



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

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# Final Audit Report

**Subject:**

## **Audit of the Federal Employees Health Benefits Program Operations at Aetna HealthFund**

**Report No. 1C-22-00-10-010**

**Date: July 27, 2010**

-- CAUTION --

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Office of the  
Inspector General

**AUDIT REPORT**

**Federal Employees Health Benefits Program  
Community-Rated Health Maintenance Organization  
Aetna HealthFund  
Contract Number 2900 - Plan Code 22  
Blue Bell, Pennsylvania**

Report No. 1C-22-00-10-010

Date: July 27, 2010

A handwritten signature in black ink, appearing to read "M. R. Esser", written over a horizontal line.

**Michael R. Esser  
Assistant Inspector General  
for Audits**



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Office of the  
Inspector General

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## EXECUTIVE SUMMARY

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**Federal Employees Health Benefits Program  
Community-Rated Health Maintenance Organization  
Aetna HealthFund  
Contract Number 2900 - Plan Code 22  
Blue Bell, Pennsylvania**

**Report No. 1C-22-00-10-010**

**Date: July 27, 2010**

The Office of the Inspector General performed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Aetna Healthfund (Plan). The audit covered contract years 2005 through 2009 and was conducted at the Plan's office in Blue Bell, Pennsylvania. We found that the FEHBP rates were developed in accordance with the applicable laws, regulations, and the Office of Personnel Management's rating instructions for the years audited. However, we did find issues with the Plan paying 18 non-covered abortion-related claims for FEHBP members. These claims were either paid inappropriately or the supporting documentation was not adequate to justify the claim payment.

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# **I. INTRODUCTION AND BACKGROUND**

## **Introduction**

We completed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Aetna HealthFund (Plan). The audit covered contract years 2005 through 2009 and was conducted at the Plan's office in Blue Bell, Pennsylvania. The audit was conducted pursuant to the provisions of Contract CS 2900; 5 U.S.C. Chapter 89; and 5 Code of Federal Regulations (CFR) Chapter 1, Part 890. The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

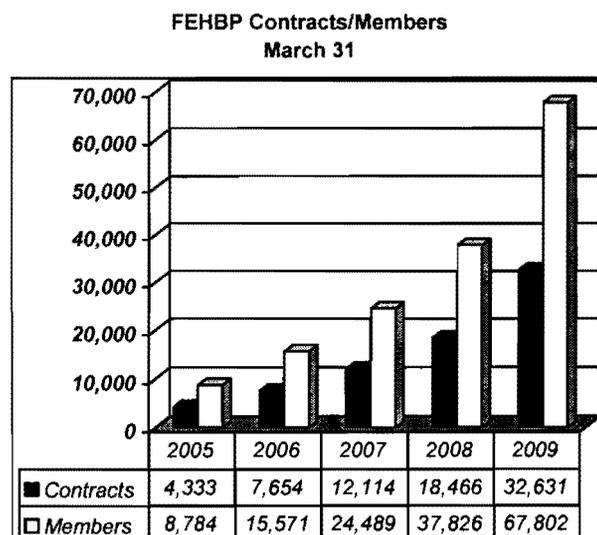
## **Background**

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

Community-rated carriers participating in the FEHBP are subject to various federal, state and local laws, regulations, and ordinances. While most carriers are subject to state jurisdiction, many are further subject to the Health Maintenance Organization Act of 1973 (Public Law 93-222), as amended (i.e., many community-rated carriers are federally qualified). In addition, participation in the FEHBP subjects the carriers to the Federal Employees Health Benefits Act and implementing regulations promulgated by OPM.

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

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



The Plan has participated in the FEHBP since 2005, and provides health benefits to FEHBP members throughout the entire United States, except Hawaii. This is the first full-scope audit of the Plan.

The preliminary results of this audit were discussed with Plan officials at an exit conference and through subsequent correspondence. A draft report was also provided to the Plan for review and comment. The Plan's comments were considered in the preparation of this final report and are included, as appropriate, as the Appendix.

## II. OBJECTIVES, SCOPE, AND METHODOLOGY

### Objectives

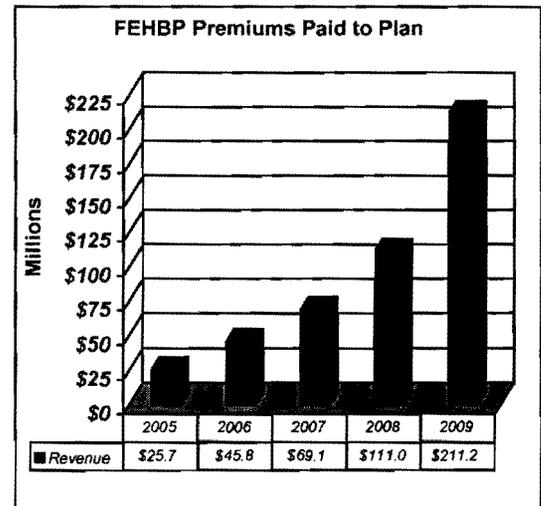
The primary objectives of the audit were to verify that the Plan offered market price rates to the FEHBP and to verify that the loadings to the FEHBP rates were reasonable and equitable. Additional tests were performed to determine whether the Plan was in compliance with the provisions of the laws and regulations governing the FEHBP.

### Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This performance audit covered contract years 2005 through 2009. For these years, the FEHBP paid approximately \$462.8 million in premiums to the Plan.

The premiums paid for each contract year audited are shown on the chart to the right.



OIG audits of community-rated carriers are designed to test carrier compliance with the FEHBP contract, applicable laws and regulations, and OPM rate instructions. These audits are also designed to provide reasonable assurance of detecting errors, irregularities, and illegal acts.

We obtained an understanding of the Plan's internal control structure, but we did not use this information to determine the nature, timing, and extent of our audit procedures. However, the audit included such tests of the Plan's rating system and such other auditing procedures considered necessary under the circumstances. Our review of internal controls was limited to the procedures the Plan has in place to ensure that:

- The appropriate similarly sized subscriber groups (SSSG) were selected;
- the rates charged to the FEHBP were the market price rates (i.e., equivalent to the best rate offered to SSSGs); and,
- the loadings to the FEHBP rates were reasonable and equitable.

In conducting the audit, we relied to varying degrees on computer-generated billing, enrollment, and claims data provided by the Plan. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our audit testing 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 performed in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States.

The audit fieldwork was performed at the Plan's office in Blue Bell, Pennsylvania, during November 2009. Additional audit work was completed at our offices in Cranberry Township, Pennsylvania and Jacksonville, Florida.

### **Methodology**

We examined the Plan's federal rate submissions and related documents as a basis for validating the market price rates. Further, we examined claim payments to verify that the cost data used to develop the FEHBP rates was accurate, complete and valid. In addition, we examined the rate development documentation and billings to other groups, such as the SSSGs, to determine if the market price was actually charged to the FEHBP. Finally, we used the contract, the Federal Employees Health Benefits Acquisition Regulations, and OPM's Rate Instructions to Community-Rated Carriers to determine the propriety of the FEHBP premiums and the reasonableness and acceptability of the Plan's rating system.

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

### **III. AUDIT FINDINGS AND RECOMMENDATION**

#### **1. Premium Rate Review**

Our audit showed that the Plan's rating of the FEHBP was in accordance with the applicable laws, regulations, and OPM's rating instructions to carriers for contract years 2005 through 2009. Consequently, the audit did not identify any questioned costs.

#### **2. Claims Review**

According to FEHBP Carrier Letters 2007-09 and 2008-09, OPM requires all carriers to keep on file all data necessary to justify its Adjusted Community Rating rate development and save back-up copies of its claims databases for audit purposes. We reviewed FEHBP claims data used to develop rates for contract years 2008 and 2009. We ran queries on the claims data that relate to hospital, physician, out-of-area, prescription and injectable drugs, large claims, coordination of benefits, bundling of claims, and non-covered benefits according to the FEHBP benefit brochures.

##### **Non-Covered Abortion Related Claims**

The Plan used FEHBP claims experience from calendar years 2006, 2007, and 2008 to develop premium rates for contract years 2008 and 2009. Our audit disclosed that from May 1, 2006 through April 30, 2008, the Plan paid 18 non-covered abortion-related claims for FEHBP members. These claims were either paid inappropriately or the supporting documentation was not adequate to justify the claim payment.

Beginning January 1, 1996, Public Law 104-52 requires that FEHBP plans not be permitted to pay or provide benefits for an abortion except, "where the life of the mother would be endangered if the fetus were carried to term, or that the pregnancy is the result of an act of rape or incest."

The Plan's claim processing and information systems did not have adequate controls in place to detect, document, and deny payment for non-covered abortion-related claims. Failure to adjudicate abortion-related claims correctly increases the risk that the Plan will pay for non-covered services and inflate the FEHBP premiums.

##### **Recommendation**

We recommend that the contracting officer require the Plan to implement claim processing policies and procedures that will reasonably assure the prevention of inappropriate payment of abortion-related claims and document the reasons for claim payments or denials.

**Plan's Comments (See Appendix):**

Upon further review of these claims, the Plan agrees with the findings pertaining to overpayment of elective abortion claims. The Plan has identified that these claims were processed incorrectly because it appears that not all abortion-related claims were automatically pended to medical review for approval. This issue is due to lack of specific coding for abortion-related claims versus any other standard medical claim. The Plan has established procedures to correct the issues of incorrectly paying abortion-related claims.

**OIG's Response to the Plan's Comments:**

We acknowledge the Plan's agreement and we will verify the effectiveness of the corrective actions during our next audit of the Plan.

## IV. MAJOR CONTRIBUTORS TO THIS REPORT

### Community-Rated Audits Group

██████████ Auditor-In-Charge

██████████ Auditor

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██████████ Chief

██████████ Senior Team Leader

Aetna Health Inc.  
930 Harvest Drive  
Blue Bell, PA 19422



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[REDACTED]  
FEHBP Underwriting Manager  
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[REDACTED]

June 18, 2010

[REDACTED]  
Chief, Community Rated Audits Group  
U.S. Office of Personnel Management  
U.S. Office of Inspector General  
1900 E Street, NW - Room 6400  
Washington, D.C. 20415-1100

RE: Aetna's response to Draft Report No. 1C-22-00-10-010

Dear [REDACTED]

Aetna submits the following comments to the above mentioned draft audit report issued by the Office of Personnel Management (OPM) under the Federal Employees Health Benefits Program (FEHBP). The audit covered the FEHBP contract for the Aetna Health Fund plans (Plan Code 22) for the contract years 2005 through 2009.

During the Claims Review portion of the audit, the Draft Report questioned 18 abortion-related claims for FEHBP members that were paid from May 1, 2006 through April 30, 2008. Upon further review of these claims, Aetna agrees some elective abortion-related claims were processed incorrectly. Aetna has identified that these claims were processed incorrectly because it appears that not all abortion-related claims were automatically pending to medical review for approval. This issue is due to a lack of specific coding for abortion-related claims versus any other standard medical claim.

Aetna has established the following procedures to correct the issues surrounding abortion-related claims.

1. Elective abortion-related service claim codes will be pended to a medical claim examiner (MCE).
2. The MCE will evaluate both the procedural and diagnostic codes to determine if the claim should be denied or approved based on the language in the FEHBP brochure.<sup>1</sup>
3. If the MCE does not have enough information to process the claim correctly, the claim will be turned over to Aetna's Clinical Claim Reviewer (CCR) to determine the proper course of action.
4. If needed, the CCR will contact the provider to determine the specifics surrounding the elective abortion-related claim in question.
5. Aetna will have ongoing training with the MCEs on the handling of elective abortion-related claims.

In conclusion, Aetna agrees with the OIG's Draft Report findings pertaining to overpayment of elective abortion claims. In response to the findings in the Draft Report, Aetna has implemented a course of action to correct this problem. Aetna believes that the above outlined procedures will help to eliminate future overpayments of elective abortion-related claims.

If you have any questions or concerns about the above response, please feel to contact me at [REDACTED] or [REDACTED]

Sincerely,  
[REDACTED]

<sup>1</sup> The FEHBP brochure states "that FEHBP plans not be permitted to pay or provide benefits for an abortion except, where the life of the mother would be endangered if the fetus were carried to term, or when the pregnancy is the result of an act of rape or incest."