



Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

August 5, 2022

Report No. 2022-CRAG-033

Memorandum for: Delon G. F. Pinto
Program Manager and Contracting Officer, FEHB 3

From: Matthew R. Knupp
Group Chief
Community-Rated Audits Group

A handwritten signature in black ink that reads "Matthew R. Knupp".

Subject: Final Report on Priority Health's 2022 Proposed Rate Reconciliations

We conducted a performance audit of Priority Health's (Plan) 2022 rate reconciliations for plan codes LE and Y4 to determine if the Plan developed its Federal Employee Health Benefits Program (FEHBP) premium rates in accordance with Contract CS 2944 (Contract) as well as regulations and rating instructions established by the United States Office of Personnel Management (OPM).

We are providing this memorandum to OPM's Healthcare and Insurance Office (HIO) to be used by OPM's Office of Actuaries in negotiating the Plan's 2023 premium rates. Under section 8M of the Inspector General Act, the OIG makes redacted versions of its final reports available to the public on its webpage. Since this was a limited-scope audit, the OIG reserves the right to perform a full-scope audit of the Carrier in the future. Because of the nature of this audit, a draft report was not issued.

Based on the results of our audit, we recommend acceptance of the proposed reconciliations.

Background

The audit was conducted pursuant to the provisions of the Contract; 5 United States Code Chapter 89; and 5 Code of Federal Regulations Chapter 1, Part 890. The audit was performed by OPM's Office of the Inspector General, as established by the Inspector General Act of 1978, as amended. The objective, scope, and methodology used in conducting the audit are defined in the attached Exhibit.

OPM required each community-rated plan to submit its 2022 rate proposal by May 31, 2021. OPM requires an annual reconciliation be performed because most carriers estimated their rates

at the time of proposal. Rates must be recalculated based on each carrier’s actual 2022 community rates to determine if money is due the carrier or OPM.

The Plan provides health benefits to FEHBP members in counties throughout the lower peninsula of Michigan. A previous Information Systems Audit Group audit of the Plan identified issues with its information technology security controls. Per a Resolution Letter, dated January 5, 2022, all recommendations have been resolved or closed. There have been no previous audits of the Plan performed by the Community-Rated Audits Group.

Results of Audit

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We have discussed the status of the audit with Plan officials at an exit conference on August 4, 2022.

If I can be of assistance during your review of this report, please contact me on (724) 741-0739.

cc: Anne Harkavy
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Objective, Scope, and Methodology

The primary objective of the rate reconciliation audit was to determine if the Plan's premium rates reported to OPM were established in accordance with applicable laws, contract regulations, and the guidelines established in the OPM Community Rating Guidelines to Community-Rated Carriers.

To accomplish our objective, we examined the Plan's premium rate calculations along with related documents as a basis for validating the premium rates. We examined applicable expenses considered in the calculation of the premium rates to verify that the cost data used was accurate, complete, and valid. We also interviewed Plan officials to determine the oversight the Plan has over the rating process. We used the Contract, the Federal Employees Health Benefits Acquisition Regulation, and OPM's Community Rating Guidelines to Community-Rated Carriers to determine the propriety of the Plan's premium rate calculations.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objective. We believe that the evidence obtained does provide a reasonable basis for our findings and conclusions based on the audit objective. The audit was conducted remotely from June 6, 2022, through August 4, 2022. The audit covered contract year 2022.

We obtained an understanding of the Plan's internal control structure but did not use the 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 claims experience data and other costs included in the Premium rate development were appropriate, which included tests of applicable costs considered in the calculation of the premium rates.

In conducting this performance audit, we relied to varying degrees on computer-generated data, including billings, 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 testing utilizing the computer-generated data to cause us to doubt its reliability. We believe that the available data was sufficient to achieve the audit objectives.