



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

Final Audit Report

**AUDIT OF THE FEDERAL EMPLOYEES HEALTH
BENEFITS PROGRAM OPERATIONS AT MVP HEALTH
PLAN, INC. – CENTRAL REGION**

**Report Number 1C-M9-00-15-003
March 23, 2015**

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EXECUTIVE SUMMARY

Audit of the Federal Employees Health Benefits Program Operations at MVP Health Plan, Inc. - Central Region

Report No. 1C-M9-00-15-003

March 23, 2015

Why Did We Conduct the Audit?

The objectives of our audit were to determine if MVP Health Plan, Inc. – Central Region (Plan) offered the Federal Employees Health Benefits Program (FEHBP) market price rates and that the loadings applied 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.

What Did We Audit?

Under contract 2362, the Office of the Inspector General completed a performance audit of the FEHBP's rates offered for contract year 2014. Our audit fieldwork was conducted from November 10, 2014 through November 14, 2014 at the Plan's office in Schenectady, New York.

What Did We Find?

We determined that the FEHBP rates were developed by the Plan in accordance with applicable laws, regulations, and the U.S. Office of Personnel Management's Rate Instructions to Community-Rated Carriers for the year audited. We therefore did not issue a draft report and are not making any recommendations.



Michael R. Esser
*Assistant Inspector General
for Audits*

ABBREVIATIONS

CFR	Code of Federal Regulations
FEHBP	Federal Employees Health Benefit Program
FY	Fiscal Year
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	MVP Health Plan, Inc. – Central Region
SSSG	Similarly Sized Subscriber Group
U.S.C.	United States Code

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I. BACKGROUND

This final report details the audit results of the Federal Employees Health Benefits Program (FEHBP) operations at MVP Health Plan, Inc. – Central Region (Plan). The audit covered contract year 2014, and was conducted at the Plan’s office in Schenectady, New York.

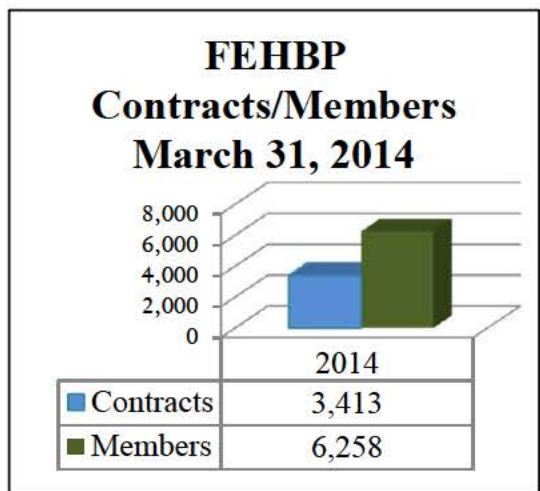
The audit was conducted pursuant to FEHBP contract CS 2362, 5 U.S.C. Chapter 89; and 5 Code of Federal Regulations (CFR) Chapter 1, Part 890. The audit was performed by the U.S. Office of Personnel Management’s (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

The FEHBP was established by the Federal Employees Health Benefits 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. Health insurance coverage is provided through contracts with health insurance carriers that provide service benefits, indemnity benefits, or comprehensive medical services.

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

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

The chart to the right shows the number of FEHBP contracts and members reported by the Plan as of March 31 for contract year 2014.



The Plan has participated in the FEHBP since 1988 and provides health benefits to FEHBP members throughout the Central Region of Upstate New York. The last audit conducted by our office was a performance audit of the Plan's rate reconciliation and covered contract year 2013. That audit identified an incorrect Medicare retention loading and a Similarly Sized Subscriber Group (SSSG) discount that was not applied to the FEHBP rates. All audit issues related to that audit have been resolved.

The preliminary results of this audit were discussed with Plan officials at an exit conference and in subsequent correspondence. Since the audit concluded that the Plan's rating of the FEHBP was in accordance with applicable laws, regulations, and OPM Rate Instructions to Community-Rated Carriers (rate instructions), a draft report was not issued.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of the audit were to determine if the Plan offered the FEHBP market price rates and 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 year 2014. For this year, the FEHBP paid approximately \$40.5 million in premiums to the Plan.

OIG audits of community-rated carriers are designed to test carrier compliance with the FEHBP contract, applicable laws and regulations, and the 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 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.

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 from November 10, 2014 through November 14, 2014 at the Plan's office in Schenectady, New York. Additional audit work was completed at our office in Cranberry Township, Pennsylvania.

Methodology

We examined the Plan's Federal rate submission 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. RESULTS OF THE AUDIT

Our audit showed that the Plan's rating of the FEHBP was in accordance with applicable laws, regulations, and the rate instructions for contract year 2014. Consequently, the audit did not identify any questioned costs and no corrective action is necessary.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

COMMUNITY-RATED AUDITS GROUP

██████████, Auditor-in-Charge

██████████, Senior Team Leader

██████████, Senior Team Leader

██████████, Group Chief



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