for enrollment tier reductions.

See our response for Recommendation 1, as it applies to Recommendation 2 as well.

CLER Process Issues

Recommendation 3

We recommend OPM request that NFC revise the Centralized Enrollment Clearinghouse (CLER) system platform to establish an excessive discrepancy code fail count threshold and configure the system to hold users (both agency payroll offices and Carriers) accountable for resolving all discrepancy codes within an established period of time.

Management Response: We do not concur.

OPM's response to the NFR noted that we did not concur with this finding and recommendation. The audit report, which reviewed a sample of enrollment cases of a single plan operating in a single state, does not present adequate evidence that CLER policies need to be updated. CLER policy and guidance have been carefully developed to consider multiple stakeholder issues and concerns, including multiple partner employing agencies' resource limitations, as well as the potential complexity of CLER fail counts. CLER errors often represent complex issues which do not allow for standardized "thresholds." Therefore, CLER is used by carriers and payroll offices primarily as an informational tool to become informed of, and research resolutions to, enrollment discrepancies. As such, there doesn't appear to be any change to the system configuration that would hold users accountable for resolving discrepancies, regardless of an established fail count threshold.

As noted in our response to the NFR, we continue to believe it would be unreasonable to hold carriers accountable for all discrepancy code fail counts above a specific threshold because most discrepancies other than ‘160’ discrepancies cannot be resolved by the carrier independently. We also continue to believe that instead of expending resources on updating the aging CLER system, we are focusing and should continue to focus efforts on a future centralized FEHB enrollment system that would fully incorporate regular reconciliation using enrollment records contained within the system as the source of truth.

Recommendation 4

We recommend OPM develop procedures to monitor the CLER for fail counts of 4 or higher for discrepancy code 160 and develop a policy to consistently reduce Carrier Plan Performance Assessments for excessive discrepancy code 160 fail counts as a method of enforcing the terms of the Contract.

Management Response: We do not concur.

As noted in our response to the NFR, we agree that carriers should be disenrolling according to our guidance and monitoring for carrier compliance can be a best practice, albeit a resource heavy endeavor. However, CLER reconciliation is already factored into the Plan Performance Assessment, at the contracting officer’s discretion, under the Contract Compliance domain. CLER doesn’t allow users to search for discrepancies across all carriers, so identification of these discrepancies would be on a carrier-by-carrier basis.

In addition, the volume and fail count of discrepancies alone doesn’t give a full picture of carrier compliance. There have been situations where 160 discrepancies are out of the carrier’s control due to a reporting error from the agency. A fair application of a policy to reduce the Plan Performance Assessment score would involve more than just running a 160 discrepancy report but should include a review of 160 errors for validity. The resources needed for this kind of a review would quickly outweigh the benefit. The current process balances the benefit of holding carriers accountable to this specific contract requirement, against reality of resource limitations.

Carrier Letters Not Posted to OPM’s Website

Recommendation 5

We recommend OPM review its current and archived FEHB Carrier Letters (CLs) on its website, OPM.gov, to ensure that all CLs are posted and available for Carriers and other users.

Management Response: We concur.

As noted in our response to the NFR, we agree that all FEHB Program CLs should be posted on www.opm.gov.

OPM has taken steps to ensure CLs are posted to www.opm.gov timely. Healthcare and Insurance has added additional staff that have the ability to post documents on the OPM website through OPM's Content Management System (CMS).

If you have any questions regarding our response to Draft report number 2022-CRAG-0010, please contact Angela Calarco, Chief, Audit Resolution & Compliance at Angela.Calarco@opm.gov.

cc: Butler, Calarco, DeHarde, Knupp, Schleicher

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