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 Group Health Cooperative of South Central Wisconsin

Report No. 1C-WJ-00-13-007

Date: September 26, 2013

-- 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
Group Health Cooperative of South Central Wisconsin
Contract Number CS 1828 - Plan Code WJ
Madison, Wisconsin

Report No. 1C-WJ-00-13-007 **Date:** September 26, 2013

Michael R. Esser
Assistant Inspector General for Audits

-- 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.

EXECUTIVE SUMMARY

Federal Employees Health Benefits Program
Community-Rated Health Maintenance Organization
Group Health Cooperative of South Central Wisconsin
Contract Number CS 1828 - Plan Code WJ
Madison, Wisconsin

Report No. **1C-WJ-00-13-007** **Date:** September 26, 2013

The Office of the Inspector General performed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Group Health Cooperative of South Central Wisconsin, plan code WJ (Plan). The audit covered contract years 2010 through 2012. The audit was conducted at the Plan's office in Madison, Wisconsin.

This report questions $1,981,487 for inappropriate health benefit charges to the FEHBP in contract years 2011 and 2012. The questioned amount includes $1,943,857 for defective pricing and $37,630 for lost investment income, calculated through August 31, 2013. For contract year 2010, we determined that the Plan's rating of the FEHBP did not result in any questioned costs.

For contract years 2010 through 2012, we found the following areas of concern:

- The Plan used a Community Rating by Class (CRC) methodology for the FEHBP. However, an Adjusted Community Rating (ACR) methodology was used for the Similarly Sized Subscriber Groups (SSSG). According to the Office of Personnel Management's (OPM) Rate Instructions to Community-Rated Carriers (rate instructions), the Plan is expected to use the same rating method for the FEHBP as it uses for the

SSSGs. Therefore, we re-rated the FEHBP using the Plan's ACR methodology and determined the FEHBP was overcharged in 2011 and 2012.

- The Plan's method of calculating pooled claims was inconsistent and lacked objective criteria. The Plan uses three criteria to calculate pooled claims. We were only able to objectively apply two criteria fairly to all groups.

- The Plan could not provide original source documentation to support its rate development for the FEHBP and SSSGs. The regulations state that a carrier must retain and make available all records applicable to a contract term for a period of six years after the end of the contract term to which the records relate.

- The Plan is required to send FEHBP claims data to the OIG for each contract year, and maintain the SSSG claims data on-site for our review. This rule applies to Plans that use an ACR rating methodology. Since the FEHBP should have been rated using ACR, the Plan was not compliant with OPM Carrier Letters 2009-06, 2010-13 and 2011-11, regarding the FEHBP claims data submission to the OIG and maintaining the SSSG claims data for our on-site audit.

After re-rating the FEHBP using an ACR methodology and correcting the above noted exceptions, we found that the FEHBP's rates were overstated by $101,108 and $1,842,749, for contract years 2011 and 2012, respectively.

Consistent with the FEHBP regulations and contract, the FEHBP is due $37,630 for lost investment income, calculated through August 31, 2013, on the defective pricing finding. In addition, the contracting officer should recover lost investment income on amounts due for the period beginning September 1, 2013, 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 Group Health Cooperative of South Central Wisconsin, plan code WJ (Plan). The audit covered contract years 2010 through 2012, and was conducted at the Plan's office in Madison, Wisconsin. The audit was conducted pursuant to the provisions of Contract CS 1828; 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.

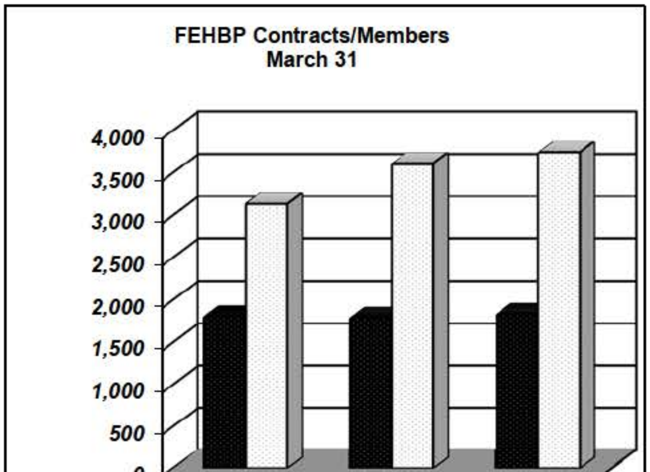
Background

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 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.



	2010	2011	2012
Contracts	1,796	1,778	1,825
Members	3,133	3,601	3,730

The Plan has participated in the FEHBP since 1979 and provides health benefits to FEHBP members in South Central Wisconsin. The last full scope audit of the Plan conducted by our office covered contract years 2004 through 2009. Record retention issues reported in that audit were identified again in this audit.

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.

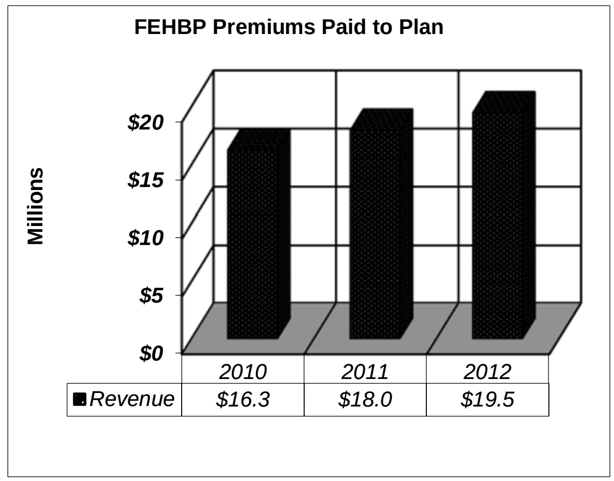
II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary 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 2010 through 2012. For these years, the FEHBP paid approximately $53.8 million in premiums to the Plan, as 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's Rate Instructions to Community-Rated Carriers (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 the 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 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 Madison, Wisconsin during November 2012. Additional audit work was completed at our office in Cranberry Township, Pennsylvania.

Methodology

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. 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 $1,943,857

The Certificates of Accurate Pricing the Plan signed for contract years 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 due a premium adjustment totaling $1,943,857 (see Exhibit A). Our review of contract year 2010 did not result in any questioned costs.

Carriers proposing rates to OPM are 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 rate in conjunction with the rates offered to an SSSG. SSSGs are the Plan's two employer groups closest in subscriber 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.

a. Inconsistent Rating Methodology

The Plan indicated in its proposal and reconciliation questionnaires that they developed the FEHBP and the SSSGs' rates using a Community Rating by Class (CRC) methodology. Based on our audit, we determined the Plan rated the FEHBP using a CRC methodology, but rated the SSSGs using an Adjusted Community Rating (ACR) methodology.

According to the rate instructions, the Plan is expected to use the same rating method for the FEHBP as it uses for the SSSGs. If the Plan rates an SSSG using a method inconsistent with the Plan's established policies, the FEHBP is entitled to a discount based on the SSSG rating method applied to the Federal group. During our on-site audit, Plan personnel stated it was their established policy to rate large groups using ACR. The FEHBP qualifies as a large group in all contract years audited. Accordingly, we re-rated the FEHBP like the SSSGs by using the Plan's ACR methodology. Failure to rate the FEHBP using the same rating method as the SSSGs violates the Plan's Certificate of Accurate Pricing and increases the risk of FEHBP premium overcharges.

Plan's Comments (see Appendix):

The Plan does not contest the recommendation that the FEHBP be recalculated using the Plan's ACR methodology for contract years 2010 through 2012. The Plan has established written guidelines around the FEHBP process to ensure the appropriate rating methodology is used in the future.

OIG's Response to Plan's Comments:

We continue to use the ACR methodology in calculating our audited FEHBP rates for contract years 2010 through 2012. We appreciate the Plan taking steps to ensure the appropriate rate methodology will be used going forward.

b. Pooled Claims

The Plan calculates pooled claims using the following three criteria:

1. The Plan set pooling points of $[redacted] for 2010, [redacted] for 2011, and [redacted] for 2012. Any member's total claims over the experience period exceeding these amounts, for their respective years, are removed from the claims experience.

2. The Plan removes claims, over an aggregate of [redacted], associated with any member who is no longer insured by the Plan at the time of rating.

3. The Plan removes claims, over an aggregate of [redacted], which the Plan considers to be a one-time procedure. A one-time procedure is one that can never be performed more than once on a member or is considered an uncommon procedure.

The first two criteria can be applied to all groups consistently and therefore, we followed these criteria to calculate our audited pooled claims for the FEHBP and SSSGs. However, the third criterion is subjective and cannot be applied consistently to all groups. It was difficult to identify one-time procedures in our rate review. We also noted claims that the Plan had removed that could be performed more than once on a member. Finally, these one-time procedures that the Plan removed also contained other medical services that were unrelated to the one-time procedure.

Although it may be the Plan's methodology to remove claims for one-time procedures, the Plan did not have written guidelines that listed all of the one-time procedures. Therefore, when developing our audited rates, we did not exclude one-time claims in our calculation of the pooled claims for all groups reviewed.

Plan's Comments (see Appendix):

The Plan is in partial agreement with our comments about pooled claims. The Plan states they consistently applied the appropriate large claims over [redacted] in the pooled claims amount.

The Plan agrees they did not have written guidelines on how they define a one-time procedure and how to include these claims in the pooled claims amount. The Plan also agrees they did not have any supporting documentation saved at the time of the rating process to support the excluded one-time procedures. The Plan has implemented written guidelines for calculating pooled claims which should be applied consistently across all groups.

OIG's Response to Plan's Comments:

We appreciate the Plan's efforts in creating guidelines for claims considered one-time claims. Upon review of the Plan's guideline entitled "Conditions generally over and done" we continue to maintain this criterion is subjective and cannot be applied consistently to all groups. The written guidelines submitted by the Plan contain the following statements:

- These are a few of the conditions that can be considered over and done
- Claims for these conditions can usually be removed
- This list doesn't include all conditions
- There is still underwriting discretion allowed
- This list may not have every condition that is considered over and done with as well as some of these conditions could be ongoing for various reasons

All of these statements support our position that this criterion is based on subjective selection of claims to be removed. We continue to believe this criterion should not be used in the pooled claims selection. Our audited rates do not exclude one-time claims in our calculation of the pooled claims for all groups reviewed.

c. SSSG Discounts

The Plan applied a discount to the FEHBP rates; however it was not related to an actual discount given to an SSSG. At the time of the FEHBP proposal and reconciliation, the Plan rated the FEHBP using a CRC methodology, and created a CRC rate for the SSSGs, although the SSSGs were actually rated using an ACR methodology. In order to determine a market price rate for the FEHBP, the Plan calculated the difference between the SSSG's illustrative CRC rates and the actual ACR rates for each billed tier. The Plan then used this difference to determine an FEHBP rate reduction. This method does not conform to the rate instructions. The correct discount calculation compares the audited rate development to the actual billed rates for a group.

For contract year 2011, we agree with the Plan's selections of [redacted] as the SSSGs. Our analysis of the rates charged to the SSSGs shows that [redacted] received a [redacted] percent discount. [redacted] did not receive a discount.

For contract year 2012, we agree with the Plan's selections of [redacted] as the SSSGs. Our analysis of the rates charged to the SSSGs shows that [redacted] received a [redacted] percent discount. [redacted] did not receive a discount.

Per the rate instructions, the FEHBP should be given the largest discount granted to an SSSG. We re-rated the FEHBP using the Plan's ACR methodology, and applied the largest SSSG discount to the FEHBP rates in each year.

Plan's Comments (see Appendix):

The Plan disagrees with the amount of the questioned costs in the draft report. Specifically, the Plan disagrees with the audited rates calculated for [redacted] n 2011 and 2012. Per the Plan's July 9, 2013 email, they believe the FEHBP underpaid in 2011 by $74,027, and overpaid in 2012 by $1,040,623. Offsetting these two numbers and taking into consideration the amount already paid of $460,626 leaves a balance due of $505,970.

OIG's Response to Plan's Comments:

The Plan states they disagree with our audited rates for [redacted] in 2011 and 2012, which we used to calculate the SSSG discount. The Plan did not provide any specific reason for their disagreement in their May 29, 2013, response. In a follow-up email from the Plan, dated July 9, 2013, they expanded on this issue:

> "GHC-SCW is still in disagreement with the audited rates that were supplied by the auditors. GHC supplied the corrected audited rates which are the original billed and final ACR calculated rates. The audited rates that were supplied by the auditors show an additional increase of 1% added to GHC-SCW's original audited rates. It is the understanding of GHC-SCW that this may be due to the old 1% enrollment discrepancy which was an option for plans to add to the FEHBP's group only not to other plan groups. GHC-SCW does not believe that FEHBP is entitled to increase another group's original rates by 1%. If this increase is due to some other reason, please supply the rationale for the 1% increase."

Our audited rates for [redacted] in 2011 and 2012 do not reflect a one percent enrollment discrepancy loading as suggested by the Plan. Our [redacted] audited rates are different from the Plan's rates due to the following:

- Using a pooling point of [redacted] for 2011, and [redacted] for 2012.
- Finding members who termed, and including them in the pooled claims amount, which the Plan did not.
- Large claims we did not include in our pooled claims amount because they were one time procedures.
- Using current member figures that matched the support provided by the Plan, but were different from what the Plan used at the time of rating.
- Using an administration charge of [redacted] in 2012, which matched the support provided by the Plan. The Plan used an administration charge of [redacted]

These are the main reasons for the differences between our audited rates and the rates billed to [redacted]. We continue to maintain [redacted]

[redacted] received a [redacted] percent discount for contract year 2011, and a [redacted] percent discount for contract year 2012. Our audited rates include application of these discounts.

Based on our analysis, a comparison of our audited line 5 rates to the Plan's reconciled line 5 rates shows that the FEHBP was overcharged $101,108 in contract year 2011, and $1,842,749 in contract year 2012 (see Exhibit B).

Recommendation 1

We recommend the Plan not include claims the Plan considers "over and done" in the pooled claims amount.

Recommendation 2

We recommend the contracting officer require the Plan to return $1,943,857 to the FEHBP for defective pricing in contract years 2011 and 2012. The Plan has already agreed to and paid $455,314 for these years, leaving a balance of $1,488,543.

2. Lost Investment Income $37,630

In accordance with the FEHBP regulations and the contract between OPM and the Plan, the FEHBP is entitled to recover lost investment income on the defective pricing findings in contract years 2011 and 2012. We determined that the FEHBP is due $37,630 for lost investment income, calculated through August 31, 2013 (see Exhibit C). In addition, the FEHBP is entitled to lost investment income for the period beginning September 1, 2013, until all defective pricing finding amounts have been returned to the FEHBP.

Federal Employees Health Benefits Acquisition Regulation (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 agrees that the FEHBP is due simple interest on any overcharges. The Plan does not agree with the amount we calculated based on the findings in the draft report. The Plan submitted a check to the FEHBP for the defective pricing amount they agreed to of $455,314 plus $5,312 for interest, totaling $460,626. The Plan has requested lost investment income accrual to end on February 28, 2013.

OIG's Response to Plan's Comments:

We have taken into consideration the support the Plan provided in response to the draft report in determining the defective pricing amount on which lost investment income is calculated. The Plan submitted a check for $460,626 dated May 29, 2013 for the amount of questioned costs they agreed to after receiving the draft report.

We calculated lost investment income through May 29, 2013 totaling $31,604. We then applied the Plan's return of funds to the total questioned costs of $1,943,857 and determined the remaining questioned costs to be $1,483,231. Beginning May 30, 2013, we calculated lost investment income on the remaining questioned costs up until August 31, 2013. The lost investment income totaled $6,026 during this time.

The total lost investment income findings amount to $37,630. We will continue to assess lost investment income until all defective pricing findings are returned to the FEHBP.

Recommendation 3

We recommend that the contracting officer require the Plan to return $37,630 to the FEHBP for lost investment income, calculated through August 31, 2013, on the defective pricing findings. The Plan has already paid $5,312 for lost investment income through August 31, 2013, leaving a balance due at that point of $32,318. We also recommend that the contracting officer recover lost investment income on amounts due for the period beginning September 1, 2013, until all defective pricing finding amounts have been returned to the FEHBP.

3. Record Retention

The Plan did not provide original source documentation to support the rates charged to the FEHBP and the SSSGs for all years audited.

FEHBAR 1652.204-70 states the carrier will retain and make available all records applicable to a contract term for a period of six years after the end of the contract term to which the records relate.

Without appropriate supporting documentation, it is difficult to determine if the FEHBP rates were established in accordance with the Plan's contract, applicable regulations, and the rate instructions. Under these circumstances, we may have to depend on other data, and at times, different rating methodologies to determine the appropriateness of the FEHBP rates. Due to this, the outcome of our analysis may result in a less desirable outcome to the Plan.

During our prior audit (report number 1C-WJ-00-10-041), covering contract years 2004 through 2009, we also found that the Plan was not compliant with the record retention clause of the contract. Specifically, age/sex factor and enrollment support provided by the Plan was not original source documentation. The Plan responded by stating they immediately made improvements in these areas. However, we continue to find the same record retention issues in this audit.

Plan's Comments (see Appendix):

The Plan disagrees with being assessed the maximum penalty allowed for breach of record retention. The Plan states it is working to improve their record keeping process since the audit. The Plan has established written guidelines that include the retention provision of six years and retaining original source document support.

OIG's Response to Plan's Comments:

While we acknowledge the Plan's recent efforts in response to retaining original source documentation, the Plan should have resolved this issue after the prior audit report, which also found issues with the Plan's record retention policy.

Recommendation 4

We recommend that the contracting officer assess the maximum penalty allowed in the contract between OPM and the Plan for the Plan's breech of the record retention clause.

In addition, we recommend that the contracting officer inform the Plan that:

- OPM expects it to fully comply with the record retention provision of the contract and all applicable regulations;
- it should maintain original copies of all pertinent rating documents that support the calculations used in the rate development for the FEHBP; and
- the applicable community-rated performance factors described in FEHBAR 1609.7101-2 will be enforced if information requested during an audit is not provided.

4. FEHBP Claims Data Submission

The Plan has not been sending the FEHBP claims data to the OIG. According to Carrier Letters 2009-06, 2010-13 and 2011-11, "All claims data [for the FEHBP] should be submitted on CD, DVD, USB memory stick, or electronically submitted to the OIG." Any Plan which uses an ACR methodology to develop the FEHBP rates is to send the FEHBP claims data to the OIG.

The Plan indicated in its proposal and reconciliation questionnaires that they rate the FEHBP using a CRC methodology. Based on our review, we determined the FEHBP should have been rated using an ACR methodology.

Due to the error in rating methodology, the Plan did not send the FEHBP claims data to the OIG. Therefore, the Plan is not compliant with Carrier Letters 2009-06, 2010-13 and 2011-11.

Plan's Comments (see Appendix):

The Plan disagrees with being assessed the maximum penalty allowed for not submitting the claims data for the contract years 2010 through 2012. The Plan mistakenly rated the FEHBP using a CRC methodology for which claims are not required to be sent. The Plan does not feel they should be penalized because of this mistake. The Plan will rate the FEHBP using an ACR methodology going forward and will submit and maintain claims data per the rating instructions.

OIG's Response to Plan's Comments:

We are of the opinion that the Plan did not intentionally use the wrong rating methodology to rate the FEHBP for the years under review, which in turn caused them to be non-compliant with Carrier Letters 2009-06, 2010-13 and 2011-11. The Plan has demonstrated their willingness to comply with Carrier Letter 2012-15 for claims data submission for rate year 2013, as we have received the claims data for 2013.

Recommendation 5

We recommend that the contracting officer instruct the Plan to fully comply with all future Carrier Letter instructions regarding FEHBP claims data submissions.

5. SSSG Claims Data Retention

The Plan did not have the SSSG claims data readily available during our on-site audit. According to Carrier Letters 2009-06, 2010-13 and 2011-11, the Plan, "must maintain, in the same format as the FEHBP data, the group-specific claims or utilization data for the SSSGs. The carriers must keep this data at their offices and make it available for review during OIG audits. This data (for the FEHBP and the SSSGs) should be downloaded from a central database at the time the rates are developed."

The Plan indicated in its proposal and reconciliation questionnaires that they rate the SSSGs using a CRC methodology. Based on our review, we determined the SSSGs were rated using an ACR methodology.

The Plan did not have the SSSG claims data readily available for us while on-site. Therefore, the Plan is not in compliance with the Carrier Letters 2009-06, 2010-13 and 2011-11.

Plan's Comments (see Appendix):

The Plan disagrees with being assessed the maximum penalty allowed for not maintaining the SSSG claims data. The Plan is implementing a separate procedure to comply with the requirement.

OIG's Response to Plan's Comments:

We do not dispute the Plan has the SSSG claims data within their claims system. However, we did not find the SSSG claims data was readily available while we were onsite. To be compliant with future claims carrier letters, the Plan needs to maintain the claims data which was used at the time the SSSG rates were developed on a CD or similar media, and ensure it is readily available to the auditors at their request. On future audits, we will check to make sure the Plan is compliant.

Recommendation 6

We recommend that the contracting officer instruct the Plan to fully comply with all future Carrier Letter instructions regarding SSSG claims data retention.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Community-Rated Audits Group

[redacted], Auditor-in-Charge

[redacted], Auditor

[redacted]., Chief

[redacted] Senior Team Leader

Exhibit A

Group Health Cooperative of South Central Wisconsin
Summary of Questioned Costs

Defective Pricing Questioned Costs		
Contract Year 2011	$101,108	
Contract Year 2012	$1,842,749	
Total Defective Pricing Questioned Costs		**$1,943,857**
Lost Investment Income		
Calculated to May 29, 2013	$31,604	
Calculated From May 30, 2013 to August 31, 2013	$6,026	
Total Lost Investment Income		**$37,630**
Total Questioned Costs		**$1,981,487**

Exhibit B

Group Health Cooperative of South Central Wisconsin
Defective Pricing Questioned Costs

2011

	Self	Family	
FEHBP Line 5 - Reconciled Rate FEHBP Line 5 - Audited Rate	[redacted]	[redacted]	
Bi-weekly Result	[redacted]	[redacted]	
To Annualize Overcharge:			
March 31, 2011 Enrollment	[redacted]	[redacted]	
Pay Periods	26	26	
Subtotal	[redacted]	[redacted]	
Total 2011 Defective Pricing Questioned Costs			**$101,108**

2012

	Self	Family	
FEHBP Line 5 - Reconciled Rate FEHBP Line 5 - Audited Rate	[redacted]	[redacted]	
Bi-weekly Result	[redacted]	[redacted]	
To Annualize Overcharge:			
March 31, 2012 Enrollment	[redacted]	[redacted]	
Pay Periods	26	26	
Subtotal	[redacted]	[redacted]	
Total 2012 Defective Pricing Questioned Costs			**$1,842,749**

Total Defective Pricing Questioned Costs **$1,943,857**

EXHIBIT C

Group Health Cooperative of South Central Wisconsin
Lost Investment Income Calculated Through May 29, 2013

Year Audit Findings:	2011	2012	29-May-2013	Total
1. Defective Pricing	$101,108	$1,842,749	$0	$1,943,857
Totals (per year):	$101,108	$1,842,749	$0	$1,943,857
Cumulative Totals:	$101,108	$1,943,857	$1,943,857	$1,943,857
Avg. Interest Rate (per year):	2.5625%	1.8750%	1.3750%	
Interest on Prior Years Findings:	$0	$1,896	$11,137	$13,033
Current Years Interest:	$1,295	$17,276	$0	$18,571
Total Cumulative Interest Calculated Through May 29, 2013:	$1,295	$19,172	$11,137	**$31,604**

Lost Investment Income Calculated From May 30, 2013 to August 31, 2013

Year Audit Findings:	Defective Pricing Total	Amount Paid By Plan on 5/29/2013	Interest on Remaining Findings 31-Aug-2013	Total
1. Defective Pricing	$1,943,857	$460,626	$1,483,231	$1,483,231
Cumulative Totals:			$1,483,231	$1,483,231
Avg. Interest Rate (per year):			1.6250%	
Interest on Remaining Findings:			$6,026	$6,026
Total Cumulative Interest Calculated From May 30, 2013 to August 31, 2013:			$6,026	**$6,026**