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

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# **Final Audit Report**

**Audit of the Federal Employees Dental and Vision Insurance  
Program Operations as Administered by EmblemHealth Dental  
For Contract Years 2014 through 2016**

**Report Number 1J-0L-00-17-051**

**September 21, 2018**

# EXECUTIVE SUMMARY

## *Audit of the Federal Employees Dental and Vision Insurance Program Operations as Administered by EmblemHealth Dental*

Report No. 1J-0L-00-17-051

September 21, 2018

### **Why Did We Conduct the Audit?**

The objective of the audit was to determine whether costs charged to the Federal Employees Dental and Vision Insurance Program (FEDVIP) and services provided to its members for contract years 2014 through 2016 were in accordance with Contract Number OPM01-FEDVIP-01AP-5 and applicable Federal regulations.

### **What Did We Audit?**

The Office of the Inspector General has completed a performance audit of EmblemHealth Dental's (Plan) annual accounting statements, claims processing, fraud and abuse program, performance guarantees, and premium rate proposals as they relate to FEDVIP operations for contract years 2014 through 2016. We conducted a site visit from November 6 through November 16, 2017, at the Plan's office in New York, New York. We completed all audit work at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.

### **What Did We Find?**

We determined that the Plan needs to strengthen its procedures and controls related to the following audit areas:

#### Annual Accounting Statement Review

- The Plan failed to submit its 2016 Annual Accounting Statements (AAS) to the U.S. Office of Personnel Management.
- The Plan understated the amount of premiums received in its 2014 AAS and inappropriately categorized two line items as expenses in its 2014 through 2016 AAS.

#### Claims Processing Review

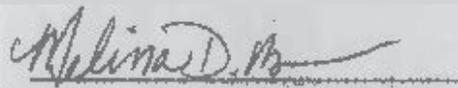
- The Plan paid \$10,281 in claims to two debarred providers in 2015 and 2016.

#### Performance Guarantees Review

- The Plan failed to track and meet numerous performance standards that it guaranteed for 2014 through 2016.

#### Premium Rate Proposals Review

- The Plan was unable to support several pricing assumptions used in its 2014 premium rate proposal.



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

# ABBREVIATIONS

<b>AAS</b>	<b>Annual Accounting Statements</b>
<b>Act</b>	<b>The Federal Employee Dental and Vision Benefits Enhancement Act of 2004</b>
<b>Contract</b>	<b>Contract Number OPM01-FEDVIP-01AP-5</b>
<b>CY</b>	<b>Contract Year</b>
<b>DHHS</b>	<b>U.S. Department of Health and Human Services</b>
<b>FAR</b>	<b>Federal Acquisition Regulations</b>
<b>FEDVIP</b>	<b>Federal Employees Dental and Vision Insurance Program</b>
<b>FWA</b>	<b>Fraud, Waste, and Abuse</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>Plan</b>	<b>EmblemHealth Dental (formerly GHI Dental)</b>

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# I. BACKGROUND

This report details the results of our audit of the Federal Employees Dental and Vision Insurance Program (FEDVIP) operations as administered by EmblemHealth Dental (Plan) for contract years 2014 through 2016. The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

The FEDVIP was created on December 23, 2004, by the Federal Employee Dental and Vision Benefits Enhancement Act of 2004 (Act). The Act provided for the establishment of programs under which supplemental dental and vision benefits are made available to Federal employees, retirees, and their dependents.

OPM has overall responsibility to maintain the FEDVIP website, act as a liaison and facilitate the promotion of the FEDVIP through Federal agencies, be responsive on a timely basis to the carriers' requests for information and assistance, and perform functions typically associated with insurance commissions such as the review and approval of rates, forms, and educational materials.

OPM contracts with the Plan to provide dental coverage to Federal beneficiaries enrolled in the Plan under the FEDVIP. The Plan's responsibilities under Contract Number OPM01-FEDVIP-01AP-5 (Contract) are carried out at its office located in New York, New York. Section I.11 of the Contract includes a provision, Inspection of Services – Fixed Price, which allows for audits of the Plan's FEDVIP operations.

This was the OIG's first audit of the Plan's FEDVIP operations. The initial results of this audit were discussed with Plan officials during an exit conference on February 27, 2018. A draft report was provided to the Plan on May 24, 2018, for its review and comment. The Plan's response to the draft report was considered in preparation of this final report and is included as an Appendix.

## II. OBJECTIVES, SCOPE, AND METHODOLOGY

### **OBJECTIVES**

The main objective of the audit was to determine whether costs charged to the FEDVIP and services provided to its members for contract years 2014 through 2016 were in accordance with the terms of the Contract and applicable Federal regulations.

Our specific audit objectives were to determine if:

#### **Annual Accounting Statement Review**

- The premiums received were accurately reported in the 2014 through 2016 annual accounting statements (AAS).
- Administrative expenses were allowable, allocable, and reasonable in compliance with the Contract and Federal Acquisition Regulation (FAR) Subpart 31.2.

#### **Claims Processing Review**

- The Plan paid claims in accordance with the terms of the Contract, its annual benefit brochures, and its internal policies and procedures.
- The Plan paid any dental claims to debarred providers.

#### **Fraud and Abuse Program Review**

- The Plan has an effective fraud and abuse program, and if potential fraud cases are being reported to OPM in accordance with the FEDVIP Fraud, Waste, and Abuse (FWA) Memorandum.

#### **Performance Guarantees Review**

- The Plan accurately measured its performance and complied with any standards guaranteed in the Contract.

## Premium Rate Proposals Review

- The Plan accurately developed its 2014 through 2016 FEDVIP premium rates.

## SCOPE AND METHODOLOGY

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit included reviews of the Plan's AAS, claims processing, fraud and abuse program, performance guarantees, and premium rate proposals as they relate to FEDVIP operations for contract years 2014 through 2016. A site visit was conducted at the Plan's office in New York, New York from November 6 through 16, 2017. Additional audit work was completed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.

The Plan reported the following premium revenue, dental benefits paid, administrative expenses, and profit for contract years 2014 through 2016 in its AAS:

<b>Contract Year</b>	<b>Premium Revenue</b>	<b>Benefits Paid</b>	<b>Administrative Expenses</b>	<b>Profit</b>
<b>2014</b>	\$11,054,857	\$8,173,917	\$674,519	\$2,703,755
<b>2015</b>	\$12,288,676	\$10,084,272	\$1,046,301	\$1,545,396
<b>2016</b>	\$14,491,476	\$10,865,685	\$1,073,523	\$2,453,573
<b>Total</b>	<b>\$37,835,010</b>	<b>\$29,123,874</b>	<b>\$2,794,342</b>	<b>\$6,702,724</b>

In planning and conducting the 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. Additionally, 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 of accounting records and other auditing procedures as we considered necessary to determine compliance with the Contract and 5 Code of Federal Regulations Part 894. Exceptions noted in the areas reviewed are set forth in the "Audit Findings and

Recommendations” section of this report. 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 the 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 objectives. To determine whether costs charged to the FEDVIP and services provided to its members for contract years 2014 through 2016 were in accordance with the terms of the Contract and applicable Federal regulations, we performed the following audit steps:

#### **Annual Accounting Statement Review**

- We reconciled the Plan’s premiums earned, as reported in the AAS, against the premium funds transferred from BENEFEDS to determine if they were accurately reported to OPM.
- We met with Plan personnel to determine what allocation methodology was used for administrative expenses and reviewed documentation provided to determine reasonableness. We reconciled administrative expenses reported in the AAS to the cost centers and trial balance to determine if the Plan’s administrative expenses were allowable, allocable, and reasonable in compliance with the Contract and FAR Subpart 31.2. Additionally, we judgmentally selected and reviewed 8 expense accounts for 2014 through 2016, totaling \$1,500,348, out of a universe of 236 expense accounts, totaling \$2,794,342. Our selection was based on account descriptions with the highest risk of being unallowable.

#### **Claims Processing Review**

- Using the EZQuant Random Number Generator, we selected a random sample of 50 claims per year for 2014 through 2016, totaling 150 claims with an amount paid of \$29,474, from a universe of 148,061 claims totaling \$28,190,583, to determine if they were properly paid in accordance with the terms of the Contract, the Plan’s benefit brochures, and its internal policies and procedures.
- We ran the U.S. Department of Health and Human Services (DHHS) and OPM’s lists of debarred providers against the claims data base to determine if any claims were paid to debarred providers.

### **Fraud and Abuse Program Review**

- We met with the Plan to gain an understanding of its fraud and abuse program and reviewed policies and procedures for fraud and abuse to ensure that they complied with OPM's FEDVIP FWA Memorandum.

### **Performance Guarantees Review**

- We compared the Plan's performance results against each standard that was guaranteed in the contract to determine if the Plan met all of the standards and if the performance results were accurately reported.

### **Premium Rate Proposals Review**

- We traced the data used to develop the Plan's 2014 through 2016 premium rate proposals to supporting documentation to determine if the Plan accurately developed its premium rates for the FEDVIP.

The samples mentioned above that were selected and reviewed in performing the audit were not statistically based. Consequently, the results could not be projected to the universe since it is unlikely that the results are representative of the universe taken as a whole.

# III. AUDIT FINDINGS AND RECOMMENDATIONS

## A. Annual Accounting Statement Review

### 1. Failure to Submit 2016 Annual Accounting Statements

### Procedural

The Plan failed to submit its 2016 certified AAS to OPM as required by the Contract.

Section K.9 of the Contract requires the Plan to submit to OPM a certified AAS summarizing the financial results of its FEDVIP operations for the previous fiscal year.

**The Plan did not report its 2016 FEDVIP operations to OPM as required by the Contract.**

During the pre-audit process, we requested the Plan's AAS from OPM and found that OPM never received the Plan's 2016 certified AAS. We notified the Plan of its failure to submit the 2016 certified AAS and requested a copy for the purpose of our audit. The Plan provided a copy of the 2016 AAS to the auditors in September 2017, and stated that the submission of the AAS to OPM was unintentionally delayed due to an unexpected staffing change. The auditors provided a copy to OPM for its records.

The Plan's failure to submit a certified AAS for 2016 caused OPM to approve the next year's premium rates without knowing the Plan's financial operations, accuracy of the prior year's premium rates, or profit margin.

#### Recommendation 1

We recommend the Plan implement policies and procedures to ensure a timely submission of its certified AAS to OPM by June of each year.

#### Plan Response:

*The Plan agrees with the recommendation and says it has implemented a timeline tracking grid to ensure timely submissions of the certified AASs by June of each year.*

#### Recommendation 2

We recommend that OPM implement procedures to collect and verify the submission of the carrier's AAS for FEDVIP operations in a timely manner, thereby allowing OPM's Office of Actuaries and Program Office the necessary time to assess the carrier's prior year financial results before approving its premium rates.

*Plan Response:*

*The Plan agreed to work with OPM on implementing procedures to collect and verify submissions of the AAS in a timely manner.*

**2. Errors in Annual Accounting Statements**

**Procedural**

The Plan understated premiums received by approximately \$2.1 million in its 2014 AAS and improperly classified several accounts as expenses in its 2014 through 2016 AAS.

Section K.9 of the Contract requires the Plan to submit AAS that show the financial results for its FEDVIP operations, including actual income received by the Plan and its incurred costs that are allowable in accordance with the Federal Acquisition Regulation.

To determine the accuracy of the net premium received, as reported in the Plan's AAS, we compared the premium amounts that were credited to the Plan by BENEFEDS, FEDVIP's third party administrator, with the premium amounts that were reported in the Plan's AAS for calendar year's (CY) 2014 through 2016. Our review showed that the Plan understated its net premiums received for FEDVIP operations in CY 2014 by \$2,092,328. The Plan stated that this variance was due to it using a formula to calculate the net premium in its AAS (incurred claims plus total expenses minus service charge) instead of reporting actual premium received from BENEFEDS during the CY.

Additionally, we reviewed the claims and administrative expenses reported in the Plan's AAS by recalculating the amounts and tracing the expenses to supporting documentation. During this analysis, we determined the Plan improperly included OPM and BENEFEDS service charges under the expense category, along with a statutory reserve amount of one percent, on the 2014 through 2016 AAS. The service charge is for OPM's and BENEFEDS administrative fee, which is collected by BENEFEDS and paid directly to OPM with that premium amount never going to the Plan. Since the Plan reports net premium, or total premium less BENEFEDS and OPM's service charge, the Plan should not be reporting the service charge as an expense. The Plan also should not be reporting a one percent statutory reserve as an expense. This statutory reserve amount is required by state law to help pay claims in the event that the Plan becomes insolvent. This amount is held in reserve from the Plan's profit, is classified as a reserve and not an expense, and by law cannot be disbursed except to pay claims in the case of the Plan's insolvency. The Plan stated that these reporting errors were due to the absence of formal instructions or a uniform template from OPM.

**The Plan misstated premiums and expenses in its AAS that would have shown a higher profit.**

By misstating premiums and expenses in its AAS, the Plan did not accurately report its profit, which is considered by OPM when approving premium rates.

### **Recommendation 3**

We recommend that the Plan create policies and procedures to ensure that its certified AAS accurately reports premiums received from BENEFEDS and expenses incurred for FEDVIP operations during the CY in accordance with the Federal Acquisition Regulation.

#### **Plan Response:**

*The Plan agrees with the recommendation and states it has created policies and procedures to ensure that its certified AAS accurately reports premiums received and expenses incurred for FEDVIP operations during the CY in accordance with Federal regulations.*

### **Recommendation 4**

We recommend that the Plan submit a revised 2014 certified AAS to OPM's Program Office and Office of Actuaries that accurately reports the premiums received and expenses incurred during CY 2014.

#### **Plan Response:**

*The Plan agrees with the recommendation and has submitted a revised AAS for CY 2014.*

#### **OIG Response:**

After reviewing the revised 2014 AAS, we recommend that the Plan also submit a revised 2015 and 2016 AAS to accurately show its financial results from FEDVIP operations.

## **B. CLAIMS PROCESSING REVIEW**

### **1. Claims Paid to Debarred Providers**

**\$10,281**

The Plan paid \$10,281 in claims to two debarred providers listed on both OPM-OIG's Debarment and Sanctions Listing and the DHHS Listing of Excluded Providers.

The DHHS website (<https://oig.hhs.gov/faqs/exclusions-faq.asp>) states that "OIG's [List of Excluded Individuals/Entities] provides information to the health care industry, patients and

the public regarding individuals and entities currently excluded from participation in Medicare, Medicaid and all other Federal health care programs.”

Additionally, the Plan stated in its internal policies and procedures “On a periodic basis, [the OPM] debarment listings are reviewed against the records of all EmblemHealth participating dental providers maintained in the Fastrak provider file system.”

**FEDVIP claims were paid to two providers that were debarred for felony healthcare and program related convictions.**

As part of our claims review, we ran a match of debarred dental providers from OPM-OIG’s Debarment and Sanctions Listing against the Plan’s paid dental claims for 2014 through 2016. This review identified claims totaling \$10,281 that were paid to two providers that were debarred on OPM-OIG’s Debarment and Sanctions Listing in 2015 and 2016 for felony healthcare and program related convictions. We also identified the same two providers on the DHHS Listing of Excluded Providers.

The Plan was unaware of this issue and determined the cause to be a breakdown in its debarment review process. The Plan also reported that it will take action by updating its records to reflect the debarred status of the two providers and by establishing protocols to ensure appropriate actions are taken going forward.

Because the Plan failed to identify these two providers as being debarred by both the OPM-OIG and DHHS, the FEDVIP had \$10,281 of Federal employee funds inappropriately paid to these two debarred providers, along with an increased risk to patient safety.

### **Recommendation 5**

We recommend that the Plan immediately stop payments to these two debarred providers, remove them from the Plan’s network, and notify affected members of the patient safety risk.

### **Plan Response:**

***The Plan agrees with the recommendation and states that it has stopped payments to these providers and removed them from the Plan’s network.***

### **Recommendation 6**

We recommend that the Plan initiate recoveries for the \$10,281 that was paid to the debarred providers.

**Plan Response:**

*The Plan agrees with the recommendation and states that it has initiated recoveries for the \$10,281 paid to the debarred providers.*

**Recommendation 7**

We recommend that OPM create new guidance requiring all Plans to check for debarred providers on a monthly basis using the DHHS Listing of Excluded Providers and the OPM-OIG's Debarment and Sanctions Listing (when applicable).

**Plan Response:**

*The Plan agreed to work with OPM to create new guidance requiring all Plans to check for debarred providers on a monthly basis using the DHHS Listing of Excluded Providers and the OPM-OIG's Debarment and Sanctions Listing, when applicable.*

**C. FRAUD AND ABUSE PROGRAM REVIEW**

Our review of the Plan's fraud and abuse program determined that it had sufficient policies and procedures in place to help reduce fraud, waste and abuse.

**D. PERFORMANCE GUARANTEES REVIEW**

**1. Compliance with Performance Standards**

**Procedural**

The Plan failed to track and meet numerous performance standards that it guaranteed in the Contract for 2014 through 2016.

Page 71 and 72 of the Plan's Response to the FEDVIP Solicitation, which became incorporated into the Contract, guaranteed the following performance standards during the initial enrollment and on an ongoing basis:

- 85 percent of calls answered in 30 seconds or less;
- 1 percent or less call abandonment rate;
- 75 percent of written inquiries answered within 7 days from receipt;
- 100 percent of written inquiries answered within 30 days from receipt;
- 7.1 day average response rate for written inquiries;

**The Plan did not provide customers with the level of performance that it guaranteed in the Contract.**

- 100 percent of email inquiries answered within 2 days from receipt not requiring additional review;
- 100 percent of email inquiries answered within 7 days from receipt when requiring additional review; and
- 3.3 day average response rate for email inquiries.

To determine if the Plan met its performance standards in 2014 through 2016, we requested copies of its performance results and compared them to the guarantees listed in the Contract. Our review showed that the Plan failed to track and meet the following standards.

- Eighty-five percent of calls answered in 30 seconds or less – The Plan was unable to answer customer service calls timely in all three years, averaging only 56 to 77 percent of calls answered in 30 seconds or less with each year getting progressively worse.
- One percent or less call abandonment rate – The Plan had a call abandonment rate between 2 and 6 percent during the three year audit scope, with 2016 having a significant increase in lost calls.
- Seventy-five percent of written inquiries answered within seven days – The Plan never tracked or measured this guarantee.
- One hundred percent of written inquiries answered within 30 days – The Plan was only able to answer an average of 63 to 80 percent of written inquiries within a 30-day period during the three years of our scope.
- Seven point one day average response rate for written inquiries – The Plan never tracked or measured this guarantee.
- One hundred percent of email inquiries answered within two days – The Plan answered an average of 42 to 87 percent of email inquiries during the three-year period with 2016 having the fastest turn around.
- One hundred percent of email inquiries requiring review answered within seven days – The Plan never tracked or measured this guarantee.
- Three point three day average response rate for email inquiries – The Plan never tracked or measured this guarantee.

When we asked the Plan why the above performance standards were not being tracked or met, we found that the Plan was unaware that it guaranteed any performance standards in the Contract.

As a result of the Plan not tracking or meeting the above performance standards, FEDVIP members did not receive the level of service that was paid for and agreed to in the Contract.

### **Recommendation 8**

We recommend that the Plan implement corrective action to improve each performance standard that was not met. The corrective action should include better training, faster systems, or more customer service staff to properly meet the performance guarantees. There should be no additional cost to the FEDVIP members for the improvement areas since the level of customer service was guaranteed under a fixed-price contract.

#### **Plan Response:**

*The Plan states that there are no performance standards in the current contract, but it is willing to update the contract with trackable performance standards where appropriate.*

#### **OIG Response:**

The OIG disagrees with the Plan's assertion that there are no performance standards in its current contract with OPM. It clearly states on the second page of the Contract that the FEDVIP Solicitation and the Plan's technical cost proposal (Response to the FEDVIP Solicitation dated February 25, 2013) are incorporated into the Contract. As referenced in the finding above, pages 71 and 72 of the Plan's response to the FEDVIP Solicitation (dated February 25, 2013) states the standards that the Plan guaranteed in the initial enrollment period and on an ongoing basis. These are the standards the Plan needs to meet to be compliant with the Contract.

### **Recommendation 9**

We recommend that the Plan update its policies and procedures to properly measure all performance standards that were guaranteed in the Contract.

#### **Plan Response:**

*As noted in response to recommendation 8, the Plan will track and report the new performance standards once the contract is updated.*

#### **OIG Response:**

The OIG would like to reiterate that the current Contract has performance standards that were guaranteed for the initial enrollment period and on an ongoing basis. These are the standards that the Plan needs to properly measure.

## **Recommendation 10**

We recommend that OPM review the Plan's performance standards on a semi-annual basis until all of the performance guarantees are being met.

### **Plan Response:**

*The Plan agreed to work with OPM to review the performance standards on a semi-annual basis until all of the performance guarantees are being achieved.*

## **E. PREMIUM RATE PROPOSALS REVIEW**

### **1. Unsupported Pricing Assumptions**

### **Procedural**

The Plan was unable to provide sufficient documentation to support the development of its 2014 FEDVIP rates.

Section A.6 (Administration and Systems) of the Contract states, "The Contractor must keep all records, including enrollment, claims and financial records, for the current year and an additional six years."

For each year of our audit scope, we reviewed the Plan's premium rates to determine if accurate pricing assumptions were used based on supporting documentation. During this review, we found the following two instances where the Plan failed to maintain proper documentation to support data and assumptions used in the development of its 2014 premium rates.

- The Plan used 2012 enrollment statistics for its 2014 proposed rates, in which it applied an 8 percent increase for each year after 2012. When the OIG requested documentation to support the actual 2012 enrollment statistics and the 8 percent increase, the Plan did not have supporting documentation.
- To develop the 2014 premium rates, the Plan increased its 2012 base rate by 1.5 percent for 2013 and 3.0 percent for 2014 (4.5 percent overall) to account for a preferred fee schedule change in each year. When the OIG requested support for the 4.5 percent rate increase from 2012 to 2014, the Plan reported to the OIG that it does not have documentation for the 4.5 percent increase since it was only an estimate.

Because the Plan failed to maintain supporting documentation for the data and assumptions used to develop its 2014 premium rates, we were unable to assess the accuracy of the Plan's

base rates for its seven year fixed-price contract. Additionally, we determined that there is an increased risk that Federal enrollees may be overcharged by the Plan in future years as it changes its pricing strategies and assumptions over time without maintaining proper documentation.

**Recommendation 11**

We recommend that the Plan implement policies and procedures to ensure that all data and assumptions used to develop each year's premium rates are properly maintained in accordance with the Contract's records retention clause.

**Plan Response:**

*The Plan agrees with the recommendation and states that it will work with OPM to ensure compliance with any policies and procedures to properly maintain all data and assumptions used to develop each year's premium rates.*

# APPENDIX



## EmblemHealth

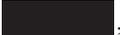
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55 Water Street, New York, New York 10041-8190

June 26, 2018

  
Chief Special Audits Group  
Office of Personnel Management  
1900 "E" Street, N.W. Room 6400  
Washington, DC 20414

Re: Federal Employees Dental and Vision Insurance Program (FEDVIP)  
Audit # **1J-0L-00-17-051**

Dear ,

On behalf of the EmblemHealth Federal Employees Dental Insurance Program (FEDVIP), please find our responses to the 2014 2016 Draft Audit #**1J-0L-00-17-051** findings.

We appreciate the opportunity to provide comments to the audit findings. The attached documentation includes our responses and any additional information asked for.

Please contact me with any additional questions.

Sincerely,

  
Senior Vice President

**Audit of the Federal Employees  
Dental and Vision Insurance Program Operations  
As Administered by EmblemHealth Dental  
For Contract Years 2014 through 2016  
Report Number 1J-0L-00-17-051**

**EmblemHealth responses to Audit Findings**

**Finding:**

Failure to Submit 2016 Annual Accounting Statements, EmblemHealth Dental (Plan) failed to submit its 2016 certified annual accounting statements (AAS) to the U.S. Office of Personnel Management (OPM)

**Recommendation 1:**

We recommend the Plan implement policies and procedures to ensure a timely submission of its certified AAS to OPM by June of each year.

*The Plan is in agreement with recommendation 1: The Plan has implemented a timeline tracking grid to ensure timely submissions of its certified AAS to OPM by June of each year.*

**Recommendation 2:**

We recommend that OPM implement procedures to collect and verify the submission of the carrier's AAS for FEDVIP operations in a timely manner, thereby allowing OPM's Office of Actuaries and Program Office the necessary time to assess the carrier's prior year financial results before approving its premium rates.

*The Plan will work with OPM on any recommendation of implementing procedures to collect and verify the submission of the carrier's AAS for FEDVIP operations in a timely manner.*

**Finding:**

Errors in Annual Accounting Statements (Procedural), the Plan understated premiums received by approximately \$2.1 million in its 2014 AAS and improperly classified several accounts as expenses in its 2014 through 2016 AAS

**Recommendation 3:**

We recommend that the Plan create policies and procedures to ensure that its certified AAS accurately reports premiums received from BENEFEDS and expenses incurred for FEDVIP operations during the CY in accordance with the Federal Acquisition Regulations.

*The Plan is in agreement with recommendation 3: The Plan has created policies and procedures to ensure that its certified AAS accurately reports premiums received from BENEFEDS and expenses incurred for FEDVIP operations during the CY in accordance with the Federal Acquisition Regulations. The Premium for the FEDVIP Program is taken from the GHI General Ledger for the 12 months ended at December 31. The premium in the general ledger for the FEDVIP Program represents premium billed and received during the calendar year. Claims Incurred- Claims incurred represents the paid claims plus the change in the IBNR for the 12 month period ended December 31<sup>5</sup>. This amount is taken from the general ledger for the GHI FEDVIP Plan. Administrative Expenses — Administrative expenses for the FEDVIP Plan represent all allowable and reasonable expenses incurred relating to the Plan for the 12 month period ended December and is consistent with the FAR guidance provided by OPM.*

**Recommendation 4:**

We recommend that the Plan submit a revised 2014 certified AAS to OPM's Program Office and Office of Actuaries that accurately reports the premiums received and expenses incurred during CY 2014.

*The Plan is in agreement with recommendation 4: The Plan attached a revised 2014 AAS reports to OPM's Program Office and Office of Actuaries that accurately reports the premiums received and expenses incurred during CY 2014.*

**Finding:**

Claims Paid to Debarred Providers, the Plan paid \$10,281 in claims to two debarred providers in 2015 and 2016.

**Recommendation 5:**

We recommend that the Plan immediately stop payments to these two debarred providers remove them from the Plan's network, and notify affected members who received services of the patient safety risk.

*The Plan is in agreement with recommendation 5: The plan has stopped payments to these two debarred providers and removed the providers from the Plan's network.*

**Recommendation 6:**

We recommend that the Plan initiate recoveries for the \$10,281 that was paid to the debarred providers.

*The Plan is in agreement with recommendation 6: The Plan has initiated recoveries for the \$10,281 that was paid to the debarred providers.*

**Recommendation 7:**

We recommend that OPM create new guidance requiring all Plans to check for debarred providers on a monthly basis using the DHHS Listing of Excluded Providers and the OPM-OIG's Debarment and Sanctions Listing (when applicable).

*The Plan is willing to work with OPM to create new guidance requiring all Plans to check for debarred providers on a monthly basis using the DHHS Listing of Excluded Providers and the OPM-OIG's Debarment and Sanctions Listing (when applicable).*

**Finding:**

Compliance with Performance Standards, the Plan failed to track and meet numerous performance standards that it guaranteed for 2014 through 2016.

**Recommendation 8:**

We recommend that the Plan implement corrective action to improve each performance standard that was not met. The corrective action should include better training, faster systems, or more customer service staff to properly meet the performance guarantees. There should be no additional cost to the FEDVIP members for the improvement areas since the level of customer service was guaranteed under a fixed-price contract.

*The Plan notes that there are no performance standards in the current contract with OPM. The Plan is more than willing to engage with the contract to suggest and track performance standards as recommended and appropriate.*

**Recommendation 9:**

We recommend that the Plan update its policies and procedures to properly measure all performance standards that were guaranteed in the Contract.

*As noted in the above response to recommendation # 8, upon completion of the updated contract, the Plan will track and report the established performance standards.*

**Recommendation 10:**

We recommend that OPM review the Plan's performance standards on a semi-annual basis until all of the performance guarantees are being met.

*The Plan will work with OPM and will review the Plan's performance standards on a semi-annual basis until all of the performance standards are being achieved.*

**Finding:** Premium Rate Proposal Review, the Plan was unable to support several pricing assumptions used in its 2014 premium rate proposal.

**Recommendation 11:**

We recommend that the Plan implement policies and procedures to ensure that all data and assumptions used to develop each year's premium rates are properly maintained in accordance with the Contract's records retention clause.

*The Plan is in agreement with recommendation 11: The Plan will work with OPM to ensure that we comply with any policies and procedures to ensure that all data and assumptions used to develop each year's premium rates are properly maintained.*

**Attachment -2014 Revised AAS  
Removed by OIG for Reporting Purposes**



## **Report Fraud, Waste, and Mismanagement**

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