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Correspondence Memorandum

Date: February 7, 2023
To: Group Insurance Board
From: Xiong Vang, HSA and ERA Accounts Program Manager
Office of Strategic Health Policy
Subject: Pre-Tax Savings Account Programs Audit

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

Overview of Optum's Partnership

Optum Financial (Optum) is the third-party administrator (TPA) of the Department of Employee Trust Funds (ETF) pre-tax savings account programs, which include Health Savings Accounts (HSA), Employee Reimbursement Accounts (ERA), and Commuter Fringe Benefits Accounts (CB) for ETF contracts ETH0052, ETH0053, and ETH0054 respectively.

The original contracts for pre-tax savings programs with ConnectYourCare (CYC) ran from May 7, 2019, through December 31, 2021, with an option to extend the contracts for two additional, two-year periods. CYC was acquired by Optum in November 2020. The Board approved a two-year contract extension with Optum for the 2022 and 2023 plan years on February 17, 2021 ([Ref. GIB | 02.17.21 | 8B](#)). On May 18, 2022, the second and final extension of the contracts was approved by the Board which continues Optum's contract through December 31, 2025 ([Ref. GIB | 05.18.22 | 7C](#)).

The implementation of these programs with CYC and the transition to Optum in 2020 went smoothly and successfully. The first year of management by Optum was affected by the COVID-19 pandemic and changed standard business practices. Despite these challenges, Optum was quick to adapt and contribute to the growth of the pre-tax savings account programs by delivering and finding solutions ([Ref. GIB | 02.17.21 | 8B](#)).

Over the course of the contract, Optum has been a proactive partner with ETF in finding opportunities, solutions, and efficiencies to improve the pre-tax savings account programs. Since 2020, ETF and Optum staff meet on a regular basis to discuss deliverables, customer service, performance, and process improvements opportunities. Communication has been a key aspect to the success and quality of the pre-tax benefit programs.

Reviewed and approved by Eileen Mallow, Director, Office of Strategic Health Policy
Electronically Signed 02/10/2023

Board	Mtg Date	Item #
GIB	02.22.23	12

Audit Background

ETF's Office of Internal Audit (OIA) performed a contract compliance audit of the pre-tax savings account programs to enhance the assurance provided over contract compliance while reducing costs. The comprehensive audit reviewed Optum's administration of the pre-tax saving account programs for calendar years 2020 and 2021 (see Attachment A).

The audit evaluated the design and operating effectiveness of internal controls over Optum's compliance with the pre-tax savings account contracts in several key areas, including:

- Elections and contribution limits,
- Compliance with program limits,
- Claims substantiation,
- Billing for claims and administrative fees,
- Reporting requirements,
- Performance standards,
- Maintenance of participant records, and
- Compliance with regulatory and contractual requirements.

OIA conducted the audit in accordance with International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board. The completed audit report, which includes Optum's and ETF's responses to OIA's recommendations, is included in Attachment A. The audit findings pertain to the following key areas:

- Reporting concerns,
- Unsubstantiated claims,
- Contribution limits and eligibility,
- Performance standards penalties, and
- Secure file transfer protocol.

The key areas for improvement in the audit findings are similar to issues previously identified by ETF and Optum, so numerous solutions were proactively under way at the time of audit publication. Of note, Optum took immediate action to resolve a finding related to secure file transfer protocol. ETF and Optum have accepted all of the audit findings and developed a plan to address each issue. Progress on addressing additional audit findings is included in Attachment B.

Next Steps

ETF and Optum will continue to actively address the remaining audit findings to improve the quality of the pre-tax savings account programs. Optum will continue to adhere to the performance standards agreed upon in the contracts.

The Board will receive a progress report at the November 2023 Board meeting. This audit will also be presented to the Audit Committee of the ETF Board in March 2023.

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

Attachment A: [Third-Party Administrator Contract Compliance Audit: Optum Financial – Health Savings Accounts, Employee Reimbursement Accounts, and Commuter Benefits](#)

Attachment B: [Follow-up Report on TPA Contract Compliance Audit of Optum Financial for the ERA, HSA, and CB Programs](#)