



Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

July 30, 2024

Report No. 2024-CRAG-018

MEMORANDUM FOR BARBARA HANSEN

Program Manager and Contracting Officer
HIO, FEIO, FEHB 3

FROM:

LINDSAY J. HABER
Senior Team Leader
OIG, OA, CRAG

A handwritten signature in cursive script that reads "Lindsay J. Haber".

SUBJECT:

Final Report on Priority Health's 2024 Proposed Rate Reconciliations

The United States Office of Personnel Management (OPM), Office of the Inspector General (OIG) conducted a performance audit of Priority Health's (Plan) 2024 rate reconciliations for plan codes LE and Y4. The primary objective of the audit was to determine if the Plan developed its Federal Employee Health Benefits Program (FEHBP) premium rates in accordance with Contract CS 2944 (Contract) as well as regulations and rating instructions established by OPM.

We are providing this memorandum to OPM's Healthcare and Insurance Office (HIO) to be used by OPM's Office of Actuaries in negotiating the Plan's 2025 premium rates. Based on the results of our audit, we recommend acceptance of the Plan's proposed 2024 rate reconciliations.

The Inspector General Act of 1978, as amended by 5 U.S.C. § 404(e), requires that we submit all final reports making recommendations for corrective action to congressional committees of jurisdiction. Reports can also be provided to individual Members of Congress upon request. Additionally, if the OIG undertook the audit based upon a request or complaint from an outside entity, the OIG must provide the report to that entity. Finally, the Inspector General Act of 1978, as amended by 5 U.S.C. § 420, requires us to make redacted versions of our final reports available to the public on our webpage.

Since this was a limited-scope audit, the OIG reserves the right to perform a full-scope audit of the Carrier in the future. Because of the nature of this audit, a draft report was not issued.

BACKGROUND

The audit was conducted pursuant to the provisions of the Contract; 5 United States Code Chapter 89; and 5 Code of Federal Regulations Chapter 1, Part 890. The audit was performed by the OPM OIG, as established by the Inspector General Act of 1978, as amended (5 U.S.C. §§ 401-424). The objective, scope, and methodology used in conducting the audit are defined in the attached Exhibit.

OPM required each community-rated plan to submit its 2024 rate proposal by May 31, 2023. OPM requires an annual reconciliation be performed because most carriers estimated their rates at the time of proposal. Rates must be recalculated based on each carrier’s actual 2024 community rates to determine if money is due the carrier or OPM.

The Plan provides health benefits to FEHBP members in counties throughout the lower peninsula of Michigan. The most recent audit of Priority Health covered the contract year 2022 premium rate reconciliation. Rating documentation provided by the Plan during that audit was sufficient to support the 2022 FEHBP premium rates and the audit disclosed no cost adjustments.

RESULTS OF AUDIT: Proposed Reconciled Rates

The Plan executed a Certificate of Accurate Pricing on April 29, 2024, related to the Attachment III – Reconciliation Forms, which the Plan stored onsite as prescribed by OPM’s Community Rating Guidelines for small carriers whose 2023 income from the Federal group was more than \$2,000,000. The Plan’s 2024 rates are as follows:

Plan Code	Benefit Option	Self Rates	Self + One Rates	Family Rates
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

In our opinion, the cost or pricing data submitted by the Plan was adequate and the proposed reconciliations were prepared in accordance with the applicable laws and regulations. Therefore, no cost adjustments were identified, and we recommend acceptance of the Plan’s proposed 2024 rate reconciliations.

RESULTS OF AUDIT: Other Area of Concern

During our audit, we identified that the Plan was not in compliance with the FEHBP Claims Data Requirement Carrier Letter (CL) 2023-17. The annual CL requires that carriers using an Adjusted Community Rating (ACR) methodology submit claims data to the OIG. Carriers

should use the data layout and specifications included in the CL to meet this requirement. The claims data for the FEHBP should be downloaded from a central database at the time the rates are developed. The CL only requires large carriers using an ACR methodology to submit the claims data to the OIG; however, small carriers are required to save the claims data using the required specification and maintain the claims on-file for audit and investigative purposes.

Since Priority Health is a small carrier and not required to submit the claims file to OIG, we held a meeting with the Plan to verify that the ACR claims were saved in the required layout and maintained on file to support its 2024 FEHBP rates. During the meeting, the Plan confirmed that it was not maintaining claims data as required by the CL. We issued a finding to the Plan, recommending that it update its claims data collection procedures to comply with FEHBP CL 2023-17, and maintain its FEHBP ACR claims data using the data layout and specifications included in the CL. The Plan concurred with the finding and recommendation.

We discussed the status of the audit with Plan officials at an exit conference on July 30, 2024.

If I can be of assistance during your review of this report, please contact me on [REDACTED]

cc: David S. Marsh
Chief of Staff

Ryan S. Uyehara
Deputy Chief of Staff

Jonathan R. Foley
Senior Advisor to the Director

Katie A. Malague
Chief Management Officer

Erica D. Roach
Chief Financial Officer

Webb Lyons
General Counsel

Laurie E. Bodenheimer
Associate Director, Healthcare and Insurance

Cheryl Dammons
Principal Deputy Associate Director, Healthcare and Insurance

Edward M. DeHarde
Deputy Associate Director, Healthcare and Insurance

James Muetzel
Deputy Associate Director, Federal Employee Insurance Operations

Mark W. Lambert
Associate Director, Merit System Accountability and Compliance

Rebecca Kander
Actuaries Group

Joseph Young
Branch Chief, Audit Resolution and Compliance

Angela M. Calarco
Program Manager, Audit Resolution and Compliance

Frederick Young
Health Insurance Specialist (Contracts)

OBJECTIVE, SCOPE, AND METHODOLOGY

The primary objective of the rate reconciliation audit was to determine if the Plan’s premium rates reported to OPM were established in accordance with applicable laws, contract regulations, and OPM’s 2024 Community Rating Guidelines.

To accomplish our objective, we examined the Plan’s premium rate calculations along with related documents as a basis for validating the premium rates. We examined applicable expenses considered in the calculation of the premium rates to verify that the cost data used was accurate, complete, and valid. We also interviewed Plan officials to determine the oversight the Plan has over the rating process. We used the Contract, the Federal Employees Health Benefits Acquisition Regulation, and OPM’s Community Rating Guidelines to Community-Rated Carriers to determine the propriety of the Plan’s premium rate calculations.

Generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance that the proposed reconciliation is free of material misstatement. The audit was conducted remotely from June 17, 2024, through July 30, 2024. The audit covered contract year 2024.

We obtained an understanding of the Plan’s internal control structure but did not use the information to determine the nature, timing, and extent of our review procedures. Our review of internal controls was limited to the procedures the Plan has in place to ensure that the claims experience data and other costs included in the Premium rate development were appropriate, which included tests of applicable costs considered in the calculation of the premium rates.

In conducting this performance audit, we relied to varying degrees on computer-generated data, including billings, 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 the audit objectives.