



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

Final Audit Report

Subject:

**Audit of the Federal Employees Health Benefits
Program Operations at Grand Valley Health Plan,
Inc.**

Report No. 1C-RL-00-11-042

Date: March 13, 2012

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Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

AUDIT REPORT

**Federal Employees Health Benefits Program
Community-Rated Health Maintenance Organization
Grand Valley Health Plan, Inc.
Contract Number CS 2632 - Plan Code RL
Grand Rapids, Michigan**

Report No. 1C-RL-00-11-042

Date: 03/13/12

A handwritten signature in black ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

EXECUTIVE SUMMARY

**Federal Employees Health Benefits Program
Community-Rated Health Maintenance Organization
Grand Valley Health Plan, Inc.
Contract Number CS 2632 - Plan Code RL
Grand Rapids, Michigan**

Report No. 1C-RL-00-11-042

Date: 03/13/12

The Office of the Inspector General performed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Grand Valley Health Plan, Inc. (Plan). The audit covered contract years 2006 through 2010 and was conducted at the Plan's office in Grand Rapids, Michigan. Additional field work was performed at our offices in Washington, D.C., Cranberry Township, Pennsylvania, and Jacksonville, Florida.

This report questions \$1,229,824 for inappropriate health benefit charges to the FEHBP in contract years 2006, 2007, and 2010. The questioned amount includes \$1,028,936 for defective pricing and \$200,888 due the FEHBP for lost investment income, calculated through January 31, 2012. We found that the FEHBP rates were developed in accordance with the Office of Personnel Management's rules and regulations in contract years 2008 and 2009.

In contract years 2006 and 2010, the Plan gave a similarly sized subscriber group (SSSG) a discount; however, the same discount was not given to the FEHBP. Additionally, in deriving the FEHBP audited rates, we found numerous errors in the calculation of the various benefit loadings charged to the FEHBP. Adjusting the FEHBP rates for these errors and applying the SSSG discount to our audited rates resulted in overcharges to the FEHBP of \$554,303 and \$161,193 in 2006 and 2010, respectively.

For contract year 2007, we again found numerous errors in the calculation of the various benefit loadings charged to the FEHBP. Adjusting the FEHBP rates for these errors resulted in overcharges to the FEHBP of \$313,440 in contract year 2007.

Consistent with the FEHBP regulations and contract, the FEHBP is due \$200,888 for lost investment income, calculated through January 31, 2012, on the defective pricing findings. In addition, we recommend that the contracting officer recover lost investment income starting February 1, 2012, until all defective pricing amounts have been returned to the FEHBP.

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I. INTRODUCTION AND BACKGROUND

Introduction

We completed an audit of the Federal Employees Health Benefits Program (FEHBP) operations at Grand Valley Health Plan, Inc. (Plan). The audit covered contract years 2006 through 2010 and was conducted at the Plan's office in Grand Rapids, Michigan. The audit was conducted pursuant to the provisions of Contract CS 2632; 5 U.S.C. Chapter 89; and 5 Code of Federal Regulations (CFR) Chapter 1, Part 890. The audit was performed by the Office of Personnel Management's (OPM) Office of the Inspector General (OIG), as established by the Inspector General Act of 1978, as amended.

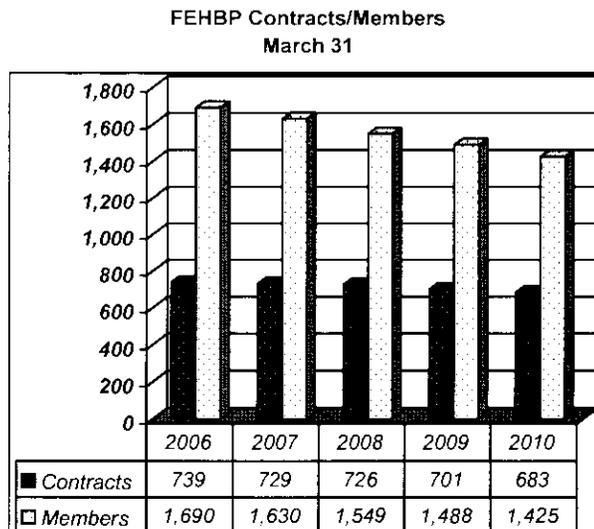
Background

The FEHBP was established by the Federal Employees Health Benefits Act (Public Law 86-382), enacted on September 28, 1959. The FEHBP was created to provide health insurance benefits for federal employees, annuitants, and dependents. The FEHBP is administered by OPM's Healthcare and Insurance Office. The provisions of the Federal Employees Health Benefits Act are implemented by OPM through regulations codified in Chapter 1, Part 890 of Title 5, CFR. Health insurance coverage is provided through contracts with health insurance carriers who provide service benefits, indemnity benefits, or comprehensive medical services.

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

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

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



The Plan has participated in the FEHBP since 1992 and provides health benefits to FEHBP members in the Grand Rapids, Michigan area. The Plan has been audited before with the most recent final report issued on October 19, 2007. The audit covered contract years 2001 through 2005. The report questioned \$1,578,816 for inappropriate health benefit charges to the FEHBP in 2001 through 2005. All matters related to that audit have been resolved.

The preliminary results of this audit were discussed with Plan officials at an exit conference and in subsequent correspondence. A draft report was also provided to the Plan on September 9, 2011 for review and comment. The Plan's comments were considered in the preparation of this report and are included, as appropriate, as the Appendix.

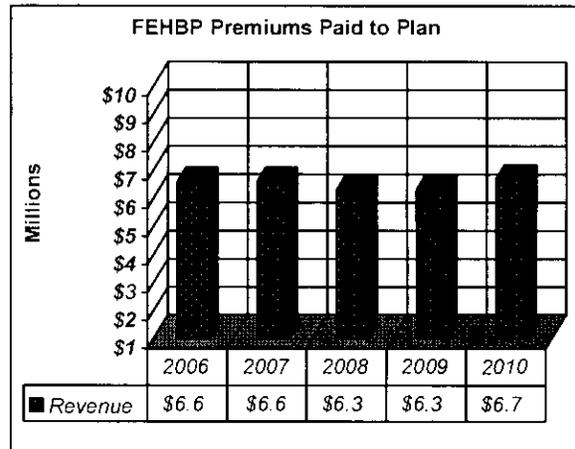
II. OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of the audit were to verify that the Plan offered market price rates to the FEHBP and to verify that the loadings to the FEHBP rates were reasonable and equitable. Additional tests were performed to determine whether the Plan was in compliance with the provisions of the laws and regulations governing the FEHBP.

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



This performance audit covered contract years 2006 through 2010. For these years, the FEHBP paid approximately \$32.5 million in premiums to the Plan. The premiums paid for each contract year audited are shown on the chart above.

OIG audits of community-rated carriers are designed to test carrier compliance with the FEHBP contract, applicable laws and regulations, and OPM rate instructions. These audits are also designed to provide reasonable assurance of detecting errors, irregularities, and illegal acts.

We obtained an understanding of the Plan's internal control structure, but we did not use this information to determine the nature, timing, and extent of our audit procedures. However, the audit included such tests of the Plan's rating system and such other auditing procedures considered necessary under the circumstances. Our review of internal controls was limited to the procedures the Plan has in place to ensure that:

- The appropriate similarly sized subscriber groups (SSSG) were selected;
- the rates charged to the FEHBP were the market price rates (i.e., equivalent to the best rate offered to the SSSGs); and
- the loadings to the FEHBP rates were reasonable and equitable.

In conducting the audit, we relied to varying degrees on computer-generated billing, enrollment, and claims data provided by the Plan. We did not verify the reliability of the data generated by the various information systems involved. However, nothing came to our attention during our audit testing utilizing the computer-generated data to cause us to doubt its reliability. We believe

that the available data was sufficient to achieve our audit objectives. Except as noted above, the audit was conducted in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States.

The audit fieldwork was performed at the Plan's office in Grand Rapids, Michigan, during April 2011. Additional audit work was completed at our offices in Washington, D.C., Cranberry Township, Pennsylvania, and Jacksonville, Florida.

Methodology

We examined the Plan's federal rate submissions and related documents as a basis for validating the market price rates. In addition, we examined the rate development documentation and billings to other groups, such as the SSSGs, to determine if the market price was actually charged to the FEHBP. Finally, we used the contract, the Federal Employees Health Benefits Acquisition Regulations, and OPM's Rate Instructions to Community-Rated Carriers to determine the propriety of the FEHBP premiums and the reasonableness and acceptability of the Plan's rating system.

To gain an understanding of the internal controls in the Plan's rating system, we reviewed the Plan's rating system policies and procedures, interviewed appropriate Plan officials, and performed other auditing procedures necessary to meet our audit objectives.

III. AUDIT FINDINGS AND RECOMMENDATIONS

Premium Rate Review

1. Defective Pricing

\$1,028,936

The Certificates of Accurate Pricing Grand Valley Health Plan, Inc. (Plan) signed for contract years 2006, 2007, and 2010 were defective. In accordance with federal regulations, the FEHBP is therefore due a rate reduction for these years. Application of the defective pricing remedies shows that the FEHBP is entitled to premium adjustments totaling \$1,028,936 (see Exhibit A). We found that the FEHBP rates were developed in accordance with OPM rules and regulations in contract years 2008 and 2009.

Federal Employees Health Benefits Acquisition Regulations (FEHBAR) 1652.215-70 provides that carriers proposing rates to OPM are required to submit a Certificate of Accurate Pricing certifying that the proposed subscription rates, subject to adjustments recognized by OPM, are market price rates. OPM regulations refer to a market price rate in conjunction with the rates offered to a similarly sized subscriber group (SSSG). If it is found that the FEHBP was charged higher than a market price rate (i.e., the best rate offered to an SSSG), a condition of defective pricing exists, requiring a downward adjustment of the FEHBP premiums to the equivalent market price.

2006

The Plan selected [REDACTED] as the SSSGs for contract year 2006. We agree with these selections. Our analysis of the SSSG rates shows that [REDACTED] received a [REDACTED] percent discount, while [REDACTED] received a [REDACTED] percent discount. The Plan did not apply a discount to the FEHBP rates in contract year 2006. In deriving audited rates for [REDACTED] we determined that the Plan was unable to support the enrollment numbers used in its calculation of a [REDACTED] premium conversion factor. We recalculated the premium conversion factor using the original enrollment report provided by the Plan and found the premium conversion factor should have been [REDACTED]. Using the audited conversion factor in our analysis results in the determination that [REDACTED] received a [REDACTED] percent discount. Since the FEHBP is entitled to a discount equivalent to the largest discount given to an SSSG, we applied the [REDACTED] percent discount given to [REDACTED] to our FEHBP audited rates for contract year 2006.

In redeveloping our FEHBP audited rates, we noted the following:

- The FEHBP was charged bi-weekly rates of [REDACTED] (single) and [REDACTED] (family) to account for dependent coverage to age 22. OPM's 2006 rate instructions specifically state that plans are not entitled to a children's loading if it includes coverage dependents in its group-specific demographics (especially the average family size) when calculating the FEHBP rates. Since the Plan included coverage dependents in its group-specific family size calculation, we disallowed this loading.

- The FEHBP was charged bi-weekly rates of [REDACTED] (single) and [REDACTED] (family) for a pass-through dental rider administered by Delta Dental. The FEHBP was charged for a full dental benefit; however, the FEHBP benefits only cover two oral exams and two cleanings per year, and emergency services to relieve pain. The Plan listed a more comprehensive dental benefit in the Non-FEHB section of the brochure that appears to represent the cost of the full dental benefit charged to the FEHBP. However, the benefits in this section are not part of the contract or premium and are not chargeable to the FEHBP. As such, we developed an estimated allowable cost based on dental utilization reports provided by the Plan. Based on our analysis, we disallowed bi-weekly rates of [REDACTED] (single) and [REDACTED] (family) for the Non-FEHB dental benefit.

We recalculated the FEHBP rates by applying the [REDACTED] percent discount given to [REDACTED] and making the above noted corrections. A comparison of our audited rates to the Plan's reconciled rates shows that the FEHBP was overcharged \$554,303 in contract year 2006 (see Exhibit B).

2007

The Plan selected [REDACTED] as the SSSGs for contract year 2007. We agree with these selections. Our analysis of the SSSG rates shows that neither group received a discount.

In redeveloping our FEHBP audited rates, we noted the following:

- The FEHBP high and standard options were charged bi-weekly rates of [REDACTED] (single) and [REDACTED] (family) to account for dependent coverage to age 22. OPM's 2007 rate instructions specifically state that plans are not entitled to a children's loading if it includes overage dependents in its group-specific demographics (especially the average family size) when calculating the FEHBP rates. Since the Plan included overage dependents in its group-specific family size calculation, we disallowed this loading.
- The FEHBP high option was charged bi-weekly rates of [REDACTED] (single) and [REDACTED] (family) for a pass-through dental rider administered by Delta Dental. The FEHBP was charged for a full dental benefit; however, the FEHBP high option benefits only cover two oral exams and two cleanings per year, and emergency services to relieve pain. The Plan could not provide detailed dental claims experience to determine the actual rates chargeable to the FEHBP for contract year 2007. As a result, we have applied the 2007 actual dental renewal increase of [REDACTED] percent to the 2006 audited dental rates. Based on our analysis, we disallowed bi-weekly rates of [REDACTED] (single) and [REDACTED] (family) for the high option Non-FEHB dental benefit.
- The Plan included an adjustment in the high option rates to account for a rate reconciliation difference between contract years 2006 and 2007. A rate reconciliation difference is accounted for on Line C of Attachment I of the Small Plan Rate Proposal. According to the rating instructions, small carriers should put the rates from Line C, Attachment I of the original rate proposal onto Line 6, Attachment III. This avoids the possibility that OPM would pay twice to a small carrier whose rates were reduced by OPM to generate a contingency reserve payment. Consequently, we disallowed bi-

weekly rates of [REDACTED] (single) and [REDACTED] (family) in the high option benefit for contract year 2007.

We recalculated the FEHBP rates by making the above noted corrections to our FEHBP audited rates. A comparison of our audited rates to the Plan's reconciled rates shows that the FEHBP was overcharged \$313,440 in contract year 2007 (see Exhibit B).

2010

The Plan selected [REDACTED] as the SSSGs for contract year 2010. We agree with these selections. Our analysis of the SSSG rates shows that [REDACTED] received a [REDACTED] percent discount, while [REDACTED] did not receive a discount. The Plan did not apply a discount to the FEHBP in contract year 2010. In deriving audited rates for [REDACTED] we determined that the Plan incorrectly applied a [REDACTED] demographic factor in its calculation of [REDACTED] rates. We calculated a [REDACTED] demographic factor based on support provided by the Plan. Using the audited demographic factor in our analysis results in the determination that [REDACTED] received a [REDACTED] percent discount. Since the FEHBP is entitled to a discount equivalent to the largest discount given to an SSSG, we applied the [REDACTED] percent discount given to [REDACTED] to our FEHBP audited rates for contract year 2010.

In redeveloping our FEHBP audited rates, we noted the following:

- The Plan included an adjustment in the high and standard option rates to account for a rate reconciliation difference between contract years 2009 and 2010. A rate reconciliation difference is accounted for in Line C of Attachment I of the Small Plan Rate Proposal. According to the rating instructions, small carriers should put the rates from Line C, Attachment I of the original rate proposal onto Line 6, Attachment III. Consequently, we reversed bi-weekly rate credits of [REDACTED] (single) and \$ [REDACTED] (family) in the high option benefit. We also reversed bi-weekly rate credits of [REDACTED] (single) and [REDACTED] (family) in the standard option benefit.
- The Plan included a Feds rider in the FEHBP rate development for both the high and standard options. Included in the Feds rider are costs associated with Mental Health/Substance Abuse (MH/SA) benefits provided to the FEHBP that are better than those offered under the Plan's standard benefit package. However, the Plan also added MH/SA loadings to the FEHBP rates. The Plan could not explain the difference between the benefits priced out in the MH/SA loadings and the benefits priced out in the Feds rider. In our opinion, the costs for the increased MH/SA benefits are accounted for in the Feds rider and the loadings are duplicate charges. Consequently, we removed the MH/SA loadings from our FEHBP audited rates.
- During our review, we also noted that starting in contract year 2010, the FEHBP substance abuse benefits were the same as the SSSG's substance abuse benefits. Neither SSSG received a rate increase for its substance abuse benefits; however, the FEHBP received an increase through the Feds rider. The FEHBP is to be treated like

the SSSGs; therefore, we removed the substance abuse cost from the Feds rider and recalculated an audited Feds rider amount.

We recalculated the FEHBP rates by applying the [REDACTED] percent discount given to [REDACTED] and making the above noted corrections. A comparison of our audited rates to the Plan's reconciled rates shows that the FEHBP was overcharged \$161,193 in contract year 2010 (see Exhibit B).

Plan's Comments (see Appendix):

The Plan disagrees with most of the audit findings presented above. However, the Plan took no exception to the rate reconciliation differences in contract years 2007 and 2010. Further, the Plan calculated a [REDACTED] percent SSSG discount in contract year 2010.

The Plan's comments on each of the remaining audit findings are as follows:

- **The SSSG discount granted to [REDACTED] in 2006.** The Plan states that regardless of the accuracy of the draft report's calculations, the conclusions are not valid since the Plan contends that [REDACTED] understated conversion factor resulted from the auditor's use of recreated enrollment reports. The recreated enrollment data was utilized due to a purported lack of supporting documentation. However, in using this data, the auditors ignored that the Plan used the exact, actual membership as it existed on the date of the rate development, without assumptions or adjustments. Such enrollment data cannot be precisely recreated because retroactive adjustments will reflect in the results. Consequently, the Plan contends that [REDACTED] original conversion was correct and should have been used in the group's audited rate development.
- **Amounts questioned related to the Dependent Coverage to Age 22 in 2006 and 2007.** The Plan contends that the charges related to this rider arose from capitated Dependent Child/Dependent Student riders that it was mandated to apply consistently to all groups requiring the coverage, by the Michigan Office of Financial and Insurance Services. They further claimed that the FEHBP was rated using the same methodology that was used to rate the SSSGs, as required by 48 C.F.R. § 1602.170-13(d), and the FEHBP is not entitled to an adjustment.
- **Amounts questioned related to the Dental Benefits Rider in contract years 2006 and 2007.** The Plan contends that although the expanded benefits were not included in the terms of the contract, FEHBP members actually received and made use of the benefits, and consequently, should have to pay for them. The Plan points out that the comprehensive dental benefits were listed in the Non-FEHB section of the benefit brochure only through 2006. The Plan admits that the 2006 and 2007 brochures do not correctly reflect the actual benefits provided to the FEHBP. However, the Plan maintains that the FEHBP's price was not increased due to defective data, only that the benefit description was flawed. Therefore, the Plan is due the additional amounts related to this loading.

- **Amounts questioned related to the MH/SA loadings in contract year 2010.** The Plan states there are no duplicate charges with the MH/SA loadings. They provided a chart which references the benefit differences between the 2007 Group Subscriber Certificate of Coverage (COC), the MH/SA riders, and the Feds rider. According to the chart, the mental health rider represents the cost for an additional 15 days of inpatient care (to a total of 30 days), while the Feds rider represents the cost of unlimited in-patient care. The chart also shows the substance abuse loading represents the cost for an additional 15 days of inpatient care (for a total of 15 days) in addition to the state substance abuse dollar limits while the Feds rider represents unlimited substance abuse coverage.
- **Amounts questioned related to substance abuse benefit levels being the same for the SSSGs and the FEHBP in contract year 2010.** The Plan states that both SSSGs are under the 2007 Group Subscriber COC for contract year 2010.

OIG Response:

- **The SSSG discount granted to ██████ in 2006.** We disagree with the Plan's position. The enrollment support provided by the Plan was not recreated, but the actual enrollment report dated June 2, 2005, which was the date the rates were originally quoted for contract year 2006. Therefore, the impact of the retroactivity is not considered. The enrollment the Plan used to develop ██████ conversion factor did not match this original report. In addition, while the Plan appears to dispute our finding, a review of the Plan's Attachment No. 1 shows it computed the same ██████ percent discount granted to ██████ as we did. We maintain our position that ██████ received a ██████ percent discount in contract year 2006.
- **Amounts questioned related to the Dependent Coverage to Age 22 in contract years 2006 and 2007.** We disagree with the Plan and maintain that the dependent loading charged in 2006 and 2007 is inappropriate and in violation of OPM's rate instructions. We do not dispute that the FEHBP should be charged for overage dependents. However, the Plan double-charged the FEHBP by including overage dependents in the FEHBP conversion factor and by applying an overage dependent load. The rating instructions, which are part of the contract the Plan signs with OPM, strictly preclude carriers double-charging the FEHBP in this way. We also disagree with the Plan's characterization of the rider filed with the State as a state-mandated rider. The State approves riders for use when they are appropriate to a group's rate development. If there are additional rating considerations which make the addition of a rider result in double-charging a group, the rider is no longer appropriate for that group.
- **Amounts questioned related to the Dental Benefits Rider in contract years 2006 and 2007.** For contract year 2006, we maintain that the Plan benefits listed in the non-FEHBP section of the brochure are not part of the FEHBP contract or premium. Therefore, any part of the loading associated with these benefits costs should be disallowed. For contract year 2007, while the additional benefits are not listed in the

FEHBP brochure, the cost for comprehensive dental benefits are included in Delta Dental's development of the pass through dental charge loaded onto the FEHB rates. Once again, any part of the dental loading associated with the cost of comprehensive benefits not covered by the FEHBP should be disallowed. In order to develop an appropriate loading cost for the allowable FEHBP benefits, we asked the Plan to provide claims information broken out by benefit received. The only time period we received was for the 2006 contract year. As such, we developed an estimated allowable cost based on dental utilization reports for 2006. For contract year 2007, we calculated the percentage increase charged by Delta Dental from 2006 to 2007 and applied that increase to our audited 2006 loading to allow for cost trending. We believe our estimate of allowable cost for the dental benefits to be reasonable based on the detailed claim support provided by the Plan.

- **Amounts questioned related to the MH/SA loadings in contract year 2010.** We agree that the FEHBP received richer MH/SA benefits than the Plan's standard COC. However, the cost of the increased benefits is included in the calculation of the Feds rider, and the inclusion of an MH/SA loading is a double charge. During our review, the Plan provided us a document entitled "MEMORANDUM ON VALUES OF RATE VARIATIONS FOR FEHBP." This memorandum describes the basis for the development of the Feds rider. Within the memorandum it states the benefit variation being captured in the Feds rider for mental health is to "Remove [the] 15-day limit". It also states the substance abuse benefit being captured in the Feds rider is to "Remove [the] dollar limit (State-mandated amount)." The detailed PMPM costs associated with the FEHBP MH/SA benefit variations are documented in the memorandum. Based on the memorandum, we continue to believe the cost for the MH/SA benefit variations are fully captured in the Feds rider and an MH/SA loading is not necessary. The information provided by the Plan simply lists the benefit variations, but does not provide any specific cost analysis to support the need for both the MH/SA loading and the Feds rider. We continue to question the MH/SA loading in contract year 2010.
- **Amounts questioned related to substance abuse benefit levels being the same for the SSSGs and the FEHBP in contract year 2010.** We disagree that the SSSG's received the 2007 group subscriber COC. We maintain our position that the FEHBP should be treated like the SSSGs and not receive a rate increase for substance abuse benefits in contract year 2010.

Recommendation 1

We recommend that the contracting officer require the Plan to return \$1,028,936 to the FEHBP for defective pricing in contract years 2006, 2007, and 2010.

2. Lost Investment Income

\$200,888

In accordance with the FEHBP regulations and the contract between OPM and the Plan, the FEHBP is entitled to recover lost investment income on the defective pricing findings in contract years 2006, 2007, and 2010. We determined that the FEHBP is due \$200,888 for lost investment income, calculated through January 31, 2012 (see Exhibit C). In addition, the

FEHBP is entitled to lost investment income for the period beginning February 1, 2012, until all defective pricing finding amounts have been returned to the FEHBP.

FEHBAR 1652.215-70 provides that if any rate established in connection with the FEHBP contract was increased because the carrier furnished cost or pricing data that were not complete, accurate, or current as certified in its Certificate of Accurate Pricing, the rate shall be reduced by the amount of the overcharge caused by the defective data. In addition, when the rates are reduced due to defective pricing, the regulation states that the government is entitled to a refund and simple interest on the amount of the overcharge from the date the overcharge was paid to the carrier until the overcharge is liquidated.

Our calculation of lost investment income is based on the United States Department of the Treasury's semiannual cost of capital rates.

Plan's Comments (see Appendix):

The Plan agrees that OPM is entitled to lost investment income on the appropriate principal amounts due for the years in question.

Recommendation 2

We recommend that the contracting officer require the Plan to return \$200,888 to the FEHBP for lost investment income for the period January 1, 2006, through January 31, 2012. In addition, we recommend that the contracting officer recover lost investment income on amounts due for the period beginning February 1, 2012, until all defective pricing amounts have been returned to the FEHBP.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Community-Rated Audits Group

[REDACTED] Auditor-in-Charge

[REDACTED] Lead Auditor

[REDACTED] Auditor

[REDACTED] Chief

[REDACTED] Senior Team Leader

**Grand Valley Health Plan, Inc.
Summary of Questioned Costs**

Defective Pricing Questioned Costs:

Contract Year 2006	\$554,303
Contract Year 2007	\$313,440
Contract Year 2010	<u>\$161,193</u>

Total Defective Pricing Questioned Costs: \$1,028,936

Lost Investment Income: \$200,888

Total Questioned Costs: **\$1,229,824**

**Grand Valley Health Plan, Inc.
Defective Pricing Questioned Costs**

2006

	<u>Self</u>	<u>Family</u>
FEHBP Line 5 - Reconciled Rate	[REDACTED]	[REDACTED]
FEHBP Line 5 - Audited Rate	[REDACTED]	[REDACTED]
Overcharge	[REDACTED]	[REDACTED]
To Annualize Overcharge:		
3/31/06 enrollment	[REDACTED]	[REDACTED]
Pay Periods	<u>26</u>	<u>26</u>
Subtotal	[REDACTED]	[REDACTED]

Total 2006 Questioned Costs

\$554,303

2007

High Option

	<u>Self</u>	<u>Family</u>
FEHBP Line 5 - Reconciled Rate	[REDACTED]	[REDACTED]
FEHBP Line 5 - Audited Rate	[REDACTED]	[REDACTED]
Overcharge	[REDACTED]	[REDACTED]
To Annualize Overcharge:		
3/31/07 enrollment	[REDACTED]	[REDACTED]
Pay Periods	<u>26</u>	<u>26</u>
Subtotal	[REDACTED]	[REDACTED]

\$299,598

Standard Option

	<u>Self</u>	<u>Family</u>
FEHBP Line 5 - Reconciled Rate	\$ [REDACTED]	[REDACTED]
FEHBP Line 5 - Audited Rate	\$ [REDACTED]	[REDACTED]
Overcharge	[REDACTED]	[REDACTED]
To Annualize Overcharge:		
3/31/07 enrollment	[REDACTED]	[REDACTED]
Pay Periods	<u>26</u>	<u>26</u>
Subtotal	[REDACTED]	[REDACTED]

\$13,842

Total 2007 Questioned Costs

\$313,440

**Grand Valley Health Plan, Inc.
Defective Pricing Questioned Costs**

2010

High Option

	<u>Self</u>	<u>Family</u>	
FEHBP Line 5 - Reconciled Rate	[REDACTED]	[REDACTED]	
FEHBP Line 5 - Audited Rate	[REDACTED]	[REDACTED]	
Overcharge	[REDACTED]	[REDACTED]	
To Annualize Overcharge:			
3/31/10 enrollment	[REDACTED]	[REDACTED]	
Pay Periods	<u>26</u>	<u>26</u>	
	[REDACTED]	[REDACTED]	
Subtotal			\$152,307

Standard Option

	<u>Self</u>	<u>Family</u>	
FEHBP Line 5 - Reconciled Rate	[REDACTED]	[REDACTED]	
FEHBP Line 5 - Audited Rate	[REDACTED]	[REDACTED]	
Overcharge	[REDACTED]	[REDACTED]	
To Annualize Overcharge:			
3/31/10 enrollment	[REDACTED]	[REDACTED]	
Pay Periods	<u>26</u>	<u>26</u>	
	[REDACTED]	[REDACTED]	
Subtotal			\$8,886

Total 2010 Questioned Costs **\$161,193**

Total Defective Pricing Questioned Costs: **\$1,028,936**

**Grand Valley Health Plan, Inc.
Lost Investment Income**

Year	2006	2007	2008	2009	2010	2011	31-Jan-12	Total
Audit Findings:								
1. Defective Pricing	\$554,303	\$313,440	\$0	\$0	\$161,193	\$0	\$0	\$1,028,936
<hr/>								
Totals (per year):	\$554,303	\$313,440	\$0	\$0	\$161,193	\$0	\$0	\$1,028,936
Cumulative Totals:	\$554,303	\$867,743	\$867,743	\$867,743	#####	#####	\$1,028,936	\$1,028,936
Avg. Interest Rate (per year):	5.438%	5.500%	4.938%	5.250%	3.188%	2.563%	2.000%	
Interest on Prior Years Findings:	\$0	\$30,487	\$42,845	\$45,557	\$27,659	\$26,366	\$1,715	\$174,629
Current Years Interest:	\$15,070	\$8,620	\$0	\$0	\$2,569	\$0	\$0	\$26,259
<hr/>								
Total Cumulative Interest Calculated Through January 31, 2012:	\$15,070	\$39,107	\$42,845	\$45,557	\$30,228	\$26,366	\$1,715	\$200,888



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November 28, 2011

RECEIVED NOV 29 2011

VIA E-MAIL

Office of Personnel Management
Office of the Inspector General
800 Cranberry Woods Drive
Suite 130
Cranberry Township, Pennsylvania 16066

RE: Comments to Grand Valley Health Plan: Draft Audit Report No. 1C-RL-00-110042

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Dear [Redacted]

On behalf of Grand Valley Health Plan ("GVHP" or "Company" or "Carrier"), we submit the following comments to the above-referenced draft audit report issued by the Inspector General ("IG") of the Office of Personnel Management ("OPM") under the Federal Employees Health Benefits Plan ("FEHBP"). We appreciate the extension of time you provided for submission of these comments.

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Preliminary Comments

As a preliminary matter, we note that several of the issues arising in this audit report have antecedents in the OPM Inspector General's audit of GVHP for the years 2001 through 2005. GVHP's previous FEHBP audit for years 2001-2005 was not concluded until 2009. There is mention of items within the 2006-2010 audits that were items of contention from that previous audit and thus overlap. Since the resolution of the earlier audit did not occur until 2009, GVHP did not have the opportunity to modify its practices for the earlier years of this audit. Accordingly, GVHP continues to dispute these items as noted below.

GVHP took vigorous exception to the OPM findings with respect to these items in response to the earlier audit. As the record shows, OPM made some major concessions to GVHP in that prior audit, presumably in response to these concerns, and (other than a payment for the contingency

reserve account) GVHP made a modest payment to OPM to resolve that prior audit, including several issues that GVHP had conceded to OPM. The point being, that the parties have been over portions of the current draft audit report before and GVHP remains insistent that it did no wrong with respect to those items. Therefore, GVHP submits that it does not owe OPM any payment for these items.

Of particular note, in the current draft audit report, is what GVHP respectfully submits is a proposed but wrongful finding by OPM with respect to the Company's pass-through Delta Dental benefits. The OPM position, boiled down to its basics, is that GVHP put the dental benefits in the voluntary portion of the FEHBP brochure, and as a result, the dental plan has to be offered without costs as an enticement to subscribers to enroll in the plan. GVHP was only made aware of this issue when it received its draft report of the 2001-2005 audit. At that time, on or about May 2008, GVHP submitted a request to drop the extra dental benefits. This request was denied by OPM on or about July 2008. Therefore, to the extent that this position ever had any merit, OPM's refusal starting in 2008 to let GVHP modify or drop the dental plan or move the benefit description to another section of its plan brochure nullifies OPM's claim. Simply stated, OPM cannot demand that GVHP provide the dental benefits, yet refuse to allow GVHP to change its brochure, and then claim that GVHP was locked into giving a "freebie" and cannot get any credit for the benefit cost. That would be unfair and unworthy of OPM.

Moreover, particularly in respect to the dental benefits rider, we believe that OPM's position is depriving GVHP of rates that "reasonably and equitably reflect the cost of benefits provided." 5 U.S.C. § 8902(i). The Court of Federal Claims has made it clear that this statutory mandate grants carriers a right to rates that reflect the costs of benefits, even when agency regulations might lead to contrary results. GHS Health Maintenance Organization, Inc. et al. v. United States, Nos. 01-517C; 05-371C; 05-963C, 2007 U.S. Claims LEXIS 116 (CoFC April 17, 2007). As the Court stated, any other conclusion "ignores, invalidates, and conflicts with the intent of the FEHBA and the other strict financial requirements, also established by OPM to ensure equitable rates." *Id.* at 29. The GHS decision reflects OPM's position that there is no precise rate for carriers and that section 8902 (i) only requires "a reasonable and equitable reflection of the cost of benefits when comparing the federal group to the appropriate SSSG." *Id.* at 21. *See also* Brief and Addendum for Defendant-Appellant at 36 (filed by OPM at the Federal Circuit Court of Appeals in GHS Health Maintenance Organization Inc. et al v. United States, No. 2007-5143 (Dec. 4, 2007), in which OPM takes a position inconsistent with the auditors' insistence on proof of actual costs to back up the rates charged:

With regard to community rates, it is not required that the rates equal, precisely, the actual costs of benefits utilized, nor is it required that the SSSG price must equal, in dollar terms, the FEHBP price. Rather, what is required is that the FEHBA rates be developed using **rating methods** that are consistent with those used to derive the carrier's SSSG rates, 48 C.F.R. § 1602.170-13(d) (1997), and that the rates are subject to cost and price analysis and verification if and when OPM's OIG chooses to audit them.

The GHS case was affirmed by the Federal Circuit Court of Appeals, which rejected OPM's arguments to the contrary. *See GHS Health Maintenance Org. v. United States*, 536 F.3d 1293 (Fed. Cir. 2008). So OPM is now plainly bound by this case law to produce community rates that fairly reflect the cost of the benefits provided by the healthcare plans, and OPM should not lose sight of this obligation as it makes technical or other audit conclusions which in the end do not comport with the statutory requirement that rates reasonably and equitably reflect the cost of the benefits GVHP has provided.

In addition to the dental plan, there are several audit items that if done correctly would lead to a credit to GVHP rather than a sum owed OPM. In other words, the audit showed that OPM was not charged the full cost of a benefit or that a SSSG was charged more. OPM's proposed audit findings pick through claims without any mention of offsetting costs. As OPM knows, the real issue in a community rated plan audit is whether the FEHBP was improperly charged on an overall basis more than the SSSG. Accordingly, if OPM was given a discount some place, that discount should count as a credit towards any other alleged overcharges. For example, GVHP made mistakes in the rate reconciliation. In some years that mistake results in a payment to OPM which OPM is seeking. In the same years, other mistakes resulted in a discount to OPM, compared to the SSSG, but OPM is offering no credit. Please also see the discussion of Contract Year 2009 OPM audit errors and the credits due there as well as the Contract Year 2010 discussion of Dependents to Age 22.

Finally, the auditors appear to be seizing upon any justification for disallowing portions of GVHP's rates, even when the FEHBP clearly received a benefit for which GVHP will not otherwise be compensated. The classic example of this is where the auditors have "frozen" the estimated cost of the FEHBP portion of the dental benefits in 2006 dollars and refused to escalate those costs for the next four years. When there is adequate documentation of the cost of benefits provided, the fact that the documentation may not be perfect, or that the Plan otherwise made mistakes in its rating, should not become a pretext for depriving the Plan of equitable rates for the benefits provided. OPM isn't entitled to a downward adjustment simply because it rejects what should be adequate evidence of the actual costs of a benefit. That is not reasonable or equitable.

Our comments specific to the audit findings for each year follow. When an issue is recurring, we have addressed it fully in the first year of its occurrence and then referenced that discussion in later years.

Contract Year 2006

The auditors allege that the FEHBP was overcharged for 2006 because FEHBP was allegedly charged higher than the market rate price (the best rate offered to an SSSG) charged to Meijer, and the IG also proposed adjustments based on dependent coverage, and dental overcharges. Based on the amended findings and additional information provided, GVHP submits that a reduced overcharge of \$253,359 is due to OPM for 2006. *See Attachment No.1 (2006 Audited Rates GVHP audited at Exhibit A)*. The reasons for that reduction are set forth below.

Conversion Factor

As was the case in the prior audit by OPM, the auditors questioned the conversion factor GVHP used to develop the SSSG rates because GVHP calculated a lower conversion factor based on enrollment reports re-run by GVHP during the audit for the time period when the rates were originally quoted. The auditors note that GVHP allegedly used erroneously utilized projected enrollment statistics in calculation of its premium conversion factor instead of actual enrollment statistics the Carrier was able to support. GVHP disagrees.

In the prior OPM audit process, GVHP performed significant analysis in coordination with an outside consultant to attempt to reproduce the exact conversion factor used for its SSSGs and it was unsuccessful in eliminating the impact of the retroactivity of the later-entered enrollment data. GVHP submits that adequate documentation exists of the correct conversion factor. GVHP believes that it used the exact, actual membership as it existed on the date of rate development, without assumptions or adjustments. This is certainly the best evidence available of the appropriate conversion factor, given the inaccuracies produced by retroactivity on any later-created reports. Accordingly, GVHP rejects the draft audit report conclusions with respect to SSSG rates.

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Dependent Coverage to Age 22

This issue also arose in the previous IG audit of GVHP. As noted above, GVHP was previously audited for benefit years 2001-2005, but the OPM audit was not resolved until 2009. To understand this issue, thus, we must go back to the original audit period.

In 2001, GVHP filed a capitated Dependent Child rider and a Dependent Student rider with the State of Michigan's Office of Financial and Insurance Services. This filing was approved. According to the State Approved filing, GVHP was required to use these riders whenever there were groups requiring coverage for Dependent Children over the age of 19 and Dependent Full-time College Students over the age of 19. Accordingly, GVHP applied these riders in the same manner to all groups requiring this coverage. GVHP respectfully submits that this is simply an extension of the same issue identified from the previous audit and the Company does not accept the finding as the previous audit was not concluded at the time of this benefit pricing.

The auditors are mistakenly challenging an increase in the FEHBP's conversion factor to adjust for overage dependent coverage. However, GVHP used the same method for all SSSG's and every other group. GVHP's method was approved by the state of Michigan.

Moreover, GVHP consistently applied a state-mandated Dependant Child Rider or a Dependant Student Rider to all employer groups requiring coverage for dependant children over the age of 19 or dependant full-time college students over the age of 19, including the FEHBP. Consequently, the FEHBP was rated using the same methodology that was used to rate the SSSGs, as required by 48 C.F.R. § 1602.170-13(d), and the FEHBP is not entitled to an adjustment.

Dental Benefits Rider

As noted above, this too is a rehash of an old argument. For most of the years audited (2001-2007), GVHP provided all FEHBP members with a comprehensive dental benefit (which was described in the Non-FEHBP section of the benefits brochure only through 2006) rather than the limited benefits described as FEHBP plan benefits. The auditors have disallowed in part the pass-through dental rider administered by Delta Dental for the comprehensive benefit on the basis that allegedly was not considered part of the FEHBP contract or premium. Also, the auditors tried, as they did in the earlier audit, to reconstruct an "estimated allowable cost based on dental utilization reports" for the FEHBP limited dental plan.

GVHP maintains that OPM is obligated to pay it for the full benefit the auditors have acknowledged it provided. The fact that the benefit was described incorrectly in the benefits brochure, and neither GVHP or OPM identified the discrepancy, despite the fact that FEHBP members have received the comprehensive benefit since 1993, should not be used as justification for paying GVHP significantly less than the value of the benefits it has provided. Again, GVHP has a statutory right to be paid rates that "reasonably and equitably reflect the cost of benefits provided." 5 U.S.C. § 8902(i). Federal employees, dependents and retirees have participated in and benefitted from the dental plan since 1993 and GVHP was never told, until the prior audit, that there was any problem with its dental plan. In fact, as a result of the prior audit, GVHP attempted to remove this benefit and was expressly told by OPM that it could not drop this plan. In a July 24, 2008 letter, OPM wrote, "[w]e do not accept the Plan's proposal to delete its current dental benefit." How can OPM assert that the dental plan was a "voluntary" incentive or gift while at the same time insisting that the dental benefit not be altered? This action by OPM is indicative of the fact that GVHP was providing a real benefit to the FEHBP and that it would be unfair for OPM to demand something for no cost to the Government.

As noted above, carriers have a statutory right to be paid rates that "reasonably and equitably reflect the cost of benefits provided." 5 U.S.C. § 8902(i). If OPM is going to mandate a benefit, then it must pay for it - it cannot have a "free ride." Here, GVHP simply charged a cost that OPM itself had determined to be reasonable. OPM refused to let GVHP change the dental benefit. Now the auditors seek to get the mandated benefit for free, which isn't reasonable or equitable.

Moreover, the auditors attempt to credit GVHP with the portion of the dental plan costs which were required under the FEHBP is inadequate. It under-estimates the costs of the FEHBP mandated portion of the dental benefits. OPM's reconstructed rates for the dental plan are insufficient. GVHP has discussed the issue with Delta Dental who has provided GVHP with the development attachment. See Attachment No. 2 (OPM 2006 Delta Rate Development.pdf) which supports the Delta Dental rates actually used for Contract Year 2006. GVHP takes exception to the assumptions used by the auditors in determining what the rates should have been for two oral exams, two cleanings per year, and emergency services to relieve pain. According to Delta Dental, GVHP would have been charged \$ [REDACTED] monthly for those services. Updating the 2006 Audited rate sheet to reflect the Delta Dental rates as provided by Delta Dental, would at a minimum amend the draft findings.

Accordingly, in light of the apparent resolution of the prior audit in favor of GVHP on this ground, and the manifest unfairness of OPM getting something for nothing, yet refusing to let GVHP out of the benefit obligation, we respectfully maintain that GVHP should be paid for the full dental benefit actually provided. And, in any case, the FEHBP mandated portion of the dental benefits has been under-estimated by OPM.

Contract Year 2007

The auditors allege that the FEHBP was overcharged for 2007 due to errors in the development of the FEHBP rate arising from allegedly defective charges for dependent care, dental benefits and rate reconciliation. Based on the proposed amended findings and additional information provided below, GVHP shows a reduced overcharge of \$3,839 in 2007. See Attachment No. 3 (2007 Exhibit A-High and Exhibit A-Std).

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Dependants to Age 22

As in 2006, the auditors contend that GVHP overcharged the FEHBP in 2007 by including overage dependants in the FEHBP's conversion factor at the same time as it applied a Dependant Child Rider. As noted in response to the 2006 draft findings, GVHP consistently applied a state-mandated Dependant Child Rider or a Dependant Student Rider to all employer groups requiring coverage for dependant children over the age of 19 or dependant full-time college students over the age of 19, including the FEHBP. Consequently, the FEHBP was rated using the same methodology that was used to rate the SSSGs, as required by 48 C.F.R. § 1602.170-13(d), and the FEHBP is not entitled to an adjustment.

Dental Benefits Rider

For the same reasons discussed with regard to the 2006 rates, GVHP submits that the Dental Benefits Rider costs should be entirely allowed in 2007, and that even if that were not the case, GVHP is entitled to much more than the auditors calculated under OPM's methodology.

The auditors say that they "have frozen the dental rates based on the audited allowable costs from contract year 2006." This would be unfair. Please see new Attachment No. 4 (OPM 2007 Delta Rate Development.pdf) which supports the Delta Dental rates actually used for Contract Year 2007. Again, GVHP disagrees with the assumptions used by the auditors in determining what the rates

should have been for two oral exams, two cleanings per year, and emergency services to relieve pain. According to Delta Dental, GVHP would have been charged \$ [REDACTED] monthly for those services. More comprehensive benefits were not included in the NON-FEHB section of the brochure. Updating the 2007 Audited rate sheet to reflect the Delta Dental rates as provided by Delta Dental amends the findings.

Rate Reconciliation Difference

GVHP takes no exception to this finding.

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Contract Year 2010

The auditors allege that the FEHBP was overcharged for 2010 due to errors in the development of the FEHBP rate arising from allegedly defective charges for a SSSG demographic adjustment, rate reconciliation, and mental health loadings. Based on the amended findings and additional information provided, GVHP shows an amended discount provided to of Based on the amendment above and additional information provided, GVHP shows an undercharge due back to the carrier of \$22,121 in 2010. See Attachment No. 12 (amended Development); Attachment 13 (2010 Exhibit A-High and Exhibit A-Std).

The auditors' findings are discussed below.

Demographic Adjustment

The auditors are seeking a discount resulting from an adjustment they made to the SSSG demographic factor. However, GVHP notes that FEHBP's Enrollment Audited work-up included an error. For some reason the audit "count formula" did not pick up one of the "double contracts" (as highlighted in the amended Audit workup sheet). has two contracts and they need to be combined. When this additional contract is added back to the FEHB audited rate workup discount applied to is reduced to. See Attachment Nos. 14 (2010 Enrollment Workup GVHP Audited.xls) and 15 (2010 Audited Rates GVHP AUDITED.xls).



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Rate Reconciliation Difference

GVHP takes no exception to this finding.

Feds Rider for MH/SA and Substance Abuse Benefits

There is an interrelationship between the Mental Health/Substance Abuse Benefit and separate Substance Abuse proposed findings for 2010, so GVHP shall comment on the two together.

In 2007, as OPM has acknowledged, there are no duplicate charges with the MH/SA loadings. The chart below references the Benefit differences and levels, between the 2007 Group Subscriber Certificate of Coverage, IM1, IM3 and FEHB Plan.

2007 Group Subscriber Certificate of Coverage (COC)	IM 1 In-patient Mental Health Rider	IM 3 Substance Abuse Rider	Feds Rider
20 visit out-patient mental health limit	N/A	N/A	Provides out-patient mental health visit with no Day Limits, Dollar Limits, or long-term condition exclusions. There is not a diagnosis exclusion list.
15 day Behavioral Health In-patient Limit	Amends the COC to add an additional 15 days of Behavioral Health In-patient days to a total limited benefit of <u>30 days.</u>	NA	Provides In-patient mental health visit with no Day Limits, Dollar Limits, or long-term condition exclusions. There is not a diagnosis exclusion list.
State mandated Substance Abuse Dollar Limit which was <u>\$3,774 in 2009 and \$3,919 in 2010</u>	NA	Amends the COC to add an additional 15 days of In-patient days Substance Abuse coverage for a total <u>limited benefit of 15 In-patient Substance Abuse coverage days in addition to the State Substance Abuse Dollar limit.</u>	Provides In-patient and out-patient substance abuse coverage with no Day Limits, Dollar Limits, or long-term condition exclusions. There is not a diagnosis exclusion list.
Long-term condition exclusion and list of diagnosis excluded.	Long-term psychotherapy is NOT covered.	Long-term psychotherapy is NOT covered.	Long-term psychotherapy IS covered. There is not a diagnosis exclusion list.

The differences between the 2010 FEHB Mental Health Substance Abuse coverage is that the FEHB Program does not include Day Limits, Dollar Limits, or long-term condition exclusions, whereas, the 2007 Group Subscriber Certificate of Coverage (which both SSSG's are on for the 2010 year) include a 20 visit out-patient mental health limit, a 15 day Behavioral Health In-patient limit and a state mandated Substance Abuse Dollar Limit which was \$3,919 in 2010. This information can be found as listed below in the 2007 Group Subscriber Certificate of Coverage on page 10, Section 10: Behavioral Health Services:

Section 10: Behavioral Health Services:

10.2 Outpatient mental health services – for evaluation, consultation, crisis intervention and short-term, solution-focused treatment. *Long-term psychotherapy is not covered.*

10.2.1 Outpatient services that met the criteria specified in Section 10.1 *are covered for up to 20 outpatient visits in a contract year* with a GVHP Behavioral Health Counselor or authorized and arranged by a GVHP Health Center Participating Practitioner with a GVHP Participating Provider.

10.2.3 Hospital-Based Mental Health Services

1. *Inpatient treatment which meet criteria for hospital based service is covered for up to a maximum of 15 days per member per contract year. Partial hospitalization days are applied against the 15-day benefit at a rate of two (2) partial hospital days for one inpatient day.*

10.3.2 Pursuant to MCL 500.3425, coverage for *Substance Abuse Services is determined by and limited to the annual state substance abuse dollar amount.* Substance abuse services are subject to applicable deductibles, coinsurance and copayments.

The IM 1 Rider only adds 15 additional In-patient Mental Health Days as listed below:

5.13 *Inpatient mental health services which meet the criteria of the Certificate of Coverage are extended for up to a maximum of 15 additional days in a contract year as a covered benefit.*

The IM 3 Rider only adds 15 In-patient Substance Abuse Days as listed below:

10.4.5 Substance abuse inpatient treatment services will be provided to a member when authorized by a Participating Practitioner in a program approved by Grand Valley Health Plan. The maximum services provided will be 15 days in a contract year.

NOTE the actual Certificate of coverage ("COC") language governs GVHP's claims payment mechanism and overrides any benefit summary language (which is for comparison only). See note on FEDS AUDIT regarding the Feds Rider value adjustment related to COC language differences.

Accordingly, the values have been added back to the GVHP rate development to accommodate for the difference in benefits provided. See Attachment No. 13 (2010 FEHBP-High and FEHBP-Std).

Recommendation 1

In general, GVHP takes exception to the OPM calculation of the sums due as set forth above.

In addition, GVHP objects to the methodology used by OPM in "rounding off" differences in numbers in various portions of the audit. The audit should reflect the rounding methodologies that the Carrier uses, as Feds and SSSG calculations were rounded in the same manner. For sake of discount calculations, GVHP should not be financially penalized by an audit calculation that applies a decimal rounding policy that differs from its procedures. Areas impacted by this rounding policy have also been highlighted in yellow in the Audited Rates GVHP audited spreadsheets by year.

The bottom line is that GVHP calculates the defective pricing claims of OPM to total \$25,675, and respectfully requests that the final audit report be modified to reflect that only those sums must be returned to the FEHBP.

Lost Investment Income

GVHP does not contest OPM's entitlement to lost investment income on the appropriate principal amounts due for the years in question. GVHP, however, does dispute the principal upon which the lost investment income calculator is based. GVHP respectfully contends that the lost investment income should be calculated based on the principal sum of \$25,675 allocated over the audit years in question.



* * *

Thank you for the opportunity to file these electronic comments. As you requested the comments are in Word format. Electronic copies of other attached files will be sent on a CD rom by Federal Express.

GVHP appreciates OPM's kind consideration of these points and hopes that OPM will make the appropriate modifications to its final audit report. Please feel free to contact us if you have any questions or need further information.

Very truly yours,

/s/

Special Counsel for Grand Valley Health Plan

Cc:

Enclosures