



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

Final Audit Report

**AUDIT OF
GOVERNMENT EMPLOYEES HEALTH ASSOCIATION, INC.
LEE'S SUMMIT, MISSOURI**

Report Number 1B-31-00-17-041

May 10, 2018

EXECUTIVE SUMMARY

Audit of the Government Employees Health Association, Inc.

Report No. 1B-31-00-17-041

May 10, 2018

Why did we conduct the audit?

We conducted this limited scope audit to obtain reasonable assurance that the Government Employees Health Association, Inc. (GEHA), as sponsor and administrator of the GEHA Benefit Plan, is complying with the provisions of the Federal Employees Health Benefits Act and regulations that are included, by reference, in the Federal Employees Health Benefits Program (FEHBP) contract. Our objectives were to determine if GEHA charged costs to the FEHBP and provided services to FEHBP members in accordance with the contract.

What did we audit?

Our audit covered miscellaneous health benefit credits, such as refunds and pharmacy drug rebates, from 2012 through March 2017 for the GEHA Benefit Plan. We also reviewed GEHA's cash management activities and practices related to FEHBP funds from 2012 through March 2017 for the GEHA Benefit Plan, and GEHA's Fraud and Abuse Program from 2015 through March 2017. Due to concerns with GEHA's working capital funds, we expanded our scope to also include these funds from April 2017 through June 2017.



Michael R. Esser
*Assistant Inspector General
for Audits*

What did we find?

We questioned \$3,660,811 in cash management activities. We also identified a procedural finding regarding GEHA's Fraud and Abuse Program.

Our audit results are summarized as follows:

- Miscellaneous Health Benefit Credits – The audit disclosed no findings pertaining to miscellaneous health benefit credits. Overall, we concluded that GEHA timely returned health benefit refunds and recoveries, including pharmacy drug rebates, to the FEHBP.
- Cash Management – We determined that GEHA held an excess working capital deposit of \$3,660,811 in the dedicated FEHBP investment account as of June 30, 2017.
- Fraud and Abuse Program – We determined that GEHA is *not* in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in FEHBP Carrier Letter 2014-29. We also identified several non-compliance issues regarding GEHA's Fraud and Abuse Program policies and procedures and GEHA's 2015 and 2016 Annual Fraud, Waste, and Abuse Reports.

ABBREVIATIONS

CFR	Code of Federal Regulations
CL	Carrier Letter
FAR	Federal Acquisition Regulations
FEHB	Federal Employees Health Benefits
FEHBAR	Federal Employees Health Benefits Acquisition Regulations
GEHA	Government Employees Health Association, Inc.
Guidelines	Letter of Credit System Guidelines
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
PBM	Pharmacy Benefit Manager
SIU	Special Investigations Unit

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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 the Government Employees Health Association, Inc. (GEHA), as sponsor and administrator of the GEHA Benefit Plan. GEHA is located in Lee's Summit, Missouri.

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 (CFR). Health insurance coverage is made available through contracts with various health insurance carriers.

The GEHA Benefit Plan is a fee-for-service employee organization plan, offering high and standard options, with a preferred provider organization. Enrollment is open to all Federal employees and annuitants that are eligible to enroll in the FEHBP and who are, or become, members of GEHA. All Federal employees and annuitants that enroll in the GEHA Benefit Plan must be, or must become, members of GEHA. GEHA is the sponsor and administrator of the GEHA Benefit Plan, operating under Contract CS 1063 (contract) to provide a health benefits plan authorized by the FEHB Act.

GEHA's contract 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 GEHA's management. In addition, management of GEHA is responsible for establishing and maintaining a system of internal controls.

All findings from our previous audit of GEHA (Report No. 1B-31-00-10-038, dated March 12, 2012), covering contract years 2006 through 2010, have been satisfactorily resolved.

The results of this audit were provided to GEHA in written audit inquiries; were discussed with GEHA officials throughout the audit and at an exit conference on November 15, 2017; and were presented in detail in a draft report, dated December 21, 2017. GEHA's comments offered in response to the draft report were considered in preparing our final report and are included as an Appendix to this report.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of our audit were to determine whether GEHA charged costs to the FEHBP and provided services to FEHBP members in accordance with the terms of the contract. Specifically, our objectives were as follows:

Miscellaneous Health Benefit Credits

- To determine whether health benefit refunds and recoveries, including pharmacy drug rebates, were returned timely to the FEHBP.

Cash Management

- To determine whether GEHA handled FEHBP funds in accordance with the contract and applicable laws and regulations concerning cash management in the FEHBP.

Fraud and Abuse Program

- To determine whether GEHA's communication and reporting of fraud and abuse cases complied with the terms of Contract CS 1063 and Carrier Letter 2014-29.

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 objectives.

We reviewed GEHA's Annual Accounting Statements for contract years 2012 through 2016 pertaining to the GEHA Benefit Plan. During this period, GEHA processed approximately \$14.1 billion in FEHBP health benefit payments and charged the FEHBP [REDACTED] in administrative expenses for the GEHA Benefit Plan. Specifically, we reviewed miscellaneous health benefit credits, such as refunds, fraud recoveries and pharmacy drug rebates, from 2012 through March 2017 for the GEHA Benefit Plan. We also reviewed GEHA's cash management activities and practices related to FEHBP funds from 2012 through March 2017 for the GEHA Benefit Plan, as well as GEHA's Fraud and Abuse Program from 2015 through March 2017.

Due to concerns with GEHA's working capital funds, we expanded our scope to also include these funds from April 2017 through June 2017.

In planning and conducting our audit, we obtained an understanding of GEHA'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 GEHA'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 GEHA's system of internal controls taken as a whole.

We also conducted tests to determine whether GEHA had complied with the contract provisions, the applicable procurement regulations (i.e., Federal Acquisition Regulations (FAR) and Federal Employees Health Benefits Acquisition Regulations (FEHBAR), as appropriate), and the laws and regulations governing the FEHBP. The results of our tests indicate that, with respect to the items tested, GEHA did not fully comply with all provisions of the contract and Federal procurement regulations. Exceptions noted in the areas reviewed are set forth in detail in the "Audit Findings and Recommendations" section of this audit 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 our audit, we relied to varying degrees on computer-generated data provided by GEHA. 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.

The audit was performed at GEHA's office in Lee's Summit, Missouri on various dates from August 15, 2017, through September 28, 2017. Audit fieldwork was also performed at our offices in Jacksonville, Florida; Cranberry Township, Pennsylvania; and Washington, D.C. through November 15, 2017. Throughout the audit process, GEHA did an excellent job providing complete and timely responses to our numerous requests for supporting documentation. We greatly appreciated GEHA's exceptional cooperation and responsiveness during the pre-audit and fieldwork phases of this audit.

METHODOLOGY

We obtained an understanding of the internal controls over GEHA's financial and cash management systems by inquiry of GEHA officials.

We interviewed GEHA personnel and reviewed GEHA's policies, procedures, and accounting records during our audit of miscellaneous health benefit credits. For the period 2012 through March 31, 2017, we also judgmentally selected and reviewed the following FEHBP items for the GEHA Benefit Plan:

Health Benefit Refunds

- A high dollar sample of 60 health benefit refund cash receipts, totaling \$12,617,196 (from a universe of [REDACTED] refund cash receipt amounts, totaling [REDACTED], for the audit scope). Our high dollar sample included the 10 highest refund cash receipt amounts from each year in the audit scope.
- A high dollar sample of 5 health benefit refunds returned via provider offsets, totaling \$47,480 (from a universe of [REDACTED] refunds returned via provider offsets, totaling [REDACTED], for the audit scope). For this sample, we selected all provider offsets of \$5,000 or more from 2017 only.
- A high dollar sample of 8 aging health benefit refunds, totaling \$231,653 (from a universe of [REDACTED] aging refunds, totaling [REDACTED], as of March 31, 2017). For this sample, we selected seven aging refund amounts of \$10,000 or more, totaling \$228,266, from 2017 and the highest aging refund amount, totaling \$3,387, from 2016.

Other Miscellaneous Health Benefit Recoveries

- All [REDACTED] pharmacy drug rebate amounts, totaling [REDACTED], for the audit scope.
- A high dollar sample of 25 fraud recoveries, totaling \$23,680,874 (from a universe of [REDACTED] fraud recoveries, totaling [REDACTED], for the audit scope). For this sample, we selected all fraud recoveries of \$100,000 or more from 2012 through 2014 and \$50,000 or more from 2015 and 2016.
- 44 unidentified cash receipts, totaling \$92,302 (from a universe of [REDACTED] unidentified receipts, totaling [REDACTED], for the audit scope). For this sample, we judgmentally selected all of these cash receipts from 2017 where the members could not be identified.

We reviewed these samples to determine if health benefit refunds and recoveries, including pharmacy drug rebates, were timely returned to the FEHBP. The results of these samples were not projected to the applicable universes since there were no exceptions identified.

We reviewed GEHA's cash management activities and practices to determine whether GEHA handled FEHBP funds in accordance with Contract CS 1063 and applicable laws and regulations. Specifically, we reviewed a sample of 54 letter of credit account drawdown amounts, totaling \$816,546,144 (from a universe of [REDACTED] letter of credit account drawdowns, totaling [REDACTED], for the GEHA Benefit Plan during the period 2012 through March 31, 2017), for the purpose of determining if GEHA's letter of credit account drawdowns were appropriate and adequately supported. Our sample included a week of letter of credit account drawdowns (representing 4 or 5 letter of credit account drawdown amounts) judgmentally selected from each of the 11 semi-annual periods in the audit scope. The sample results were not projected to the universe of letter of credit account drawdowns since there were no exceptions identified. We also reviewed GEHA's working capital calculations, adjustments and/or balances from 2012 through June 30, 2017; United States Treasury offsets and interest income transactions from 2012 through March 31, 2017; and GEHA's dedicated FEHBP investment account activity during the scope and the balance as of March 31, 2017, for the GEHA Benefit Plan.

We also interviewed GEHA's Special Investigations Unit regarding the effectiveness of the Fraud and Abuse Program, as well as reviewed GEHA's communication and reporting of fraud and abuse cases to test compliance with Contract CS 1063 and FEHBP Carrier Letter 2014-29.

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. MISCELLANEOUS HEALTH BENEFIT CREDITS

The audit disclosed no findings pertaining to miscellaneous health benefit credits. Overall, we concluded that GEHA timely returned health benefit refunds and recoveries, including pharmacy drug rebates, to the FEHBP.

B. CASH MANAGEMENT

1. Excess Working Capital Deposit \$3,660,811

As of June 30, 2017, GEHA held a working capital deposit of \$3,660,811 over the amount needed to meet GEHA's daily cash needs for FEHBP claim payments.

OPM's "Letter of Credit System Guidelines" (Guidelines), dated May 2009, states: "Carriers should maintain a working capital balance equivalent to an average of 2 days of paid claims. The working capital fund should be established using federal funds. Carriers are required to monitor their working capital funds on a monthly basis and adjust if necessary on a quarterly basis. The interest earned on the working capital funds must be credited to the FEHBP at least on a monthly basis. The working capital is not required but strongly recommended." Based on the Guidelines, the Carrier's working capital calculation must also exclude electronic fund transfers.

In addition, based on the regulations governing the financing of Federal programs by the letter of credit method, as established in 31 CFR 205 (Treasury Department Circular No. 10750), electronic fund transfers should not be included in the working capital calculation. These instructions are established under the provisions of Treasury Department Circular No. 1083 (Regulations Governing the Utilization of the U.S. TFCS), 5 CFR Part 890, and 48 CFR Chapter 16.

Based on industry practice (e.g., other FEHBP experience-rated Carriers), the working capital deposit should be recalculated on a regular basis to determine if the amount currently maintained is adequate to meet the Carrier's daily cash needs for FEHBP claim payments. If the working capital deposit amount is over or under funded, then GEHA should make an appropriate adjustment.

GEHA reviewed the working capital deposit on a regular basis (usually monthly) during the period January 2012 through June 2017.¹ We noted that GEHA increased the working capital deposit in November 2016. When reviewing the working capital calculation, we determined that GEHA inappropriately included electronic fund transfers in the calculation. As of June 30, 2017, GEHA held a working capital deposit amount of [REDACTED] in the dedicated FEHBP investment account.

GEHA held an excess working capital deposit of \$3,660,811 in the dedicated FEHBP investment account as of June 30, 2017.

To determine if GEHA maintained an appropriate working capital deposit amount, we recalculated GEHA's working capital deposit (excluding electronic fund transfers) and determined that, as of June 30, 2017, GEHA should have only maintained a working capital deposit of [REDACTED]. Therefore, we determined that, as of June 30, 2017, GEHA held a working capital deposit with an excess amount of \$3,660,811 ([REDACTED] minus [REDACTED]) over the amount actually needed to meet GEHA's daily cash needs for FEHBP claim payments. Since GEHA maintained these excess working capital funds in the dedicated FEHBP investment account, lost investment income is not applicable for this finding.

GEHA Response:

“GEHA concurs with the finding from the standpoint that electronic funds transfers (EFTs) were included in our working capital calculation inaccurately; both the regulations and OPM’s Letter of Credit System Guidelines state that EFTs should be excluded from such working capital calculations. GEHA utilizes EFT payments as one of our health benefit payment options to providers. . . . In 2017, [REDACTED] % of the health benefit dollars paid by GEHA were paid via EFT.

When comparing our bank balance adjusted for the \$3,660,811 of excess working capital as calculated by OIG to the working capital calculation excluding EFTs of [REDACTED] for the period January 1, 2017 through September 30, 2017, GEHA calculates 89 occurrences (32%) where return of this excess working capital calculation would result in the bank control account balance being less than the working capital balance. There are eleven occurrences where GEHA’s control balance would be more than [REDACTED] less than the working capital calculation. On one occasion, the bank balance would fall below [REDACTED].

¹ Although the audit scope for GEHA’s cash management activities and practices initially only included 2012 through March 2017, we expanded the scope of our review for the working capital deposit to also include the months of April 2017 through June 2017.

By excluding the EFTs [electronic fund transfers], GEHA is exposed to additional risk of having insufficient funds for the FEHBP . . . As such, GEHA sent a waiver request to our contracting officer . . . on October 20, 2017.”

OIG Comment:

We understand GEHA’s concern for excluding electronic fund transfers from the working capital calculation as well as GEHA’s reason for requesting a waiver from the contracting officer. However, based on our analysis of the FEHBP investment account, a working capital balance of [REDACTED] (excluding electronic fund transfers in the calculation) would have provided sufficient funds for GEHA to pay FEHBP claims, without incurring overdrafts or a negative account balance. We suggest that the contracting officer consider our analysis when reviewing and/or before approving GEHA’s waiver request.

Recommendation 1

We recommend that the contracting officer require GEHA to return \$3,660,811 to the FEHBP for the excess working capital deposit.

Recommendation 2

We recommend that GEHA implement corrective actions to ensure that the working capital deposit is properly calculated in accordance with the Guidelines and applicable regulations. GEHA should recalculate the working capital deposit on a monthly basis and adjust at least on a quarterly basis (if necessary). If an exception for the working capital calculation is necessary, then GEHA should request prior approval (a waiver) from the contracting officer.

Recommendation 3

Since the use of electronic fund transfers by the experience-rated Carriers to pay FEHBP claim payments have substantially increased in the past several years, we recommend that the contracting officer(s) and/or OPM’s Benefits Insurance Accounting Office review and revise (if necessary) the Guidelines, including the formula for the working capital calculation, and propose regulation changes if applicable.

C. FRAUD AND ABUSE PROGRAM

1. Special Investigations Unit

Procedural

GEHA did not report all fraud and abuse cases to the OIG.

GEHA is not in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in the FEHBP Carrier Letter (CL) 2014-29. Specifically, GEHA did not report all fraud and abuse cases to the OIG.

Without awareness of these existing potential fraud and abuse issues, the OIG cannot investigate the broader impact of these potential issues on the FEHBP as a whole. We also identified several non-compliance issues regarding GEHA's Fraud and Abuse Program policies and procedures and GEHA's 2015 and 2016 Annual Fraud, Waste, and Abuse Reports.

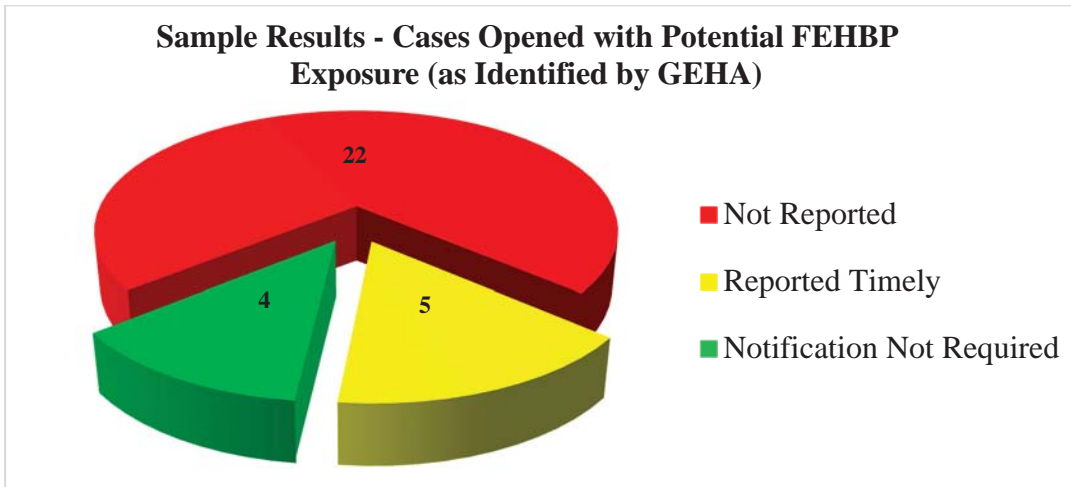
Contract CS 1063, Part III, Section 1.9 (a) states, "The Carrier must submit to OPM an annual analysis of the costs and benefits of its [Fraud and Abuse] program. The Carrier must submit annual reports to OPM by March 31 addressing the following: . . . 10) Estimated Financial Losses; 11) Non-Recoverable Loss; . . . 12) Dollars Recovered by SIU and/or Vendor Activities; . . . 16) Prevented Loss . . ."

CL 2014-29 (Office of Personnel Management Federal Employees Health Benefits Fraud, Waste and Abuse), dated December 19, 2014, states that all Carriers "are required to submit a written notification to the OPM-OIG within 30 working days when there is potential reportable [Fraud and Abuse] that has occurred against the FEHB Program. OPM-OIG considers a potential reportable [Fraud and Abuse] as, after preliminary review of the complaint, the carrier takes an affirmative step to investigate the complaint." There is no dollar threshold for this requirement.

Part II (Fraud and Abuse - Carrier Actions) of CL 2014-29 states, "FEHBP Carriers must, at a minimum, perform the following activities to prevent, detect, investigate, and report FEHBP [Fraud and Abuse]: . . . Develop programs to prevent, detect, and identify persons and organizations involved in suspicious claim activity . . . Provide claims data upon request from OPM-OIG . . . and track all data requests separately. . . . Provide liaison and investigative support to OPM-OIG . . . upon request. . . . Track all provider, member, and pharmacy case notifications sent to OPM-OIG and all other law enforcement agencies, and provide an annual report of such activity to OPM . . . Provide annual fraud, waste, and or abuse reports (medical and pharmacy), due March 31st, to Health Insurance, Federal Employees Insurance Operations, [OPM] . . ."

Part III (Industry Standards) of CL 2014-29 states, “All FEHB Carriers must have, at a minimum . . . commercial industry-based program standards to prevent, detect, investigate, and report all FEHB related [Fraud and Abuse].” For example, each Carrier must have a Fraud and Abuse prevention, detection, investigation, and reporting manual. This Fraud and Abuse manual must include all of the Carrier’s plans, policies, and procedures involved in the Carrier’s Fraud and Abuse Program.

For the period 2015 through March 31, 2017, GEHA opened 31 fraud and abuse cases with potential FEHBP exposure. From this universe, we selected and reviewed a judgmental sample of 31 cases for determining if GEHA timely reported these cases to the OIG. Based on our review of these 31 cases, we determined that 22 cases were not reported to the OIG and 5 cases were timely reported to the OIG. The remaining four cases in our sample did not require OIG notification.



Ultimately, GEHA’s incomplete reporting of potential FEHBP cases to the OIG has resulted in a failure to meet the communication and reporting requirements that are set forth in CL 2014-29. The lack of notification by GEHA did not allow the OIG to investigate whether other FEHBP Carriers are exposed to the identified fraudulent activity. As a result, this lack of OIG notification by GEHA may result in additional improper payments being made by other FEHBP Carriers. This also does not allow the OIG’s Administrative Sanctions Group to be notified timely.

The following are additional non-compliance issues that were identified during discussions with GEHA's Special Investigations Unit (SIU) and/or while reviewing GEHA's Fraud and Abuse Program policies and procedures as well as GEHA's 2015 and 2016 Annual FWA Reports:

- [REDACTED]
- For 2015 and 2016, GEHA also reported that the PBM had a fraud, waste, and abuse manual, a formal employee-training program on fraud, waste, and abuse, a fraud hotline, fraud detection software, and private information security and patient safety security programs. However, GEHA's Fraud, Waste, and Abuse Process and Procedure Manual does not address or have this required information, which is being reported in the Annual Fraud, Waste, and Abuse Reports. During the audit, GEHA's SIU could not provide this information related to these required data elements.
- In 2016, all FEHBP Carriers were required to comply with Carrier Letter 2014-29. We noted that GEHA's 2016 Annual Fraud, Waste, and Abuse Report did not track or report the estimated financial losses, non-recoverable losses, recoveries, and prevented losses for the medical benefits. GEHA was also non-compliant with requirements for tracking and reporting the identified losses, estimated financial losses, and non-recoverable losses for the pharmacy Fraud, Waste, and Abuse Program. Additionally, the reported pharmacy data amounts for recoveries and actual savings were not verified by GEHA.
- In 2016, [REDACTED] that [REDACTED] FWA cases were detected, but no pharmacy related cases were actually reported to the OIG. Again, GEHA did not track and could not support these pharmacy related data elements that were reported to OPM in the 2016 Annual Fraud, Waste, and Abuse Report. In response to this finding, GEHA's SIU stated, [REDACTED] [REDACTED] . Process improvements are in place to have [REDACTED] [REDACTED] based on the new definitions and timelines outlined in the latest carrier letter.”

- GEHA’s Fraud and Abuse Process and Procedure Manual does not have PBM oversight and investigative procedures, systematic information for tracking potential fraud and abuse allegations that are received from the PBM, and procedures related to other vendors (such as behavioral health and network provider vendors).

GEHA Response:

“We are implementing the recommendations, but we wish to clarify the record regarding the outlined findings.

Attached is a summary detailing the cases that were selected for review in the audit (Attachment 1). After further review, we found providers who were already OIG cases under different provider names, some that were not appropriate for notifications, and some that were submitted as notifications. Since the audit time period, additional guidance has been provided in Carrier Letter 2017-13 and we are updating processes to be consistent with this guidance.

During the years audited, we feel we have received conflicting feedback regarding submitting notifications; at times we were told to send all possible cases, other times we were told to only send thoroughly investigated cases, other times to send at different levels of investigation, and at one time, to send a lead within 30 days of knowledge. The latest carrier letter clearly outlines definitions and timelines. As noted above, we are updating our processes to be consistent with the latest carrier letter guidance. As noted above, several of the providers included in the audit were already OIG cases and in some instances, notifications had previously been sent with no response from, or declined by, OIG. We do not feel these cases, known to OIG, are examples of a failure to meet the communication and reporting requirements. On these cases in particular, the GEHA SIU consistently communicated with the OIG on data exposure requests, provided additional information needed on ongoing cases, and had numerous other communications with OIG. In 2016, GEHA responded to 174 requests from OIG for data and case information related to the OIG data requests. We do believe the latest guidance has provided us with information that will lead to more notifications.

We have attached additional information and clarification specific to the additional concerns that were identified by OIG during discussions with GEHA and/or while reviewing our Fraud and Abuse Program procedures and our 2015 and 2016 Annual FWA Reports (Attachment 2).”

OIG Comment:

In response to the draft report, GEHA provided “Attachment 1” that included additional documentation and explanations as to why 22 cases in the sample were not reported to the OIG. Our review of the additional documentation and the accompanying explanations did not change the results of our review for these 22 cases.

After reviewing GEHA’s additional information provided in “Attachment 2” (regarding the non-compliance issues that were identified during our discussions with GEHA officials and/or while reviewing GEHA’s Fraud and Abuse Program procedures and GEHA’s 2015 and 2016 Annual Fraud, Waste, and Abuse Reports), we revised these non-compliance issues accordingly (see page 12), based on this additional information.

Recommendation 4

We recommend that the contracting officer require GEHA to provide evidence or supporting documentation ensuring that GEHA has implemented the necessary process and procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2014-29 and CL 2017-13 (OPM Federal Employees Health Benefits Fraud, Waste, and Abuse).²

GEHA Response:

GEHA agrees with this recommendation and states that processes and procedures have been implemented to comply with CL 2014-29 and CL 2017-13.

Recommendation 5

We recommend that the contracting officer instruct GEHA to perform a comprehensive review (or self-assessment) of GEHA’s Fraud and Abuse Program. GEHA should provide the results of this comprehensive review to the contracting officer as well as the applicable corrective actions that were implemented (and/or will be implemented) to ensure compliance with the requirements of the FEHBP contract and CL 2017-13.

² CL 2017-13 (dated November 20, 2017) consolidates and updates the information from CL 2014-29, which is superseded by this guidance. CL 2017-13 also supplements guidance from the FEHBP contract (Section 1.9 – Plan Performance).

GEHA Response:

GEHA agrees with this recommendation. GEHA states, “The SIU is undergoing a process improvement project by our internal Business Process Improvement Department. The annual report to OPM will include a summary of the corrective actions implemented.”

Recommendation 6

We recommend that the contracting officer require GEHA to revise the Fraud and Abuse Process and Procedure Manual to include investigative processes and procedures that address all of the health benefits applicable to the FEHB plan (including pharmacy drug claims). GEHA should also implement the necessary procedures to ensure proper PBM oversight.

GEHA Response:

GEHA agrees with this recommendation and states that the “SIU manual has been updated and now addresses all Fraud and Abuse aspects of the health benefit plan, including prescription drug benefit claims.”

Recommendation 7

We recommend that the contracting officer verify that GEHA provides a complete and accurate 2017 Annual Fraud and Abuse Report. We also recommend that GEHA provide the contracting officer complete documentation (or have available for on-site inspection) to support all entry items and data elements in this annual report.

GEHA Response:

GEHA agrees with this recommendation and states that the “SIU will submit a complete and accurate annual report and will have all supporting documentation available for on-site inspection.”

APPENDIX



February 6, 2018

██████████, Group Chief
Experience-Rated Audits Group
Office of the Inspector General
U.S. Office of Personnel Management
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We have completed our review of the OIG draft report for the limited scope audit of the Federal Employees Health Benefits Program (FEHBP) operations at the Government Employees Health Association, Inc. (GEHA) dated December 21, 2017. We have included our responses for each audit area within the OIG report draft. In response to the Special Investigations Unit (SIU) finding we have provided separately, supplementary information we would like you to consider.

Cash Management – Excess Working Capital Deposit

OIG Finding:

As of June 30, 2017, GEHA held a working capital (WC) deposit of \$3,660,811 over the amount needed to meet GEHA's daily cash needs for FEHBP claim payments. As a result, GEHA should adjust the WC deposit and return the excess WC funds of \$3,660,811 to the FEHBP.

GEHA Response:

GEHA concurs with the finding from the standpoint that electronic funds transfers (EFTs) were included in our working capital calculation inaccurately; both the regulations and OPM's Letter of Credit System Guidelines state that EFTs should be excluded from such working capital calculations.

GEHA utilizes EFT payments as one of our health benefit payment options to providers. This payment method helps reduce administrative expenses by eliminating the printing and postage costs as providers who receive EFT payments also receive claims payment details electronically via an 835 electronic remittance advice. In 2017, 41% of the health benefit dollars paid by GEHA were paid via EFT.

When comparing our bank balance adjusted for the \$3,660,811 of excess working capital as calculated by OIG to the working capital calculation excluding EFTs of ██████████ for the period January 1, 2017 through September 30, 2017, GEHA calculates 89 occurrences (32%) where return of this excess working capital calculation would result in the bank control account balance being less than the working capital balance. There are eleven occurrences where GEHA's control balance would be more than ██████████ less than the working capital calculation. On one occasion, the bank balance would fall below ██████████.

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By excluding the EFTs, GEHA is exposed to additional risk of having insufficient funds for the FEHBP program. As such, GEHA sent a waiver request to our contracting officer at the Office of Personnel Management on October 20, 2017.

Recommendation 1

We recommend that the contracting officer require GEHA to return \$3,660,811 to the FEHBP for the excess WC deposit.

GEHA Response:

As indicated in our waiver request to OPM, 41% of our payments are made via EFT. Excluding these from the working capital calculation puts GEHA at risk for having insufficient funds available for FEHBP benefit payments.

Recommendation 2

We recommend that GEHA implement corrective actions to ensure that the WC deposit is properly calculated in accordance with the Guidelines and applicable regulations. GEHA should recalculate the WC deposit on a monthly basis and adjust at least on a quarterly basis (if necessary). If an exception for the WC calculation is necessary, then GEHA should request prior approval (a waiver) from the contracting officer.

GEHA Response:

As noted above, we believe an exception to the WC calculation is necessary. GEHA sent a waiver request to our contracting officer at the Office of Personnel Management on October 20, 2017.

Recommendation 3

Since the use of EFTs by the experience-rated Carriers to pay FEHBP claim payments have substantially increased in the past several years, we recommend that the contracting officer(s) and/or OPM's Benefits Insurance Accounting Office review and revise (if necessary) the Guidelines, including the formula for the WC calculation, and propose regulation changes if applicable.

GEHA Response:

We agree and support this change in the Guidelines.

Fraud and Abuse Program – Special Investigations Unit

OIG Finding:

GEHA is not in compliance with the communication and reporting requirements for fraud and abuse cases that are set forth in the FEHBP Carrier Letter (CL) 2014-29. Specifically, GEHA did not report all fraud and abuse cases to the OIG. Without awareness of these existing potential fraud and abuse issues, the OIG cannot investigate the broader impact of these potential issues on the FEHBP as a whole. We also identified several non-compliance issues regarding GEHA's Fraud and Abuse (F&A) Program policies and procedures and the Plan's 2015 and 2016 Annual Fraud, Waste, and Abuse (FWA) Reports.

GEHA Response:

We appreciate the opportunity to respond to the concerns expressed in this report. We are implementing the recommendations, but we wish to clarify the record regarding the outlined findings.

Attached is a summary detailing the cases that were selected for review in the audit (Attachment 1). After further review, we found providers who were already OIG cases under different provider names, some that were not appropriate for notifications, and some that were submitted as notifications. Since the audit time period, additional guidance has been provided in Carrier Letter 2017-13 and we are updating processes to be consistent with this guidance.

During the years audited, we feel we have received conflicting feedback regarding submitting notifications; at times we were told to send all possible cases, other times we were told to only send thoroughly investigated cases, other times to send at different levels of investigation, and at one time, to send a lead within 30 days of knowledge. The latest carrier letter clearly outlines definitions and timelines. As noted above, we are updating our processes to be consistent with the latest carrier letter guidance. As noted above, several of the providers included in the audit were already OIG cases and in some instances notifications had previously been sent with no response from, or declined by, OIG. We do not feel these cases, known to OIG, are examples of a failure to meet the communication and reporting requirements. On these cases in particular, the GEHA SIU consistently communicated with the OIG on data exposure requests, provided additional information needed on ongoing cases, and had numerous other communications with OIG. In 2016, GEHA responded to 174 requests from OIG for data and case information related to the OIG data requests. We do believe the latest guidance has provided us with information that will lead to more notifications.

We have attached additional information and clarification specific to the additional concerns that were identified by OIG during discussions with GEHA and/or while reviewing our Fraud and Abuse Program procedures and our 2015 and 2016 Annual FWA Reports (Attachment 2).

Recommendation 4

We recommend that the contracting officer require the Plan to provide evidence or supporting documentation ensuring that the Plan has implemented the necessary process and procedural changes to meet the communication and reporting requirements of fraud and abuse cases that are contained in CL 2014-29 and CL 2017-13 (OPM Federal Employees Health Benefits Fraud, Waste, and Abuse).

GEHA Response:

We concur with this recommendation. Processes and procedures have been implemented to assure compliance with CL 2014-29 and CL 2017-13. We are prepared to provide evidence of this action to the Contracting Officer at her request.

Recommendation 5

We recommend that the contracting officer instruct GEHA to perform a comprehensive review (self-assessment) of the company's Fraud and Abuse Program. GEHA should provide the results of this comprehensive review to the contracting officer by March 31, 2018, as well as the applicable corrective actions that were implemented (and/or will be implemented) to ensure compliance with the requirements of the FEHBP contract and CL 2017-13.

GEHA Response:

We concur with this recommendation. The SIU is undergoing a process improvement project by our internal Business Process Improvement department. The annual report to OPM will include a summary of the corrective actions implemented. In addition, an outside entity will be reviewing the SIU processes in Q1 2018.

Recommendation 6

We recommend the contracting officer require GEHA to revise the FWA Process and Procedure Manual to include investigative processes and procedures that address all of the health benefits applicable to the FEHB plan (including pharmacy drug claims). GEHA should also implement the necessary procedures to ensure proper PBM oversight.

GEHA Response:

We concur with this recommendation. The SIU manual has been updated and now addresses all FWA aspects of the health benefit plan, including prescription drug benefit claims.

Recommendation 7

We recommend that the contracting officer verify that GEHA provides a complete and accurate 2017 Annual FWA Report. We also recommend that GEHA provide the contracting officer and/or Audit Resolution complete documentation (or have available for on-site inspection) to support all entry items and data elements in this annual report.

[REDACTED]
February 6, 2018

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GEHA Response:

We concur with this recommendation. GEHA's SIU will submit a complete and accurate annual report and will have all supporting documentation available for on-site inspection.

We appreciate the opportunity to respond to the draft report.

Sincerely,

David W. Koenig

David W. Koenig

SVP, Health Plan Business Operations

Attachments

cc:

[REDACTED], Program Manager and Contracting Officer, Health Insurance 2
[REDACTED], Senior Team Leader Experience-Rated Audits Group
[REDACTED], Auditor Experience-Rated Audits Group
[REDACTED] President & CEO, GEHA
[REDACTED] Chief Operating Officer, GEHA



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