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

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# Final Audit Report

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

**Report Number 1J-0J-00-17-016  
February 6, 2018**

# EXECUTIVE SUMMARY

## *Audit of the Federal Employees Dental and Vision Insurance Program Operations as Administered by Humana Dental*

Report No. 1J-0J-00-17-016

February 6, 2018

### **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-09 and applicable Federal regulations.

### **What Did We Audit?**

The Office of the Inspector General has completed a performance audit of Humana Dental's (Plan) annual accounting statements, claims processing, fraud and abuse program, performance guarantees, and rate proposals as they relate to FEDVIP operations for contract years 2014 and 2015. Our site visit was conducted from February 27 through March 3, 2017, at the Plan's office in Roswell, Georgia. We completed additional audit work at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.



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**Michael R. Esser**  
*Assistant Inspector General  
for Audits*

### **What Did We Find?**

We determined that the Plan needs to strengthen its procedures and controls related to its annual accounting statements, claims processing, fraud and abuse program, performance guarantees, and rate proposals.

Specifically, our audit identified the following deficiencies that require corrective action:

1. The Plan overstated income taxes applied to FEDVIP for 2014 and 2015.
2. The Plan overpaid premium tax in 2014 by \$555,120.
3. The Plan failed to terminate one member in a timely manner and did not have controls in place to recover overpayments from ineligible members.
4. The Plan failed to coordinate some benefits with other insurance providers.
5. The Plan paid claims to two debarred providers.
6. The Plan failed to meet several performance standards that it guaranteed for 2014 and 2015.
7. The Plan overestimated claims projections when negotiating the contract rates with the U.S. Office of Personnel Management.

# ABBREVIATIONS

<b>Act</b>	<b>Federal Employee Dental and Vision Benefits Enhancement Act of 2004</b>
<b>COB</b>	<b>Coordination of Benefits</b>
<b>Contract</b>	<b>Contract Number OPM01-FEDVIP-01AP-9</b>
<b>DHHS</b>	<b>U.S. Department of Health and Human Services</b>
<b>FEDVIP</b>	<b>Federal Employees Dental and Vision Insurance Program</b>
<b>FEHBP</b>	<b>Federal Employees Health Benefits Program</b>
<b>FWA</b>	<b>Fraud, Waste, and Abuse</b>
<b>OIG</b>	<b>Office of the Inspector General</b>
<b>OPM</b>	<b>U.S. Office of Personnel Management</b>
<b>Plan</b>	<b>Humana Dental</b>

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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 Humana Dental (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 Humana to provide dental coverage to Federal beneficiaries enrolled in the Plan under the FEDVIP. The Plan's responsibilities under Contract Number OPM01-FEDVIP-01AP-9 (Contract) are carried out at its offices located in Roswell, Georgia. 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 July 18, 2017. A draft report was provided to the Plan on September 28, 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

### OBJECTIVES

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.

Our specific audit objectives were to determine if:

#### **Annual Accounting Statement Review**

- The premium earned, as reported in the Plan's Annual Accounting Statements, reconciles to the premium rates and the premium funds transferred from BENEFEDS.
- Administrative expenses were allowable, allocable, and reasonable in compliance with the Contract and Subpart 31.2 of the Federal Acquisition Regulation.

#### **Claims Processing Review**

- The Plan paid claims in accordance with the terms of the Contract, its benefit brochures, and its internal policies and procedures.

#### **Fraud and Abuse Program Review**

- The Plan has an effective fraud and abuse program, and if potential fraud cases are being reported to OPM in accordance with the FEDVIP Fraud, Waste, and Abuse (FWA) Memo.
- Any dental claims were paid to debarred providers.

#### **Performance Guarantees Review**

- The Plan accurately measured its performance and complied with any standards guaranteed in the Contract.

#### **Rate Proposal Review**

- The Plan accurately developed its FEDVIP premium rates and proposed profit margins similar to the contracted rate.

### 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 findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.



The audit included a review of the Plan’s annual accounting statement, claims processing, fraud and abuse program, rate proposals, and performance guarantees as they relate to FEDVIP operations for contract years 2014 and 2015. Our site visit was conducted at the Plan’s office in Roswell, Georgia, from February 27 through March 3, 2017. Additional audit work was completed at our offices in Washington, D.C. and Cranberry Township, Pennsylvania.

The Plan reported the following premium revenue, dental benefits paid, administrative expenses, and profit for contract years 2014 and 2015 in its annual accounting statements:

<b>Contract Year</b>	<b>Premium Revenue</b>	<b>Benefits Paid</b>	<b>Administrative Expenses</b>	<b>Profit</b>
<b>2014</b>				
<b>2015</b>				
<b>Total</b>				

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 premiums reported by the Plan to the premiums transferred from BENEFEDS for contract years 2014 and 2015.

- We met with Plan personnel to determine what allocation methodology was used for administrative expenses, and we recalculated the allocation percentages based on direct and indirect costs to verify that the correct percentages were applied.

#### **Claims Processing Review**

- We judgmentally selected a random sample of 100 claims paid in 2015, totaling \$12,110, from a universe of [REDACTED] claims paid, totaling \$ [REDACTED]<sup>1</sup>, to determine if they were properly paid in accordance with the terms of the Contract, the Plan's benefit brochures, and its internal policies and procedures.

#### **Fraud and Abuse Program Review**

- We reviewed all dental claims from 2014 and 2015 to determine if any were paid to debarred providers.
- We reviewed the Plan's fraud and abuse program to determine if it was sufficient in detecting and reducing fraud, waste, and abuse in accordance with the Contract and the FEDVIP FWA Memo.

#### **Performance Guarantees Review**

- We reviewed the performance guarantees to determine if the Plan accurately measured its performance and complied with any standards guaranteed in the Contract.

#### **Rate Proposal Review**

- We traced the data used to develop the Plan's 2014 and 2015 premium rate proposals back to supporting documentation and compared the rate proposals to the annual accounting statements to determine if the Plan accurately developed its FEDVIP premium rates in accordance with the Contract.

The sample mentioned above that was selected and reviewed in performing the audit was 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.

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<sup>1</sup> The actual claims data for 2015 varied from the amounts reported by the Plan in the 2015 annual accounting statement due to timing and retroactivity.



# III. AUDIT FINDINGS AND RECOMMENDATIONS

## A. Annual Accounting Statement Review

### 1. Overstated Income Taxes

Procedural

The Plan overstated income taxes for FEDVIP operations in the 2014 and 2015 annual accounting statements.

According to the Plan's audited financial statements, "Humana allocates its federal income tax liability among the subsidiaries of the consolidated return group based on the ratio that each subsidiary's separate return tax liability for the year bears to the sum of the separate return liabilities of all subsidiaries."

**The Plan applied the wrong income tax percentage to its FEDVIP operations.**

During our review of the Plan's annual accounting statements, we found that the Plan incorrectly used the parent companies highest tax percentages of [REDACTED] for 2014 and [REDACTED] for 2015, instead of the correct allocated and weighted percentages of [REDACTED] and [REDACTED] for the dental subsidiary, respectively.

When we showed the Plan the difference in tax percentages between the FEDVIP annual accounting statements and the audit financial statements, the Plan agreed that it inadvertently applied the wrong tax rates. The Plan proceeded to calculate the correct tax percentages, which we reviewed and agreed with for audit purposes.

The overstated tax percentages created higher expense and lower profit amounts in the 2014 and 2015 annual accounting statements by approximately \$ [REDACTED] and \$ [REDACTED], respectively.

#### Recommendation 1

We recommend that the Plan resubmit the 2014 and 2015 annual accounting statements to OPM using the correct allocated and weighted income tax percentages.

#### Plan Response:

*The Plan agreed with the recommendation and provided revised annual accounting statements for OPM's review.*

#### Recommendation 2

We recommend that the Plan update its policies and procedures for reporting FEDVIP operations to OPM to include using the correct allocated and weighted income tax percentages for the dental subsidiary in accordance with its audited financial statements.

**Plan Response:**

***The Plan agreed with the recommendation and provided updated reporting policies and procedures for OPM's review, which it will begin using for CY 2016 to properly allocate and weight income tax percentages for the dental subsidiaries.***

**2. Overpaid Premium Tax**

**Procedural**

The Plan paid \$555,120 in premium tax for 2014 that was no longer required or assessed. Additionally, the Plan stated that it did not attempt to recover the amount it overpaid.

According to the Plan's audited financial statements, there was a ruling that premium taxes on the dental product were no longer required beginning January 1, 2014.

Additionally, section K.9b of the Contract states that only administrative expenses consisting of actual, allocable, allowable, and reasonable expenses incurred in the adjudication of claims or incurred in the carrier's overall operation of the business are chargeable to the program.

**We identified an unallowable expense for premium taxes that was no longer applicable.**

During our review of the Plan's expenses, we found that it paid a premium tax of \$555,120 for 2014, but premium tax was not paid for 2015. After additional research, the Plan showed us that the tax was no longer required beginning January 1, 2014. The Plan did not provide a reason why it prepaid the tax for 2014, or why it did not recover the amount paid.

Because the payment was made for a non-existing tax, the amount is considered an unallowable charge in accordance with section K.9b of the Contract, resulting in \$555,120 of overstated expenses and understated profits for the 2014 annual accounting statement.

**Recommendation 3**

We recommend that the Plan resubmit its 2014 annual accounting statement to OPM with the \$555,120 unallowable expense properly reported as profit.

**Plan Response:**

***The Plan agreed with the recommendation and explained why it could not recover the overpaid tax. The Plan provided a revised 2014 annual accounting statement for OPM's review that removes the unallowable expense and reports it as additional profit.***

## **B. Claims Processing Review**

### **1. Claims Paid for Ineligible Members**

**Procedural**

The Plan failed to terminate one member in a timely manner. Additionally, we found that the Plan does not have controls in place to recover overpayments for ineligible members.

Section II of the Contract states that services are only available to eligible FEDVIP members. Additionally, section K.9b of the Contract states that claim costs consist of payments made and costs incurred for insurance on behalf of FEDVIP enrollees, including care management, less any overpayments, refunds, or other credits received.

During our review of 100 sampled claim payments, we found that the Plan incorrectly paid one claim for an ineligible member. Documentation showed that the member was retroactively terminated as of August 8, 2015, the Plan was notified of the termination on November 18, 2015, and the member continued to receive services on December 1, 2015.

**The Plan had no controls in place to recover overpayments to ineligible members prior to 2016.**

When we inquired about this issue, the Plan did not explain why the payment was made for a termed member, but it did disclose to the auditors that the Plan had no controls in place to recover funds paid on services for individually termed members. The Plan stated that it has since corrected this issue by recovering funds paid for individually termed members beginning in 2016.

Due to the Plan not recovering funds paid for individually termed members prior to 2016, there was a significant risk of overcharges to the FEDVIP in earlier years, leading to higher claims and premiums.

#### **Recommendation 4**

We recommend that the Plan review past claims to identify overpayments made for ineligible members and attempt to recover those funds. The Plan should also provide OPM with a copy of the updated policies and procedures for recovering overpayments from individually termed members.

#### **Plan Response:**

*The Plan agreed with the recommendation and provided updated eligibility policies and procedures for OPM's review. It will also go back and recover any overpayments since April 2016. State regulatory requirements and limitations only allow the Plan to recover funds going back 18 months from the original process date.*

### **2. Coordination of Benefit Errors**

**Procedural**

The Plan failed to coordinate benefits with other insurance providers for 4 out of 100 claims sampled.

In accordance with the Contract and Federal regulations, the carrier is responsible for coordinating benefits with other insurance carriers. The First Payor Process will apply if the member is enrolled in the Federal Employees Health Benefits Program (FEHBP) since the FEHBP carrier will pay first and the FEDVIP carrier will pay second. The FEDVIP carrier is responsible for facilitating this process.

During our review of claim payments and the coordination of benefits (COB) process, we found that the Plan did not complete COB on 4 of the 100 claims sampled. After further review, we found that COB was not being completed for several claims related to one specific health insurance carrier.

**The Plan failed to coordinate benefits for several claims related to one health insurance provider.**

After consulting with the Plan about this issue, we determined that the Plan's claims system edit was not automatically detecting COB eligible claims. The Plan is reviewing this issue to determine why the system edit was not working.

Due to the failure of the system edit, COB was not performed for several claims related to one health insurance carrier, resulting in higher claims and premium costs.

### **Recommendation 5**

We recommend that the Plan identify and fix its claims system edit and COB policies and procedures to ensure that first payer benefits are properly coordinated for all health and dental insurance providers.

#### **Plan Response:**

*The Plan agreed with the recommendation and provided an updated COB claim process flowchart for OPM's review.*

## **C. Fraud and Abuse Program Review**

### **1. Claims Paid to Debarred Providers**

### **Procedural**

The Plan paid claims to two debarred dental providers listed on both the U.S. Department of Health and Human Services' (DHHS) Listing of Excluded Providers and OPM's Debarment and Sanctions Listing.

The DHHS website (<https://oig.hhs.gov/faqs/exclusions-faq.asp>) states that "OIG's List of Excluded Individuals/Entities ... provides information to the health care industry, patients and the public regarding individuals and entities currently excluded from participation in Medicare, Medicaid and all other Federal health care programs."

Additionally, the Plan stated in its internal policies and procedures that it uses OPM's Debarment and Sanctions Listing to review any new debarred providers.

During our review of paid claims for debarred providers, we determined that the Plan paid dental claims to two debarred providers for contract years 2014 and 2015. The two dental providers who received payments were published on both the DHHS Listing of Excluded Providers and OPM's Debarment and Sanctions Listing. We reviewed the Plan's policies and procedures for credentialing/debarment and found them to be specific with respect to its health insurance line of business. Even though these general policies and procedures were provided for our dental audit, we reminded the Plan that debarred dental providers are not allowed to receive Federal funds and there should be specific policies and procedures in place for FEDVIP.

**We identified claims paid to two debarred dental providers.**

The Plan was unaware that the two dental providers were debarred from receiving Federal funds, but it assured us that it has a credentialing process in place. The Plan also stated that it is working with its Special Investigations Unit to develop a process going forward to deny claims from debarred providers.

As a result of the Plan paying claims to two debarred dental providers, there is a risk of FEDVIP funds being used inappropriately and a risk of members continuing to receive services from a provider identified as a patient safety risk.

#### **Recommendation 6**

We recommend that the Plan update its FEDVIP policies and procedures for reviewing debarred dental providers by ensuring that any providers listed on either DHHS or OPM's debarment lists are removed from the Plan's provider network and flagged from receiving payments in its claims system.

#### **Plan Response:**

*The Plan agreed with the recommendation and provided updated debarment policies and procedures for OPM's review, which helps identify and stop payments to debarred providers.*

#### **Recommendation 7**

We recommend that the Contracting Office issue additional guidelines to the FEDVIP carriers with the same debarment requirements used in the FEHBP to help stop payments to debarred providers and increase patient safety.

#### **Plan Response:**

*The Plan agreed with the recommendation and is awaiting guidelines from OPM's Contracting Office.*

## **D. Performance Guarantees Review**

### **1. Failure to Meet Performance Standards**

### **Procedural**

The Plan did not achieve or measure all of its performance standards that were guaranteed for 2014 and 2015.

Section 8 of the Contract states that the Plan guarantees performance standards related to telephone, written and email inquiries.

Additionally, the Contract lists the Plan's proposed performance guarantees with general descriptions and measuring methods for each guarantee.

**The Plan failed to meet several performance guarantees.**

We reconciled the Plan's 2014 and 2015 performance results to the guarantees for customer service measures reported to OPM. Our review showed that the Plan reported results below standards for the following guarantees:

- The Plan failed to meet its Average Call Hold Time guarantee of [REDACTED] seconds for 4 out of 12 months in 2014 and 5 out of 12 months in 2015.
- The Plan failed to meet its Call Abandonment Rate guarantee of [REDACTED] percent or less for 3 out of 12 months in 2014 and 1 out of 12 months in 2015.
- The Plan failed to measure three guarantees for Written Inquires and three guarantees for Email Inquiries in both years. Additionally, once the Plan measured these six guarantees for the purpose of our audit, it failed to meet five of the six guarantees each year.

The Plan was aware of these issues and stated that they were mostly due to enrollment increases in 2014 and a computer system update in 2015. The Plan also reported that it is actively working with OPM to improve the areas where it did not meet the guarantees.

As a result of the Plan missing the above performance guarantees, the FEDVIP members did not receive the level of service for which they paid. Furthermore, because the Plan did not measure all performance standards, OPM was unable to determine if all guarantees were met and if any corrective action was needed.

### **Recommendation 8**

We recommend that the Plan take corrective action to address the deficiencies with the Average Call Hold Time and Call Abandonment Rate performance.



**Plan Response:**

*The Plan agreed with the recommendation and implemented a performance action plan that was provided for OPM's review.*

**Recommendation 9**

We recommend that the Plan update its policies and procedures to properly measure all performance standards that were guaranteed in the Contract.

**Plan Response:**

*The Plan agreed with the recommendation and implemented a process to track inquiries. It also added the missing performance standards to the quarterly report cards for OPM's review.*

**E. Rate Proposal Review**

**1. Overestimated Claims Projections**

**Procedural**

The Plan overestimated its claims projections in the premium rate proposals by approximately █ percent in 2014 and █ percent in 2015.

As part of a fixed-price contract with prospective price redetermination, the Plan is required to submit an annual rate proposal to OPM using the most accurate data to estimate the premium rate for the next contract period. In section 5 of the Contract, the Plan also projected a pre-tax profit margin of five percent.

**The Plan's overestimated claims projections for 2014 and 2015 led to an additional \$█ million in profit.**

During our review of the premium rate proposals, we compared the Plan's annual accounting statements to the rate proposals in order to identify any major variances in claims, administrative costs, and profit. Our review showed that the Plan overestimated the claim amounts proposed to OPM for 2014 and 2015 by the following amounts:

- In the 2014 rate proposal, the Plan estimated \$█ in paid claims. The Plan actually incurred only \$█, creating a \$5 million variance that went directly to profit.
- In the 2015 rate proposal, the Plan estimated \$█ in paid claims. The Plan actually incurred only \$█, creating a \$5.6 million variance that went directly to profit.

As a result of the overestimated claims, with enrollment staying level, the Plan's pre-tax profits increased █ percentage points in 2014 and █ percentage points in 2015, over the proposed profit margin of █ percent, leading to a total profit of █ percent for 2014 and █ percent for 2015. Since the Contract stated a projected pre-tax profit margin of only █

percent, our review showed that the overestimated claims led to higher profits and a higher than required premium rate. Because this is a seven-year fixed price contract with prospective price redetermination, we are not questioning the dollar amount of the excess profits since OPM approves the rates each year. Instead, OPM should work with the Plan to negotiate a reduced rate next year using more accurate claims estimates.

**Recommendation 10**

We recommend that the contracting officer require the Plan to modify its FEDVIP rate proposal model to include more than six months of claims experience in projecting the following year's rates, or it should reduce the completion factor when annualizing the claims experience.

**Plan Response:**

*The Plan agreed with the recommendation and would welcome a longer period of claims experience for projecting the following year's proposed rates.*

**Recommendation 11**

We recommend that the contracting officer and the Plan ensure that the premium rate proposals comply with the projected [REDACTED] percent pre-tax profit listed in the Contract.

**Plan Response:**

*The Plan agreed with the recommendation and would like to work with the Contracting Officer to ensure that profits are in line with the Contract.*

# APPENDIX



500 West Main Street  
Louisville, KY 40202

T [REDACTED]  
C [REDACTED]

[REDACTED]@humana.com

[REDACTED]

Group Chief  
Special Audits Group  
Office of Inspector General  
1900 E Street NW  
Washington DC 20415

Dear [REDACTED]

Enclosed is Humana's response to the Draft Audit Report number 1J-0J-00-17-016 detailing the results of the Federal Employees Dental and Vision Insurance Program (FEDVIP) audit for Contract years 2014 and 2015.

We have provided our Plan Responses following each of the auditor's recommendations. Some of the responses include additional documentation or data which is numbered and attached.

Per your instructions attached is Humana's response both in Adobe PDF and Microsoft Word formats. All attachments (Humana financial statements, P&P's, work processes . . .) are presented in Adobe PDF format.

In addition to our audit response, we have included a separate letter which outlines our request to hold confidential some of our audit responses and attachments. It is our intent that the responses and attachments, for which confidentiality has been requested in the attached letter, will not be part of any congressional committee review or posted on the OIG website.

If you require any additional information, please contact me via e-mail: [REDACTED]@humana.com or via phone at [REDACTED].

Sincerely,

[REDACTED]  
Business Executive

Attachments (MS Word & Adobe PDF):


Draft Audit Report (1J-0J-00-17-016) and Humana Responses

Report No. 1J-0J-00-17-016

Attachment 1: Revised 2015 (Current Yr.) / 2014 (Prior Yr.) Audited Annual Statement  
Attachment 2: Policy & Procedure for Reporting FEDVIP Operations  
Attachment 3: Humana Dental Financial Recovery Process  
Attachment 4: Federal Plans – COB Claim Process  
Attachment 5: Policy & Procedures for Review of Debarred Dental Providers  
Letter dated 27 OCT 17: Objection to Public Release of Specific Responses and Attachments

cc:

  
Office of Personnel Management  
Chief, Individual Benefits and Life

  
Humana  
Actuarial Director  
Employer Group (Dental/Vision/Life/Disability)

**Deleted by OIG  
Not Relevant to Final Report**

**Recommendation 1**

We recommend that the Plan resubmit the 2014 and 2015 annual accounting statements to the U.S. Office of Personnel Management (OPM) using the correct allocated and weighted income tax percentages.

**Plan Response 1**

**The Plan agrees with the OIG's recommendation for item 1.**

**Attachment 1: Revised 2015 (Current Yr.) / 2014 (Prior Yr.) Audited Annual Statement is included with this response.**

**Recommendation 2**

We recommend that the Plan update its policy and procedures for reporting FEDVIP operations to OPM to include using the correct allocated and weighted income tax percentages for the dental subsidiary in accordance with its audited financial statements.

**Plan Response 2**

**The Plan agrees with the OIG's recommendation for item 2.**

**Beginning with the CY 2016 Annual Accounting Statement submission, the Plan will incorporate the revised policy and procedure for reporting FEDVIP Operations, including those addressing allocated and weighted income tax percentages for the dental subsidiaries.**

**Attachment 2: Policy & Procedure for Reporting FEDVIP Operations is included with this response.**

**Deleted by OIG  
Not Relevant to Final Report**

**Recommendation 3**

We recommend that the Plan attempt to recover the \$555,120 in overpaid premium tax and resubmit its 2014 annual accounting statement to OPM with the \$555,120 unallowable expense properly reported as profit.

**Plan Response 3**

**The Plan agrees with the OIG's recommendation for item 3, with one exception.**

**The attached CY 2014 revised Annual Statement (attachment 1) reflects the removal of \$555,120 as an allowable expense and instead includes \$555,120 in additional profit.**

**The Plan paid the 2014 premium tax in March of 2015, because OPM's notification of FEDVIP's Preemption of the DC Premium Tax (Letter, [REDACTED], Assistant General Counsel) was not received until May 27, 2015; and the Contract amendment excluding premium tax was not completed until March 9, 2016.**

**However, in order to recover the 2014 premium tax paid, the Plan would be required to first amend the annual statements for each impacted legal entity. Once the Annual statements were revised the Tax Department would be required to amend and file multiple premium tax returns. The schedule to meet the statute of limitations for revised tax returns is March 1, 2018. Given the time constraints and cost of amending the returns the Plan has decided not to pursue recovery of the 2014 Premium Tax.**

**Deleted by OIG  
Not Relevant to Final Report**

#### **Recommendation 4**

We recommend that the Plan review past claims to identify overpayments made for ineligible members and attempt to recover those funds. The Plan should also provide OPM with a copy of the updated policies and procedures for recovering overpayments from individually termed members.

#### **Plan Response 4**

**The Plan agrees with the OIG's recommendation for item 4.**

**The Plan is identifying termed members for whom claims were paid post-termination beginning in April of 2016 and forward. The Plan can recover funds up to 18 months from the original process date. Any services paid prior to April of 2016 cannot be recovered due to state regulatory requirements and limitations.**

**Attachment 3: Humana Dental Financial Recovery Process is included with this response.**

**Deleted by OIG  
Not Relevant to Final Report**

#### **Recommendation 5**

We recommend that the Plan identify and fix its claims system edit and COB policies and procedures to ensure that first payer benefits are properly coordinated for all health and dental insurance providers.



### **Plan Response 5**

**The Plan agrees with the OIG's recommendation for item 5.**

**Attachment 4: Federal Plans – COB Claim Process is included with this response.**

**Deleted by OIG  
Not Relevant to Final Report**

### **Recommendation 6**

We recommend that the Plan update its FEDVIP policies and procedures for reviewing debarred dental providers by ensuring that any provider listed on either DHHS or OPM's debarment lists are removed from the Plan's provider network and flagged from receiving payments in its claims system.

### **Plan Response 6**

**The Plan agrees with the OIG's recommendation for item 6. The Plan has established a process to ensure Sanctioned and Debarred providers will not be paid FEDVIP funds.**

**Attachment 5: Policy & Procedure for Review of Debarred Dental Providers is included with this response.**

### **Recommendation 7**

We recommend that the Contracting Office issue additional guidelines to the FEDVIP carriers with the same debarment requirements used in the FEHBP to help stop payments to debarred providers and increase patient safety.

### **Plan Response 7**

**The Plan agrees with the OIG's recommendation for item 7.**

**The Plan will upon receipt of the Contracting Office's additional guidance disseminate the new guidelines to the team and implement the new process.**

**Deleted by OIG  
Not Relevant to Final Report**

### **Recommendation 8**

We recommend that the Plan put in place policies and procedures to address the deficiencies with the Average Call Hold Time and Call Abandonment Rate performance.

### **Plan Response 8**

The Plan agrees with the OIG's recommendation for item 8.

An action plan was implemented in March of 2017 to ensure all Federal Performance standards are met going forward. [REDACTED]

Attachment 6: Federal Customer Care Action Plan is included with this response.

### **Recommendation 9**

We recommend that the Plan update its policies and procedures to properly measure all performance standards that were guaranteed in the Contract.

### **Plan Response 9**

The Plan agrees with the OIG's recommendation for item 9.

A process to track and respond to e-mail and written inquiries was implemented in May of 2017. The steps enacted will ensure e-mail and written inquiries are tracked and acknowledged using the metrics illustrated in the 2014 RFP response. Both categories; e-mail and written correspondence have been added (and are being tracked) to the performance standards quarterly report card.

There are three (3) e-mail metrics:

- 1) [REDACTED] of e-mails will be answered within one (1) day of receipt.
- 2) [REDACTED] of e-mails will be answered within 2 days of receipt.
- 3) An average e-mail inquiries will be answered within [REDACTED].

Similarly, there are three (3) metrics for written inquires (non-e-mail):

- 1) Approximately [REDACTED] of written inquires will be answered within thirty (30) day of receipt.
- 2) [REDACTED] of all written inquiries will be answered within sixty (60) days of receipt.
- 3) On average Incoming written inquires will be answered within [REDACTED] days of receipt.

**Deleted by OIG  
Not Relevant to Final Report**

### **Recommendation 10**

We recommend that the contracting officer require the Plan to modify its FEDVIP rate proposal model to include more than six months of claims experience in projecting the

following year's rates, or it should reduce the completion factor when annualizing the claims experience.

**Plan Response 10**

**The Plan agrees with the recommendation and would welcome an annual rate proposal process that considers a longer period of claims experience in projecting the following year's rates.**

**Recommendation 11**

We recommend that the contracting officer and the Plan ensure that the premium rate proposals comply with the projected [REDACTED] percent pre-tax profit listed in the Contract.

**Plan Response 11**

**The Plan agrees the Contracting Officer and the Plan should work together to ensure actual pre-tax profits are closely in line with the Plan's projected pre-tax profits for the contract period. Additional claims experience used in the rate proposal should be helpful in achieving that objective.**



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