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Correspondence Memorandum

Date: February 5, 2024

To: Audit Committee

From: Amanda Williams, Internal Auditor
Office of Internal Audit (OIA)

Subject: Health Plan Performance Standards Review

This memo is for informational purposes only. No Committee action is required.

The Quarterly Performance Standards Reports provide the Department of Employee Trust Funds (ETF) with metrics on how the health plan providers are performing based on specific performance standards that are detailed in the Program Agreement. These metrics include performance measures on claims processing, customer service, and enrollment processing.

Starting in 2018, the health plans began submitting their Performance Standards Reports for each quarter of the year and for each month in that quarter. The Health Program Manager of the Office of Strategic Health Policy (OSHP) reviews and compiles the metrics into one report. As part of the review, the Health Program Manager ensures that the health plans meet the performance standards based on the metrics submitted by the health plans. If a health plan does not meet a performance standard, a penalty is assessed. However, these penalties can be waived if the health plan submits a Letter of Explanation. The waivers are reviewed quarterly by a group of staff from OSHP, the Budget, Contract, Administration & Procurement (BCAP), and the Office of Legal Services (OLS), and the waivers are then approved by OSHP Leadership.

The health plans also provide additional administrative metrics regarding enrollment files and ID Card generation with this deliverable as needed. The OSHP Data and Compliance Director reviews the data for these metrics and the health plan submissions to the data warehouse and provides the Health Program Manager with a summary report. Penalties for these metrics can also be assessed if standards are not met.

The summary reports are provided to the Group Insurance Board (GIB) on a quarterly Basis. When the 4th quarter results are reported, an annual analysis is presented to the GIB, which can help identify health plans that may need further attention by ETF. While

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the reports in the board materials for GIB board members included the names of the health plans, the health plans were deidentified in the reports available in the public board materials (i.e., the names of the health plans were removed and the order of the results were scrambled). However, starting with the Q2 2023 summary report, OSHP presented these reports with the health plan names so members could see the performance of their health plans, thereby increasing the transparency with members.

For each Performance Standards Report, the health plans submit a Quarterly Vendor Performance Certification that attests that the Quarterly Performance Standard Report was administered and completed in adherence to the terms and conditions of the Program Agreement with ETF. However, they do not provide supporting documents of their submitted metrics. While ETF has the right to request the information supporting the metrics submitted, it has not exercised this right until this review.

OIA Review and Results

OIA conducted this review as requested by the OSHP management to ensure the accuracy and completeness of the Quarterly Performance Standards Reports submitted by the health plans as required by the health plan program agreements and to provide potential improvements to the review and reporting of the health plan performance standards. Our review included the quarterly reports submitted for the reporting periods covering January 2022 through March 2023.

We conducted this review by performing the following testing procedures:

1. Reporting to GIB: We ensured each of the quarterly reports submitted by the health plans were reported to the GIB accurately.
2. Penalties and Waivers: We reviewed each performance standard that was not met by a health plan to ensure either a penalty was assessed, or a waiver was granted and approved by OSHP leadership.
3. Validation of Health Plan Reports: We requested the data used by the health plans to report the performance standards to ETF and recalculated the performance standards using the health plan data to validate the results submitted.¹

Our review was conducted in conformance with International Standards for the Professional Practice of Internal Auditing.

Reporting to GIB

In our comparison of the Quarterly Performance Standards Reports submitted by the health plans to the quarterly summary reports provided to the GIB, we found most of the information was provided accurately in the GIB report. However, we found errors in all but one of the quarterly GIB summary reports in our review period. These errors

¹ ETF was contracted with 12 health plans during our review period. The contract with one of these health plans ended in 2022. Therefore, we were unable to request the supporting documents from this health plan for our validation testing.

included transposing numbers and inadvertently using one health plan's performance measures in place of another health plan's performance measures. Although OSHP performs a review of the summary reports before they are presented to the GIB, it appears that the review can be strengthened to include verifying the accuracy of the performance measures reported.

If the performance standards are not reported to the GIB accurately, the GIB may be misinformed on the performance of the health plans. Therefore, OIA provides the following suggestion:

OIA suggests that OSHP perform a secondary review of the GIB quarterly summary report of the Performance Standards to verify that the performance standards reported by the health plans are accurately included in the GIB report.

Penalties and Waivers

For the performance standards that were reported by the health plans, we identified those that were not met and verified whether a penalty was assessed, or a waiver of the penalty was approved. We found no exceptions in our review. All penalties were assessed or waived appropriately.

Validate Health Plan Reports

Upon submission of their reports to OSHP, the health plans certify that they are submitting the correct results. However, prior to this review, the performance standards data used by the health plans to compile their reports to ETF have not been requested or submitted by the health plans, and ETF staff have not validated the performance standards for accuracy.

We requested the performance standards data from all health plans currently contracted with ETF for all quarterly reports submitted during our review period. We received adequate data from 10 out of 11 health plans. One health plan refused to provide ETF with the data needed for our review.

In our validation of the health plan performance standards, we found that the methodologies used to calculate the performance standards are not consistent across the health plans. For example, the claims processing accuracy standard says that processing accuracy means all claims processed correctly in every respect, financial and technical (e.g., coding, procedural, system, payment, etc.), divided by total claims processed. While OSHP does not expect the health plans to review every claim for accuracy, health plans have been sampling their claims to audit for accuracy. However, the samples taken by the health plans are for different sample sizes. We also noted some health plans calculating averages for the performance standards when an average is not expected to be used for reporting.

We recalculated the claims and customer service performance standards using the source data provided by the health plans. We set our materiality to +/-1% to account for

rounding and timing differences. We were able to recalculate all performance standards measures for three of the health plans without exception. The remaining seven health plans had one or more performance measures that had a difference of 1% or more between what was reported and what OIA calculated. While most of these differences did not change the plan's compliance with ETF's performance standards, one health plan did have a performance standard that was no longer compliant for one of the quarters reported. As a result of this review, OSHP assessed a penalty for the health plan. We were also unable to recalculate certain performance standards for a few health plans as they were not able to recreate or provide the source data.

To ensure that the health plans are reporting the performance standards accurately and results are comparable and meeting the intent of the standards, we provide the following suggestions:

OIA suggests that a periodic review of the performance standards submitted by the health plans be performed on a regular basis to ensure the health plans are providing the correct metrics to ETF.

OIA also suggests that OSHP review the performance standards and update the wording to define or clarify how the performance standards should be calculated to ensure the health plans calculate the performance standards using the same methodology. In addition, OSHP should provide guidance to the health plans on how to calculate the performance standards as needed or requested by the health plans.

As noted earlier, one health plan refused to provide the data we requested for our validation testing. There were also some health plans that did not have data available to provide for certain performance standards due to system limitations or lack of documentation. Due to issues noted in the review of other Third-Party Administrator contracts, OIA had provided a process improvement suggestion to the ETF's BCAP in the Chapter 40 Procurement Process Audit to consider a contract penalty for instances when requests for supporting documentation for reported performance guarantees is not timely or accurately provided. Management had accepted that suggestion for that audit. Therefore, we suggest that OSHP work with BCAP to make this improvement to its health plan contracts as suggested in the Chapter 40 Procurement Process Audit.

Staff will be at the Committee meeting to answer any questions.

Attachment A: [OSHP Response to OIA Review](#)