



Office of the  
Inspector General

## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

August 1, 2022

### Report No. 2022-CRAG-034

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

From: Emily E. Whigham *Emily E. Whigham*  
Senior Team Leader  
Community-Rated Audits Group

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

We conducted a performance audit of AvMed Health Plan's (Plan) 2022 rate reconciliations for plan codes ML and WZ to determine if the Plan developed its Federal Employee Health Benefits Program (FEHBP) premium rates in accordance with Contract CS 2876 (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 objectives, 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 the South Florida area. The Plan began participation in the FEHBP as a community-rated health maintenance organization in 2003. A previous rate audit of the Plan, which covered contract years 2005, 2007, 2009, and 2010, accepted the Plan's rating of the FEHBP for all years reviewed and had no questioned costs. However, the audit identified a record retention issue with two related recommendations, which were closed in May 2012.

### Results of Audit

[REDACTED]

[REDACTED]				
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

We have discussed the status of the audit with Plan officials at an exit conference on July 25, 2022.

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If I can be of assistance during your review of this report, please contact me on (724) 741-0745.

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 9, 2022, through and July 25, 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.