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

Final Audit Report

Subject:

Audit of the Federal Employees Health Benefits Program Operations at Geisinger Health Plan

Report No. **1C-GG-00-13-063**

Date: May 1, 2014

-- CAUTION –

This audit report has been distributed to Federal officials who are responsible for the administration of the audited program. This audit report may contain proprietary data which is protected by Federal law (18 U.S.C. 1905). Therefore, while this audit report is available under the Freedom of Information Act and made available to the public on the OIG webpage, caution needs to be exercised before releasing the report to the general public as it may contain proprietary information that was redacted from the publicly distributed copy.

AUDIT REPORT

Federal Employees Health Benefits Program
Community-Rated Health Maintenance Organization
Geisinger Health Plan
Contract Number CS 2911 - Plan Code GG
Danville, Pennsylvania

Report No. 1C-GG-00-13-063 **Date:** May 1, 2014

Michael R. Esser
Assistant Inspector General
for Audits

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EXECUTIVE SUMMARY

Federal Employees Health Benefits Program
Community-Rated Health Maintenance Organization
Geisinger Health Plan
Contract Number CS 2911 - Plan Code GG
Danville, Pennsylvania

Report No. 1C-GG-00-13-063 **Date:** May 1, 2014

The Office of the Inspector General performed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Geisinger Health Plan (Plan). The audit covered contract years 2008, 2009, 2011, and 2012, and was conducted at the Plan's office in Danville, Pennsylvania.

This report questions $652,129 for inappropriate health benefit charges to the FEHBP in contract years 2008, 2011, and 2012, including $48,687 for lost investment income through April 30, 2014. We found that the FEHBP rates were developed in accordance with the Office of Personnel Management's rules and regulations in contract year 2009.

For contract year 2008, we determined that the FEHBP rates were overstated by $146,529 due to defective pricing. Specifically, the Plan did not apply the correct SSSG discount to the FEHBP rates. Furthermore, the Plan applied discretionary underwriting adjustments to the FEHBP rates. In developing our audited FEHBP rates, we applied the appropriate SSSG discount and removed the discretionary underwriting adjustments.

For contract year 2011, we determined that the FEHBP rates were overstated by $370,374 due to defective pricing. The Plan's FEHBP rate development included autism and mental health parity loadings. The costs associated with these loadings are already included in the claims experience used to develop the FEHBP premium rates; therefore no additional loadings are necessary. The Plan also applied a risk adjustment factor to the FEHBP rates which we determined was not appropriate. In developing our audited FEHBP rates, we removed the inappropriate loadings and risk adjustment factor.

For contract year 2012, we determined that the FEHBP rates were overstated by $86,539 due to defective pricing. The Plan's FEHBP rate development included autism and mental health parity loadings. The costs associated with these loadings are already included in the claims experience used to develop the FEHBP premium rates; therefore no additional loadings are necessary. The Plan also applied discretionary underwriting adjustments to the FEHBP rates. In developing our audited FEHBP rates, we removed the inappropriate loadings and the discretionary underwriting adjustments.

Consistent with the FEHBP regulations and contract, the FEHBP is due $48,687 for lost investment income, calculated through April 30, 2014, on the defective pricing findings. In addition, the contracting officer should recover lost investment income on amounts due for the period beginning May 1, 2014, until all defective pricing amounts have been returned to the FEHBP.

CONTENTS

I. INTRODUCTION AND BACKGROUND

Introduction

We completed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Geisinger Health Plan (Plan). The audit covered contract years 2008, 2009, 2011, and 2012, and was conducted at the Plan's office in Danville, Pennsylvania. The Plan elected to participate in the 2012 Medical Loss Ratio (MLR) Pilot Program offered to FEHBP carriers. The audit was conducted pursuant to the provisions of Contract CS 2911; 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.

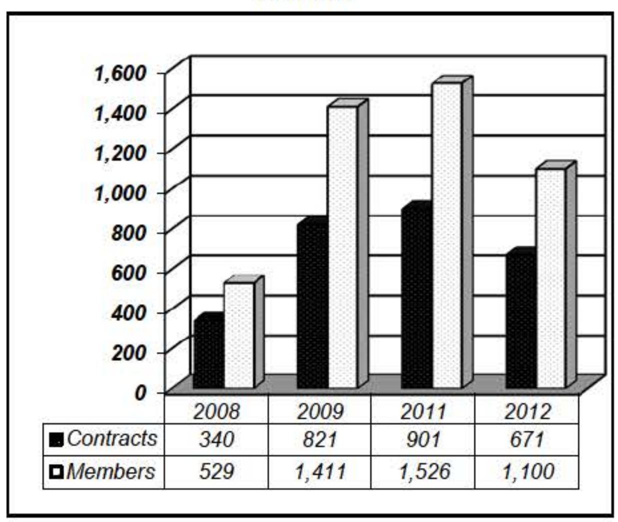
Background

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 Healthcare and Insurance 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 health insurance carriers who provide service benefits, indemnity benefits, or comprehensive medical services.

Community-rated carriers participating in the FEHBP are subject to various federal, state and local laws, regulations, and ordinances. 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 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.

FEHBP Contracts/Members
March 31



For contract years 2008, 2009 and 2011, 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. For contract year 2012, the premium rates charged to the FEHBP under the MLR methodology are to be developed in accordance with OPM Rules and Regulations and the Plan's state-filed standard rating methodology (or if the rating method does not require state filing, the Plan's documented and established rating methodology). All FEHBP pricing data are to be supported by accurate, complete, and current documentation. In contracting with community-rated carriers, OPM relies on carrier compliance with appropriate laws and regulations and, consequently, does not negotiate base rates. OPM negotiations relate primarily to the level of coverage and other unique features of the FEHBP.

The Plan has participated in the FEHBP since 2007, and provides health benefits to FEHBP members in the following Pennsylvania counties: Adams, Berks, Blair, Bradford, Cambria, Cameron, Carbon, Centre, Clearfield, Clinton, Columbia, Cumberland, Dauphin, Fulton, Huntingdon, Jefferson, Juniata, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Lycoming, Mifflin, Monroe, Montour, Northampton, Northumberland, Perry, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Wayne, Wyoming, York, and portions of Bedford and Elk. The last audit of the Plan conducted by our office covered contract year 2010. That report indicated the Plan's rating of the FEHBP was in accordance with applicable laws, regulations, and OPM's Rate Instructions to Community Rated Carriers (rate instructions).

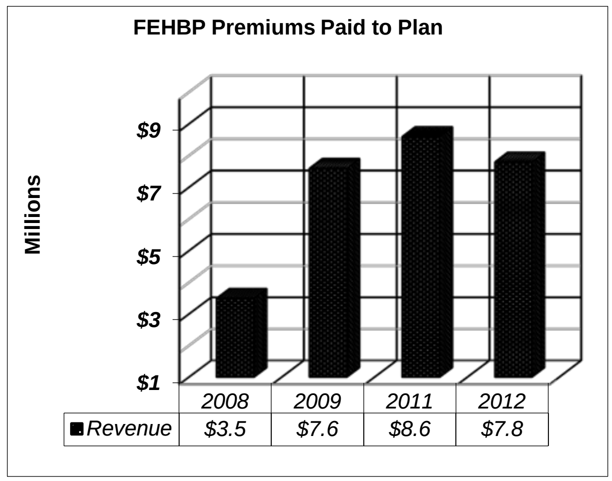
The preliminary results of this audit were discussed with Plan officials at an exit conference and in subsequent correspondence. A draft report was also provided to the Plan for review and comment. The Plan's comments were considered in preparation of this report and included, as appropriate, in the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

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objective of this performance audit is to determine whether the Plan is in compliance with the provisions of its contract and the laws and regulations governing the FEHBP. In contract years 2008, 2009, and 2011, the primary objective was to determine if the Plan offered the FEHBP market price rates based on the rates given to the Similarly Sized Subscriber Groups (SSSGs). In contract year 2012, the primary objective was to determine if the Plan offered the FEHBP fair premium rates, based on its underwriting guidelines and OPM rules and regulations. We also verified 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 the FEHBP premium rates developed and charged for contract years 2008, 2009, 2011, and 2012. For these years, the FEHBP paid approximately $27.5 million in premiums to the Plan, as shown on the chart above. The audit did not include tests of the Plan's 2012 MLR calculation which will remain subject to future audit.

OIG audits of community-rated carriers are designed to test carrier compliance with the FEHBP contract, applicable laws and regulations, and OPM's 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. For contract years 2008, 2009, and 2011, our review of internal controls was limited to the procedures the Plan has in place to ensure that:

- The appropriate SSSGs were selected;

- the rates charged to the FEHBP were the market price rates (i.e., equivalent to the best rate offered to the SSSGs); and

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

For contract year 2012, our review of internal controls was limited to the procedures the Plan has in place to ensure that the rates charged the FEHBP are developed in accordance with the Plan's standard rating methodology and the claims, factors, trends, and other related adjustments are supported by accurate, complete and current source documentation.

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 conducted 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 Danville, Pennsylvania during July 2013. Additional audit work was completed at our offices in Cranberry Township, Pennsylvania and Jacksonville, Florida.

Methodology

For contract years 2008, 2009, and 2011, we examined the Plan's federal rate submissions and related documents as a basis for validating the market price rates. 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.

For contract year 2012, we examined the Plan's standard rating methodology as a basis for validating its federal rate submissions and related documents. In addition, we verified that the factors, trends, and other related adjustments used to determine the FEHBP premium rates were supported by accurate, complete and current source data.

We also examined claim payments to verify that the pricing data used to develop the FEHBP rates was accurate, complete and valid. Finally, we used the contract, the Federal Employees Health Benefits Acquisition Regulations, and the rate instructions to determine the propriety of the FEHBP premiums, and the reasonableness and acceptability of the Plan's rating system.

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

III. AUDIT FINDINGS AND RECOMMENDATIONS

Premium Rate Review

1. Defective Pricing $603,442

The Certificates of Accurate Pricing the Plan submitted for contract years 2008, 2011, and 2012 were defective. In accordance with federal regulations, the FEHBP is therefore due a rate reduction for these years. Application of the defective pricing remedy shows that the FEHBP is entitled to a premium adjustment totaling $603,442 (see Exhibit A). We found that the FEHBP rates were developed in accordance with applicable laws, regulations, and the rate instructions in contract year 2009.

For contract years 2008, 2009, and 2011, carriers proposing rates to OPM were required to submit a Certificate of Accurate Pricing certifying that the proposed subscription rates, subject to adjustments recognized by OPM, are market price rates. OPM regulations refer to a market price in conjunction with the rates offered to an SSSG. SSSGs are the Plan's two employer groups closest in size to the FEHBP. If it is found that the FEHBP was charged higher than the market price rate (i.e., the best rate offered to an SSSG), a condition of defective pricing exists, requiring a downward adjustment of the FEHBP premiums to the equivalent market price rate.

For contract year 2012, MLR Pilot Program carriers proposing rates to OPM are required to submit a Certificate of Accurate Pricing (MLR methodology) certifying that the cost or pricing data submitted to OPM in support of the FEHBP rates are accurate, complete and current as of the date of the certificate. If it is found that the FEHBP was charged higher rates due to inaccurate, incomplete or non-current data, a condition of defective pricing exists, requiring a downward adjustment of the FEHBP premiums.

2008

The FEHBP was rated using a Community Rating by Class methodology for contract year 2008, and the Plan selected [redacted] as SSSGs. We disagree with the Plan's selections and chose [redacted] as the correct SSSGs because they were closer in subscriber size to the FEHBP.

Our analysis of the rates charged to the SSSGs shows that [redacted] received a [redacted] percent discount and [redacted] received a [redacted] percent discount. The FEHBP did not receive a discount. Since the FEHBP is entitled to a discount equivalent to the largest discount given to an SSSG, we applied [redacted] discount of [redacted] percent to our audited FEHBP rates.

Our analysis of the FEHBP rates found that the Plan applied discretionary underwriting adjustments of [redacted] and [redacted] to the high and standard option rates, respectively. We removed the underwriting adjustment when developing our audited FEHBP rates.

As a result of our audit adjustments, we determined that the FEHBP was overcharged $146,529 for contract year 2008 (see Exhibit B).

Plan's Comments (see Appendix):

The Plan does not dispute our audited SSSG selections.

The Plan agrees that a discount was applied to the SSSGs; however, the Plan disagrees with [redacted] percent discount identified in our audit. The Plan claims that [redacted] received a discretionary underwriting load of [redacted] for the high option, and a discretionary underwriting discount of [redacted] for the standard option. In its response to the draft report, the Plan re-calculated [redacted] discretionary underwriting factors by removing broker commissions. The Plan applied these factors in their re-calculated FEHBP rate development model. Based on their calculations, the Plan believes the overcharge is $117,416 for contract year 2008.

OIG's Response to the Plan's Comments:

We disagree with the Plan's analysis. The Plan did not provide support for the removal of the broker commission from [redacted] rate development. Further, the method by which the Plan applied [redacted] re-calculated discretionary underwriting factors to the FEHBP's rates is incorrect. SSSG discounts are calculated by comparing the corrected rates to the actual billed rates. The resulting weighted-average SSSG discount is applied to the FEHBP's line 5 rates. We continue to believe that our calculations reflect the correct FEHBP rates and that the FEHBP was overcharged $146,529 for contract year 2008.

2011

The FEHBP was rated using an Adjusted Community Rating (ACR) methodology for contract year 2011, and the Plan selected [redacted] as SSSGs. We agree with these selections. The Plan did not apply an SSSG discount to the FEHBP rates and neither SSSG received a discount.

Our analysis of the FEHBP rates found that the Plan charged the FEHBP a loading for state-mandated coverage of medically necessary services and therapies for the diagnosis and treatment of Autism Spectrum Disorder (ASD). The FEHBP has consistently provided medically necessary services for enrollees as part of its OPM-approved benefit package. Therefore, the cost of allowable ASD services is reflected in the claims experience used to develop the FEHBP rates. As a result, we removed this loading from our audited FEHBP rates.

The Plan also charged the FEHBP a loading related to mental health parity benefits. The Plan stated the requirement for mental health parity became effective in 2011. After reviewing the Plan's FEHBP benefit brochures, we determined that a mental health parity requirement has been in place for the FEHBP during all the experience period years. Therefore, the costs associated with the mental health parity benefit are reflected in the claims experience used to develop the FEHBP rates. As a result, we removed this loading from our audited FEHBP rates.

The Plan added a [redacted] percent and a [redacted] percent loading to the FEHBP medical and prescription drug benefit changes, respectively. These loadings were applied to both experience periods and represent a significant increase in the FEHBP's benefit adjustment factors. The Plan stated the charges were a risk adjustment for the change in enrollment in 2010. We determined this risk adjustment factor is not appropriate and removed these loadings in developing our audited FEHBP rates.

Per the Plan's policies and procedures, additional audit adjustments were made to the FEHBP rates which reduced the total overcharge to the FEHBP rates. The net result of our audit adjustments is that the FEHBP was overcharged $370,374 for contract year 2011 (see Exhibit B).

Plan's Comments (see Appendix):

The Plan agrees with our finding.

2012

The FEHBP was rated using an ACR methodology for contract 2012. The Plan charged the FEHBP a loading for state-mandated coverage of medically necessary services and therapies for the diagnosis and treatment of ASD. The FEHBP has consistently provided medically necessary services for enrollees as part of its OPM-approved benefit package. Therefore, the cost of allowable ASD services are reflected in the claims experience used to develop the FEHBP rates. As a result, we removed this loading from our audited FEHBP rates.

The Plan also charged the FEHBP a loading related to mental health parity benefits. The Plan stated the requirement for mental health parity became effective in 2011. After reviewing the Plan's FEHBP benefit brochures, we determined that a mental health parity requirement has been in place for the FEHBP during all the experience period years. Therefore, the costs associated with the mental health parity benefit are reflected in the claims experience used to develop the FEHBP rates. As a result, we removed this loading from our audited FEHBP rates.

The Plan applied a discretionary underwriting load of [redacted] percent to the FEHBP rates. This adjustment represents a surcharge to the FEHBP rates. Per the rate instructions, OPM will not accept surcharges to the FEHBP rates. As a result, we removed this surcharge from our audited FEHBP rates.

Per the Plan's policies and procedures, additional audit adjustments were made to the FEHBP rates which reduced the total overcharge to the FEHBP. The net result of our audit adjustments is that the FEHBP was overcharged $86,539 for contract year 2012 (see Exhibit B).

Plan's Comments (see Appendix):

The Plan agrees with our finding.

Recommendation 1

We recommend that the contracting officer require the Plan to return $603,442 to the FEHBP for defective pricing in contract years 2008, 2011, and 2012.

2. Lost Investment Income **$48,687**

In accordance with FEHBP regulations and the contract between OPM and the Plan, the FEHBP is entitled to recover lost investment income on the defective pricing findings. We determined the FEHBP is due $48,687 for lost investment income, calculated through April 30, 2014 (see Exhibit C). In addition, the FEHBP is entitled to lost investment income for the period beginning May 1, 2014, until all defective pricing amounts have been returned to the FEHBP.

FEHBAR 1652.215-70 provides that, if any rate established in connection with the FEHBP contract was increased because the carrier furnished cost or pricing data that was not complete, accurate, or current as certified in its Certificate of Accurate Pricing, the rate shall be reduced by the amount of the overcharge caused by the defective data. In addition, when the rates are reduced due to defective pricing, the regulation states that the government is entitled to a refund and simple interest on the amount of the overcharge from the date the overcharge was paid to the carrier until the overcharge is liquidated.

Our calculation of lost investment income is based on the United States Department of the Treasury's semiannual cost of capital rates.

Plan's Comments (see Appendix):

The Plan acknowledges its obligations with respect to lost investment income; however, the Plan believes the correct calculation for this figure through December 31, 2013 to be $39,496.

OIG's Response to the Plan's Comments:

We continue to maintain the FEHBP is due lost investment income in the amount of $48,687, calculated through April 30, 2014.

Recommendation 2

We recommend that the contracting officer require the Plan to return $48,687 to the FEHBP for lost investment income, calculated through April 30, 2014. We also recommend that the contracting officer recover lost investment income on amounts due for the period beginning May 1, 2014, until all defective pricing amounts have been returned to the FEHBP.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Community-Rated Audits Group

[redacted], Auditor-in-Charge

[redacted], Auditor

[redacted], Auditor

[redacted] Chief

[redacted], Senior Team Leader

Exhibit A

Geisinger Health Plan
Summary of Questioned Costs

Defective Pricing Questioned Costs		
Contract Year 2008	$146,529	
Contract Year 2011	$370,374	
Contract Year 2012	$86,539	
Total Defective Pricing Questioned Costs:		**$603,442**
Lost Investment Income:		**$48,687**
Total Questioned Costs		**$652,129**

Geisinger Health Plan
Defective Pricing Questioned Costs

2008 - High Option

	Self	Family	
FEHBP Line 5 - Reconciled Rate	[redacted]	[redacted]	
FEHBP Line 5 - Audited Rate	[redacted]	[redacted]	
Bi-weekly Result	[redacted]	[redacted]	
To Annualize:			
March 31, 2008 Enrollment	[redacted]	[redacted]	
Pay Periods	26	26	
Subtotal	$[redacted]	[redacted]	
Total 2008 High Option Defective Pricing Questioned Costs			**$148,945**

2008 - Standard Option

	Self	Family	
FEHBP Line 5 - Reconciled Rate	$[redacted]	[redacted]	
FEHBP Line 5 - Audited Rate	[redacted]	[redacted]	
Bi-weekly Result	[redacted]	[redacted]	
To Annualize:			
March 31, 2008 Enrollment	[redacted]	[redacted]	
Pay Periods	26	26	
Subtotal	[redacted]	-[redacted]	
Total 2008 Standard Option Defective Pricing Questioned Costs			**-$2,416**
Total 2008 Defective Pricing Questioned Costs			**$146,529**

Geisinger Health Plan
Defective Pricing Questioned Costs

2011

	Self	Family	
FEHBP Line 5 - Reconciled Rate	[redacted]	[redacted]	
FEHBP Line 5 - Audited Rate			
Bi-weekly Result	[redacted]	[redacted]	
To Annualize:			
March 31, 2011 Enrollment	[redacted]	[redacted]	
Pay Periods	26	26	
Subtotal	[redacted]	[redacted]	
Total 2011 Defective Pricing Questioned Costs			$370,374

2012

	Self	Family	
FEHBP Line 5 - Reconciled Rate	[redacted]	[redacted]	
FEHBP Line 5 - Audited Rate			
Bi-weekly Result	[redacted]	[redacted]	
To Annualize:			
March 31, 2012 Enrollment	[redacted]	[redacted]	
Pay Periods	26	26	
Subtotal	[redacted]	[redacted]	
Total 2012 Defective Pricing Questioned Costs			$86,539

Total Defective Pricing Questioned Costs **$603,442**

EXHIBIT C

Geisinger Health Plan
Lost Investment Income

Year	2008	2009	2010	2011	2012	2013	As of April 30, 2014	Total
Audit Findings:								
1. Defective Pricing	$146,529	$0	$0	$370,374	$86,539	$0	$0	$603,442
Totals (per year):	$146,529	$0	$0	$370,374	$86,539	$0	$0	$603,442
Cumulative Totals:	$146,529	$146,529	$146,529	$516,903	$603,442	$603,442	$603,442	
Avg. Interest Rate (per year):	4.938%	5.250%	3.188%	2.563%	1.875%	1.563%	2.125%	
Interest on Prior Years Findings:	$0	$7,693	$4,671	$3,755	$9,692	$9,429	$4,274	$39,514
Current Years Interest:	$3,617	$0	$0	$4,745	$811	$0	$0	$9,173
Total Cumulative Interest Calculated Through December 31, 2013:	$3,617	$7,693	$4,671	$8,500	$10,503	$9,429	$4,274	$48,687

GEISINGER
HEALTH PLAN®

February 20, 2014

[redacted]
Chief, Community – Rated Audits Group
U.S. Office of Personnel Management
Office of the Inspector General
800 Cranberry Woods Drive
Suite 270
Cranberry Township, Pennsylvania 16066

Re: **Geisinger Health Plan Response to Draft Report No. 1C-GG-00-13-063**

Dear [redacted]

Geisinger Health Plan ("GHP") is in receipt of the above referenced draft report dated January 8, 2014 (the "Report") issued by the Office of the Inspector General of the U.S. Office of Personnel Management ("OPM"). GHP's response to the Report is detailed below along with corresponding enclosed exhibits. We understand that OPM considers this response to be part of OPM's fact finding process, and as such not releasable under the terms of the Freedom of Information Act.

Defective Pricing for Contract Year 2008

- GHP does not dispute OPM's findings on the selection of the SSSG's.
- GHP agrees that a discount was applied to those accounts. Our analysis shows that [redacted] received underwriting discretion rate load of [redacted] for the high option (Exhibit A-1) and a discount of [redacted] for the standard option (Exhibit A-2). However, GHP's audited rates (Exhibit A-3) are slightly higher than OIG's audited results (Exhibit A-4).
- GHP agrees with the applied discretionary underwriting adjustments of [redacted] and [redacted] to the FEHBP's high and standard rates, respectively, and also removed those underwriting adjustments.
- As a result of these audit adjustments, GHP acknowledges there was an overcharge to the FEHBP, but believe that overcharge to be $117,416 for contract year 2008 (Exhibit B).
- The following Exhibits will demonstrate the results:
  - Exhibit A-1 [redacted] High Opt – GHP Audit);
  - Exhibit A-2 [redacted] Low Opt – GHP Audit);
  - Exhibit A-3 (FEHBP 2008 High Low GHP Audit);
  - Exhibit A-4 (2008 FEHBP OIG Audit)

Defective Pricing for Contract Years 2011 and 2012 - Autism Coverage

- GHP does not dispute the audit finding for both contract years 2011 and 2012.

GHP acknowledges there was an overcharge to the FEHBP of $370,374 for contract year 2011 and $86,539 for contract year 2012.

Lost Investment Income

GHP acknowledges its obligations with respect to lost investment income; however, GHP believes the correct calculation for this figure through December 31, 2013 to be $39,496

Exhibit B shows the reconciled and audited rates of OPM and GHP along with interest.

GHP acknowledges the issues raised in the Report by OPM and agrees to address these issues on a going forward basis.

Please contact me if you have any questions.

Sincerely,

[redacted]

Vice President/Controller
Geisinger Health Plan
100 North Academy Ave.
Danville, PA 17822

**Geisinger Health Plan refers collectively to itself and its affiliates, Geisinger Choice and Geisinger Health Options.*