



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

Final Audit Report

**Audit of the Federal Employees Dental and Vision
Insurance Program Operations as Administered
by UnitedHealthcare Insurance Company
for Contract Years 2014 and 2015**

**Report Number 1J-0B-00-16-063
September 29, 2017**

-- CAUTION --

This report has been distributed to Federal officials who are responsible for the administration of the subject program. This non-public version may contain confidential and/or proprietary information, including information protected by the Trade Secrets Act, 18 U.S.C. § 1905, and the Privacy Act, 5 U.S.C. § 552a. Therefore, while a redacted version of this report is available under the Freedom of Information Act and made publicly available on the OIG webpage (<http://www.opm.gov/our-inspector-general>), this non-public version should not be further released unless authorized by the OIG.

EXECUTIVE SUMMARY

Audit of the Federal Employees Dental and Vision Insurance Program Operations as Administered by UnitedHealthcare Insurance Company

Report No. 1J-0B-00-16-063

September 29, 2017

Why Did We Conduct the Audit?

The objective of the audit was to determine whether costs charged to the Federal Employees Dental and Vision Insurance Program (FEDVIP) and services provided to its members for contract years 2014 and 2015 were in accordance with Contract Number OPM01-FEDVIP-01AP-13 (Contract) and applicable Federal regulations.

What Did We Audit?

The Office of the Inspector General has completed a performance audit of UnitedHealthcare Insurance Company's (Plan) annual accounting statements, claims processing, and rate proposals as they relate to FEDVIP operations for contract years 2014 and 2015. We also conducted a limited-scope review to determine if a transfer of unreimbursed expenses for FEDVIP operations from contract years 2007 to 2013 was correctly calculated and allowable. Our site visit was conducted from October 24 through 28, 2016, at the Plan's office in Columbia, Maryland. Additional audit field work was completed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.



Michael R. Esser
*Assistant Inspector General
for Audits*

What Did We Find?

The results of our review showed that the Plan had sufficient policies and procedures in place to ensure that it accurately reported its annual accounting statement to OPM and accurately developed its FEDVIP rate proposals for 2014 and 2015.

Additionally, we found that the Plan's proposed transfer of funds for unreimbursed FEDVIP expenses from contract years 2007 to 2013 was allowable, accurate, and in compliance with the prior contract.

However, the audit determined that the Plan did not coordinate benefits with other Federal Employees Health Benefits Program carriers as is required by the Contract.

ABBREVIATIONS

Act	Federal Employee Dental and Vision Benefits Enhancement Act of 2004
Contract	Contract Number OPM01-FEDVIP-01AP-13
EOB	Explanation of Benefits
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEHB	Federal Employees Health Benefits
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
Plan	UnitedHealthcare Insurance Company

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I. BACKGROUND

This report details the results of our audit of the Federal Employees Dental and Vision Insurance Program (FEDVIP) operations as administered by UnitedHealthcare Insurance Company (Plan) for contract years 2014 and 2015. The audit was performed by the U.S. Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

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

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

OPM's Contracting Office contracts with the Plan to provide vision coverage to Federal beneficiaries enrolled in the Plan under the FEDVIP. The Plan's responsibilities under Contract Number OPM01-FEDVIP-01AP-13 (Contract) are carried out at its offices located in Columbia, Maryland. Section I.11 of the Contract includes a provision, Inspection of Services – Fixed Price, which allows for audits of the Plan's FEDVIP operations.

This was the OIG's first audit of the Plan's administration of the FEDVIP. The initial results of this audit were discussed with Plan officials during an exit conference on March 17, 2017. A draft report was provided to the Plan on April 10, 2017, for its review and comment. The Plan's response to the draft report was considered in preparation of this final report and is included as an Appendix.

II. OBJECTIVES, SCOPE, AND METHODOLOGY

The main objective of the audit was to determine whether costs charged to the FEDVIP and services provided to its members for contract years 2014 and 2015 were in accordance with the terms of the Contract and applicable Federal regulations. Additionally, we conducted a limited-scope review to determine if a transfer of unreimbursed expenses for FEDVIP operations from contract years 2007 to 2013 was correctly calculated and allowable.

Our specific audit objectives included:

Annual Accounting Statement Review

- To determine if the Plan's premiums received and vision benefits paid were accurately reported in the annual accounting statements.
- To determine the Plan's allocation methodology for administrative expenses and verify that the correct percentage was applied.
- To determine if the Plan's proposed transfer of funds for unreimbursed expenses for FEDVIP operations from contract years 2007 to 2013 was allowable and in compliance with the prior contract. Specifically, to determine if the Plan's calculation of the proposed transfer of unreimbursed expenses for FEDVIP operations from contract years 2007 to 2013 was accurate and if the transfer should be approved by OPM.

Claims Processing Review

- To determine if the Plan paid claims in accordance with the terms of the Contract, its annual benefit brochures, and its internal policies and procedures.
- To determine if the Plan paid any vision claims to debarred providers.
- To determine if the Plan properly coordinated vision benefits with other insurance providers.

Rate Proposal Review

- To determine if the Plan accurately developed its FEDVIP premium rates.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain

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

This performance audit included reviews of the Plan’s annual accounting statement, claims processing, and rate proposals as they relate to FEDVIP operations for contract years 2014 and 2015. Our site visit was conducted at the Plan’s office in Columbia, Maryland, from October 24 through 28, 2016. Additional audit work was completed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.

The Plan reported the following premium revenue, claim benefits paid, administrative expenses, and profit (loss) for contract years 2014 and 2015:

Contract Year	Premium Revenue	Benefits Paid	Administrative Expenses	Profit
2014	\$24,352,400	\$16,634,729	██████████	██████████
2015	\$25,352,823	\$20,864,392	██████████	██████████
Total	\$49,705,223	\$37,499,121	██████████	██████████

In planning and conducting the audit, we obtained an understanding of the Plan’s internal control structure to help determine the nature, timing, and extent of our auditing procedures. This was determined to be the most effective approach to select areas of audit. For those areas selected, we primarily relied on substantive tests of transactions and not tests of controls. Additionally, since our audit would not necessarily disclose all significant matters in the internal control structure, we do not express an opinion on the Plan’s system of internal controls taken as a whole.

We also conducted tests of accounting records and other auditing procedures as we considered necessary to determine compliance with the Contract and 5 CFR Part 894. Exceptions noted in the areas reviewed are set forth in the “Audit Findings and Recommendations” section of this report. With respect to the items not tested, nothing came to our attention that caused us to believe that the Plan had not complied, in all material respects, with those provisions.

In conducting the audit, we relied to varying degrees on computer-generated data provided by the Plan. Due to time constraints, we did not verify the reliability of the data generated by the various information systems involved. However, while utilizing the computer-generated data during our audit, nothing came to our attention to cause us to doubt its reliability. We believe that the data was sufficient to achieve our audit objectives.

To determine whether costs charged to the FEDVIP and services provided to its members for contract years 2014 and 2015 were in accordance with the terms of the Contract and applicable Federal regulations, we performed the following audit steps:

Annual Accounting Statement Review

- We reconciled the Plan's premiums received and vision benefits paid to determine if they were accurately reported in the annual accounting statements.
- We met with Plan personnel to determine what allocation methodology was used for administrative expenses and recalculated the percentages based on direct and indirect costs to verify that the correct percentage was applied.
- We reviewed the prior contract to determine if the Plan's proposed transfer of funds for unreimbursed expenses from contract years 2007 through 2013 was allowable and in compliance with the contractual requirements. Additionally, we reconciled the proposed transfer amount to vision claims benefits and general and administrative expenses incurred to operate the FEDVIP from 2007 through 2013 to determine if the Plan's calculation is accurate and if the transfer of funds should be approved by OPM.

Claims Processing Review

- We selected a random sample of 150 claims paid in 2014 and 2015, totaling \$9,841, to determine if they were properly paid in accordance with the terms of the Contract, the Plan's annual benefit brochures, and its internal policies and procedures. Specifically, we selected:
 - 75 claims paid in 2014, totaling \$5,445, from a universe of [REDACTED] claims paid, totaling \$ [REDACTED]; and
 - 75 claims paid in 2015, totaling \$4,396, from a universe of [REDACTED] claims paid, totaling \$ [REDACTED].¹
- We reviewed all vision claims from 2014 and 2015 to determine if any were paid to providers debarred by the OPM OIG.
- We reviewed the Contract and the Plan's 2015 benefit brochure to determine its responsibility for coordinating benefits. We also met with Plan personnel to determine its process for coordinating benefits and reviewed policies and procedures to determine if it

¹ 2014 and 2015 claims data did not match what the Plan reported in its 2014 and 2015 Annual Accounting Statements due to the universe of claims data including the gross amount of claims paid (insurance costs) and adjustments for non-insurance costs while the claims reported in the Annual Accounting Statements included actual claims paid and lab costs.

properly coordinated benefits with other Federal Employees Health Benefits (FEHB) Program carriers.

Rate Proposal Review

- We traced the data used to develop the Plan’s 2014 and 2015 premium rate proposals back to supporting documentation to determine if the Plan accurately developed its FEDVIP premium rates.

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

III. AUDIT FINDINGS AND RECOMMENDATIONS

A. Annual Accounting Statement Review

The results of our review showed that the Plan had sufficient policies and procedures in place to ensure that premiums received, claims paid, and expenses incurred were properly accounted for and reported to OPM in accordance with the Contract.

Additionally, we found that the Plan's proposed transfer of funds for unreimbursed FEDVIP expenses from contract years 2007 to 2013 was allowable, accurate, and in compliance with the prior contract.

B. Claims Processing Review

1. Coordination of Benefits

Procedural

The Plan did not coordinate benefits with FEHB Program carriers in accordance with the Contract's requirements.

The Plan did not coordinate benefits with FEHB Program carriers.

Both the Contract [Section C (II)] and the Plan brochure (First Payor) state that the Plan is responsible for facilitating the First Payor process with FEHB Program carriers, which will provide primary benefits.

During our audit, we reviewed the Plan's universe of [REDACTED] claims paid in 2014 and 2015 and found no indication that the Plan coordinated benefits with FEHB Program carriers. Additionally, the Plan stated that it does not coordinate benefits with FEHB Program carriers. Instead of coordinating benefits, the Plan updated its provider manual in July 2016, to require the vision providers to verify the member's FEHB coverage and bill the FEHB Program carrier prior to billing the Plan. The Plan also stated that there are no mechanisms in place to track or determine if the providers are complying with the coordination of benefits requirements established by the provider manual.

Based on the Plan's response, it did not have procedures in place during the scope of our audit to properly ensure that claims were coordinated with FEHB Program carriers. It should be noted that the Plan's responsibility for coordinating benefits with FEHB Program carriers dates back to January 1, 2007 (the inception of the FEDVIP). However, the Plan only updated its provider manual for coordination with FEHB Program carriers in July of 2016. Therefore, throughout its first nine-plus years of administering the FEDVIP, there were no controls in place to coordinate benefits between the Plan and FEHB Program carriers.

By requiring the providers to coordinate benefits, the Plan is deferring its responsibility to the provider. As a result of delegating its responsibility, and by not having a means of tracking or determining if its providers have coordinated benefits, the Plan is not meeting its requirements as set forth in the Contract. Also, by not monitoring the process, the Plan is inadvertently permitting an avenue for potential fraud where providers could coordinate with an FEHB Program carrier and also submit the claim to the Plan for full reimbursement.

Recommendation 1

We recommend that the Plan amend its existing policies and procedures to ensure that it properly coordinates benefits with those FEHB Program carriers that provide vision benefits.

Plan Response:

The Plan disagrees with the finding for the following three reasons:

- 1. Because it's brochure (First Payor) states that if a provider participates with both a FEHB plan and a FEDVIP plan then the FEHB plan will pay benefits first and that the FEDVIP plan allowance will be the prevailing charge in these cases;*
- 2. Because it's provider manual instructs it's providers to coordinate benefits with the FEHB plan as primary and then the Plan as secondary. The Plan relies upon its providers because they "are in the unique position of having line of sight to which FEHBP health plans particular enrollees are covered by and whether there are potentially overlapping vision services."*

The Plan stressed that this policy was put in place as an exception to its normal business due to the requirements of the FEDVIP contract and that it normally does not coordinate vision benefits. In relation to fraud, the Plan stated that the actual overlap of FEHB coverage and FEDVIP coverage is minimal, the Plan believes that the actual risk of fraud in these cases is small; and

- 3. Lastly, because after it conducted a search of the claims paid during the scope of our audit, it was unable to identify any claims that were coordinated with a FEHB carrier. As part of its review the Plan concluded the following:*
 - a. The main services provided by the FEHBP that would overlap with services that it provides would be limited to examinations and resulting prescriptions written. Lenses and frames are typically excluded from most FEHBP plans.*

- b. Most FEHBP plans require that services are provided by a plan provider. This would reduce the opportunity as the provider utilized by the member may not participate with the FEHBP plan.*
- c. The COB process would require the provider to submit the Explanation of Benefits (EOB) from the FEHBP plan to it along with the claim. If the provider does not furnish it with this information it would be unaware of the provider's other contractual arrangements.*

The Plan stated that it believes that these factors demonstrate the existence of a coordination of benefits process.

OIG Comment:

While we understand the difficulties involved with coordinating vision benefits, we do not believe that the Plan's current processes meet the Contract requirements. This is because the Plan defers the coordination of benefits process solely to its providers without a mechanism to identify or track first payor claims.

Additionally, we find that the Plan's review of its FEDVIP claims further supports our finding because it states that if it is not provided an EOB from an FEHB provider, it would not know if coordination had occurred. Although the Plan states that FEHB vision coverage is very limited, our review found that approximately 48 percent of the FEHB Program carriers provide some type of vision coverage.

C. Rate Proposal Review

The results of our review showed that the Plan had sufficient policies and procedures in place to accurately develop its 2014 and 2015 FEDVIP rate proposals.

APPENDIX



Specialty Benefits
6220 Old Dobbin Lane
Liberty 6, Suite 200
Columbia, MD 21045

May 5, 2017

[REDACTED]
Chief, Special Audits Group
U.S. Office of Personnel Management
Office of the Inspector General
800 Cranberry Woods Drive, Suite 270
Cranberry Township, PA 16066

RE: Comments to the Draft Audit Report No. 1J-OB-00-16-063

Dear [REDACTED]:

On April 10, 2017, the United States Office of Personnel Management, Office of the Inspector General (“OPM/OIG”) submitted to the UnitedHealthcare Vision Plan (the “Plan”) a “Draft Report” (1J-OB-00-16-063) (“Draft Report”), detailing the results of its audit of the Federal Employees Dental and Vision Insurance Program (“FEDVIP”) operations as administered by the Plan for contract years 2014 and 2015. Upon submission, OPM/OIG requested that the Plan provide comments to the Draft Report.

The Plan appreciates the opportunity to respond to this Draft Report and the willingness of OPM to help resolve the outstanding issues in this audit. The Plan has used its best efforts to obtain all relevant information to respond to the Draft Report’s findings and recommendations. This Response will address each issue presented in the Draft Report.

Coordination of Benefits

In its Draft Report, the auditors stated *“The Plan did not coordinate benefits with Federal Employees Health Benefits (FEHB) carriers in accordance with contract requirements.”*

The Plan respectfully disagrees with this assertion for the following reasons:

1. The Plan Brochure clearly states on page 10:
“First Payor – When you visit a provider who participates with both , your FEHB plan and your FEDVIP plan, the FEHB plan will pay benefits first. The FEDVIP plan allowance will be the prevailing charge, in these cases.” [Please refer to **Exhibit I – 2014 FEDVIP Brochure Excerpt**]

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2. The Plan has a coordination of benefits (“COB”) process which is documented in the Network Administration Manual provided to all UnitedHealthcare Vision Plan providers. The policy on page 27 states in part:

“The FEHB medical plan is primary and Spectera Eye care Networks is secondary. Submit the following information to us.....

- *A copy of the primary (medical) carrier’s EOB that shows the member’s liability and/or service denials*
- *A copy of the original CMS-1500 claim form*

You will note this policy is an exception implemented specifically for FEDVIP. UnitedHealthcare Vision’s other commercial business follows the industry standard of not coordinating benefits with other insurance plans or payers. [Please refer to **Exhibit II – Network Administration Manual Excerpt**]

3. The Plan provided a response to the question of coordination of benefits in Information Request 49 [Please refer to **Exhibit III – IR49 with Plan Response**]

The auditors also stated in the Draft Report “....the Plan is inadvertently permitting an avenue for potential fraud where providers could coordinate with a FEHB carrier and also submit the claim to the Plan for full reimbursement.”

The Plan does rely on its providers to adhere to the COB process as the providers are in the unique position of having line of sight to which FEHBP health plans particular enrollees are covered by and whether there are potentially overlapping vision services. Additionally, we believe that the risk for actual fraud is minimal with FEDVIP in that there are only a small number of services that overlap between the vision services offered through FEDVIP and those offered through the FEHBP carriers. For example, the vision benefit offered through the FEHBP are primarily for Exam Only or medically based vision services (i.e., lenses following cataract surgery).

Therefore, the Plan believes that the information provided to the auditors during the audit and referenced in this Response demonstrates the existence of a Coordination of Benefits process.

The Plan takes its contractual obligations very seriously and administers the FEDVIP in compliance with all Federal regulations, contractual provisions and OPM instructions.

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Once you have had the opportunity to review the information contained in this response, please contact me if you have any questions or require additional information. Thank you for your ongoing cooperation in bringing resolution to this audit.

Respectfully,

[REDACTED]

Director, Federal Programs

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Exhibit I – 2014 FEDVIP Brochure Excerpt

Deleted by OIG – Not Relevant to Final Report

Exhibit II – Network Administration Manual Excerpt

Deleted by OIG – Not Relevant to Final Report

Exhibit III – IR49 with Plan Response

PLAN RESPONSE:

The Plan has conducted an extensive search for FEDVIP Vision claims during the scope of the audit contract years 2014 and 2015 to determine if any required Coordination with another Payer. The Plan was unable to locate any such claims.

In reviewing the claims data and discussing the COB process for vision with subject matter experts from the Plan, we have concluded a few things about COB as it relates specifically to the FEDVIP program and the manner in which the Plan administers the Vision benefit for FEDVIP members.

First, the instance of services provided by FEHBP carriers that would overlap with services provided by FEDVIP are primarily limited to examinations (excluding contact examinations) and prescriptions written as a result of those examinations. Typically lenses and other materials (i.e., frames) are excluded under most FEHBP plans unless they are related to a medical condition (such as lenses following cataract surgery).

Secondarily, the requirement of the majority of the FEHBP plans is for any vision services that are covered must be performed by a Plan provider. This further reduces the opportunity for there to be a circumstance where the provider is a Plan provider with an FEHB carrier and a UnitedHealthcare Vision Panel provider at the time of service.

The process for COB to occur in those circumstances where there is a potential for services to be covered by both an FEHBP and FEDVIP provider requires the Provider to submit the EOB from the primary payer along with the claim for UnitedHealthcare Vision to review. If the Provider does not furnish UnitedHealthcare Vision with this information, it is unlikely that the Plan would have awareness of the Providers other contractual arrangements.

Finally, the member is paying for a level of benefit provided under their FEHBP carrier and they are paying a separate premium for a level of benefit with their FEDVIP carrier. As long as the provisions of the FEDVIP carrier are being administered according to the coverage level described, the Federal Government is not being disadvantaged nor is the member gaining an unfair advantage for the benefits provided.

For all of these reasons stated, it is the Plan's position that it is not unreasonable that there are no COB Vision claims to provide as examples for the 2014 and 2015 contract years.

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