



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

Final Audit Report

**AUDIT OF
HEALTHPARTNERS
MINNEAPOLIS, MINNESOTA**

Report Number 1D-V3-00-17-005

September 29, 2017

EXECUTIVE SUMMARY

Audit of HealthPartners

Report No. 1D-V3-00-17-005

September 29, 2017

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that HealthPartners (Plan) is complying with the provisions of the Federal Employees Health Benefits Act and regulations pertaining to cash management that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP) contract. Specifically, the objective of our audit was to determine whether the Plan handled FEHBP funds in accordance with Contract CS 2875 and applicable laws and regulations concerning cash management in the FEHBP.

What did we audit?

Our audit covered the Plan's cash management activities and practices related to FEHBP funds from 2014 through June 30, 2016. Specifically, we reviewed the Plan's letter of credit account drawdowns, treasury offsets, interest income transactions, and dedicated FEHBP bank account activity and balances.

What did we find?

Our limited scope audit disclosed no significant findings pertaining to the Plan's cash management activities and practices. Overall, we determined that the Plan handled FEHBP funds in accordance with Contract CS 2875 and applicable laws and regulations concerning cash management in the FEHBP. Accordingly, this final report contains no questioned charges or recommendations.



Michael R. Esser
*Assistant Inspector General
for Audits*

ABBREVIATIONS

Contract	Contract CS 2875
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefits Program
HMO	Health Maintenance Organization
LOCA	Letter of Credit Account
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	HealthPartners

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I. BACKGROUND

This final audit report details the findings, conclusions, and recommendations resulting from our limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at HealthPartners (Plan). The Plan is located in Minneapolis, Minnesota.

The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

The FEHBP was established by the Federal Employees Health Benefits (FEHB) 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. OPM's Healthcare and Insurance Office has overall responsibility for administration of the FEHBP. The provisions of the FEHB Act are implemented by OPM through regulations, which are codified in Title 5, Chapter 1, Part 890 of the Code of Federal Regulations. Health insurance coverage is made available through contracts with various health insurance carriers.

The Plan is an experience-rated health maintenance organization (HMO) that provides health benefits to federal enrollees and their families.¹ Enrollment is open to all federal employees and annuitants that live or work in the Plan's service area, which includes Minnesota and the surrounding communities in Western Wisconsin, Northern Iowa, and Eastern North and South Dakota.

The Plan's contract (CS 2875) with OPM is experience-rated. Thus, the costs of providing benefits in the prior year, including underwritten gains and losses that have been carried forward, are reflected in current and future years' premium rates. In addition, the contract provides that in the event of termination, unexpended program funds revert to the FEHBP Trust Fund. In recognition of these provisions, the contract requires an accounting of program funds be submitted at the end of each contract year. The accounting is made on a statement of operations known as the Annual Accounting Statement.

Compliance with laws and regulations applicable to the FEHBP is the responsibility of the Plan's management. Also, management of the Plan is responsible for establishing and maintaining a system of internal controls.

¹ Members of an experience-rated HMO plan have the option of using a designated network of providers or using out-of-network providers. A member's choice in selecting one healthcare provider over another has monetary and medical implications. For example, if a member chooses an out-of-network provider, the member will pay a substantial portion of the charges and covered benefits may be less comprehensive.

All findings from our prior audit of the Plan (Report No. 1D-53-00-09-029, dated April 29, 2010), covering contract years 2004 through 2008, have been satisfactorily resolved.

The results of this audit were discussed with the Plan officials throughout the audit and at an exit conference on May 23, 2017. Since our audit disclosed no significant findings, a draft report was not issued.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

The objective of our audit was to determine if the Plan handled FEHBP funds in accordance with Contract CS 2875 and applicable laws and regulations concerning cash management in the FEHBP.

SCOPE

We conducted our limited scope performance 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audit covered the Plan's cash management activities and practices related to FEHBP funds from 2014 through June 30, 2016. Specifically, we reviewed the Plan's letter of credit account (LOCA) drawdowns, treasury offsets, interest income transactions, and dedicated FEHBP bank account activity and balances to determine if the Plan handled FEHBP funds in accordance with the contract and applicable laws and regulations concerning cash management in the FEHBP.²

In planning and conducting our audit, we obtained an understanding of the Plan's internal control structure to help determine the nature, timing, and extent of our auditing procedures. This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on substantive tests of transactions and not tests of controls. Based on our testing, we did not identify any significant matters involving the Plan's internal control structure and its operations. However, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Plan's system of internal controls taken as a whole.

We also conducted tests to determine whether the Plan had complied with the contract provisions, the applicable procurement regulations (i.e., Federal Acquisition Regulations and Federal Employees Health Benefits Acquisition Regulations, as appropriate), and the laws and regulations governing the FEHBP that relate to cash management of FEHBP funds. The results of our tests indicate that, with respect to the items tested, the Plan complied with all applicable

² During the scope of our audit, the Plan did not have a working capital deposit. (Note: Based on OPM's "Letter of Credit System Guidelines" (dated May 2009), a working capital deposit is recommended but not required.)

provisions of the contract and federal procurement regulations. With respect to the items not tested, nothing came to our attention that caused us to believe that the Plan had not complied, in all material respects, with those provisions.

In conducting our audit, we relied to varying degrees on computer-generated data provided by the Plan. Due to time constraints, we did not verify the reliability of the data generated by the various information systems involved. However, while utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objective.

The audit was performed at our office in Jacksonville, Florida from February 1, 2017, through May 23, 2017.

METHODOLOGY

To test the Plan's compliance with contract provisions relative to cash management activities, we selected and reviewed a judgmental sample of 25 LOCA drawdown amounts, totaling \$10,372,406 (from a universe of [REDACTED] LOCA drawdowns, totaling \$[REDACTED], during the period 2014 through June 30, 2016), for the purpose of determining if the Plan's LOCA drawdowns were appropriate and adequately supported.³ The sample results were not projected to the universe of LOCA drawdowns. We also reviewed the Plan's treasury offsets and interest income transactions from 2014 through June 30, 2016, as well as the Plan's dedicated FEHBP bank account activity during the scope and balance as of June 30, 2016.

³ Our sample included 6 high dollar LOCA drawdown amounts (totaling \$2,964,826) from September 2014, 7 high dollar LOCA drawdown amounts (totaling \$2,098,920) from July 2015, and 12 high dollar LOCA drawdown amounts (totaling \$5,308,660) from June 2016.

III. RESULTS OF AUDIT

Our limited scope audit disclosed no significant findings pertaining to the Plan's cash management activities and practices. Overall, we concluded that the Plan handled FEHBP funds in accordance with Contract CS 2875 and applicable laws and regulations concerning cash management in the FEHBP. Accordingly, this final report contains no questioned charges or recommendations.



Report Fraud, Waste, and Mismanagement

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