

Office of Internal Audit

Third-Party Administrator Contract Compliance Audit: Optum Financial – Health Savings Accounts, Employee Reimbursement Accounts, and Commuter Benefits



January 27, 2023

Executive Summary

We have completed a contract compliance audit of Optum Financial as a third-party administrator (TPA) 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 contracts ETH0052, ETH0053, and ETH0054, respectively. ETF's Office of Strategic Health Policy (OSHP) is responsible for oversight of the three contracts with Optum Financial for these programs. As part of ETF's TPA oversight, periodic contract compliance audits are conducted to provide additional assurance of the administration of the programs. OSHP is responsible for ensuring any audit findings are resolved with Optum Financial.

Our audit was completed in accordance with the Office of Internal Audit's (OIA) fiscal year 2022-2023 Biennial Audit Plan to evaluate the design and operating effectiveness of internal controls over Optum Financial's compliance with aforementioned pre-tax savings account contracts for calendar years (CY) 2020 and 2021. This audit was insourced to enhance the assurance provided over contract compliance while reducing costs¹.

Our audit focused on election and contribution processing and compliance with program limits, claims substantiation, billing for claims and administrative fees, reporting requirements, and access to critical program data for the HSA, ERA, and CB programs. Our review resulted in 6 findings with recommendations for Optum Financial and ETF to improve administration of the programs. These included ensuring accurate compilation and secondary review of program and performance reports, proper substantiation and adequate review of claims, timely resolution of identified program discrepancies, such as ineligible participants or contribution limits, appropriate assessment of contract penalties, and limiting access to program data uploaded to the designated SFTP.

We recommended Optum Financial:

- Develop, document, and implement procedures to adequately compile and review the Plan Finalization Report and Unsubstantiated Claims Business Debt Report.
- Determine the cause for the ineligible claims identified by our audit and ensure appropriate steps are taken; improve controls, to ensure claim substantiation requirements are adhered to; and document claim substantiation requirements that are clear and consistent, and process claims in accordance with these substantiation requirements.

¹ It is estimated that ETF spent about \$22,150 less insourcing the CY 2020 and CY 2021 contract compliance audit than it had spent on the prior outsourced CY 2017 and CY 2018 contract compliance examination for the pre-tax savings account programs.

- Follow-up with payroll centers timely to resolve program discrepancies to ensure participant elections are met, contribution limits are not exceeded, and HSA eligibility requirements are met; and seek assistance from ETF when necessary, in resolving program discrepancies with the payroll centers.
- Develop and document written procedures to compile the Quarterly Performance Standards Report in compliance with required reporting definitions; implement a report review process to ensure the Quarterly Performance Standards Report is accurate; and implement a process to ensure records are maintained as required by the pre-tax savings account contracts.
- Develop and implement controls to appropriately restrict and monitor access to its Secure File Transfer Protocol used by payroll centers to upload program data.

We recommended ETF:

- Request supporting documentation for Quarterly Performance Standards Reports and perform sample verifications to ensure additional accountability over contract performance; and determine whether any performance standards should be reported retroactively, applying required reporting definitions for prior periods, and assess whether any penalties are warranted.
- Evaluate Optum Financial's failure to meet performance standards in accordance with the *associated penalties* stated in the pre-tax savings account contracts.

We also provided several additional considerations for ETF and Optum Financial to further improve processes related to the administration of the HSA, ERA, and CB programs as discussed in the Process Improvements Considerations section of our audit report.

Audit Objective and Scope

The audit objective was to review contract compliance of ETF's TPA, Optum Financial, for the administration of the HSA, ERA, and CB programs. Our audit focused on elections and contribution processing and compliance with program limits, claims substantiation, billing for claims and administrative fees, reporting requirements, and access to critical program data for the HSA, ERA, and CB programs. Our review also included adherence to established performance standards, maintenance of participant records and whether transactions were processed timely, accurately, and in compliance with regulatory and contractual requirements. Our audit period included plan year 2020 and plan year 2021 activity for the HSA, ERA, and CB programs². The plan years included CY 2020 and CY 2021 activity as well as the program run-out period. We

² Prior examinations of contract compliance for the pre-tax savings account programs were completed for CY 2017 and CY 2018 in which Total Administrative Services Corporation (TASC) was the TPA. Additionally, OIA completed an audit of participant balances for plan year 2019 as part of the contract transition from TASC to ConnectYourCare (CYC) for plan year 2020.

excluded processes and controls at the payroll centers from our review. We also excluded the substantiation of HSA claims because these accounts are individually owned by the participants.

Our audit was conducted in conformance with International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board. This audit was insourced to enhance assurance provided over contract compliance.

Background

Contract and Program Information

ETF initially contracted with ConnectYourCare (CYC) as part of three separate contracts for administration of the HSA, ERA, and CB programs beginning with plan year 2020 through December 31, 2021. In November 2020, CYC and Optum Financial combined changing the name to Optum Financial. The HSA, ERA, and CB contracts with Optum Financial have been approved by the Group Insurance Board to be extended for two 2-year periods ending December 31, 2025.

The pre-tax savings account programs are authorized under Internal Revenue Code (IRC) Section 105, IRC Section 125, IRC Section 129, IRC Section 132, IRC Section 223, Wisconsin Statutes §40.515, and Wisconsin Statutes §40.85-40.875. The HSA, ERA, and CB programs are offered to State employees³ and allow participants to pay for eligible expenses using their pre-tax income rather than after tax income. The Internal Revenue Service (IRS) defines eligible expenses and establishes contribution and carryover limits.

Participants determine how much they want to contribute to each of the accounts they want to utilize, and contributions are deducted from their paychecks, pretax, throughout the plan year. Participants make claims for eligible expenses during the year, primarily by either using a designated pre-tax savings account debit card or by submitting claims for reimbursement. The State of Wisconsin plans allow a 90-day run out period for participants to submit reimbursement requests until March 31, following the end of the calendar year for expenses incurred during the calendar year. After the end of the plan year, fund balances in participant's accounts may be carried over or will be forfeited as there are limits on which accounts can carryover unused funds and how much.

³ Most full-time or part-time classified and unclassified state and university employees are eligible to participate. Employees who are classified as fellows, scholars, and research assistants in the University of Wisconsin System, as well as limited term employees, student hourlies, per diems, and other temporary employees may not participate. Certain employees of authorities may also be eligible.

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A brief description of each pre-tax savings program is included in the following table.

Contract	Program Name	Program Description	Plan Year 2020		Plan Year 2021	
			Contribution Limit	Carryover Limit	Contribution Limit	Carryover Limit
HSA	HSA – Individual Plan	Participant owned account used to pay for eligible health care expenses.	\$3,550 ⁴	Entire balance	\$3,600 ⁴	Entire balance
	HSA – Family Plan	Participant must also be enrolled in a High Deductible Health Plan (HDHP).	\$7,100 ⁴	Entire balance	\$7,200 ⁴	Entire balance
ERA	Health Care Flex Spending Account (FSA)	Used for eligible out-of-pocket medical expenses not covered by insurance coverage.	\$2,700	\$1,000 ⁵	\$2,750	\$550
	Limited-Purpose FSA	Used to pay for eligible dental, vision care, and post-deductible medical expenses for participants enrolled in a HDHP.	\$2,700	\$1,000 ⁵	\$2,750	\$550
	Dependent Care FSA	Used to pay for eligible dependent care expenses to allow the employee and spouse to work, or spouse to attend school full time.	\$5,000 (\$2,500 married filing separately)	\$2,500 ⁵	\$10,500 ⁵ (\$5,250 married filing separately)	\$0
CB	Parking Account	Used to pay for eligible work-related parking expenses.	\$265 per month	Entire balance	\$270 Per month	Entire balance
	Transit Account	Used to pay for eligible transit expenses to commute to work.	\$265 per month	Entire balance	\$270 per month	Entire balance

⁴ HSA Catch-Up Contributions of \$1,000 are allowed for eligible participants (age 55-65, not enrolled in Medicare).

⁵ The Group Insurance Board approved several changes during the plan year in May 2021 to the contribution and carryover limits due to the COVID-19 pandemic and as allowed by provisions of the Consolidated Appropriations Act and American Rescue Plan Act. This also included allowing a one-time mid-year election change for Dependent Care FSA without a qualifying event.

Key Responsibilities and Processes

ETF, Optum Financial, and nine payroll centers work together to manage the HSA, ERA, and CB programs.

ETF is responsible for overall oversight and monitoring of the programs and its contract with Optum Financial; assisting Optum Financial and the payroll centers, such as preparing for open enrollment and resolving program discrepancies; and ensuring audit findings related to the programs are resolved.

Optum Financial is responsible for the development, production, and distribution of all enrollment materials, participant outreach, and microsites for participants and payroll centers. Payroll centers work directly with participants on enrollment, annual elections, changes in elections and contributions, collecting contributions through payroll deductions, and are responsible for communicating accurate and timely program data to Optum Financial. Payroll centers upload participant census, enrollment, and contribution data files to Optum Financial's designated Secure File Transfer Protocol (SFTP) as part of open enrollment and throughout the plan year. Optum Financial processes program data files submitted by payroll centers and works with payroll centers to resolve errors identified within the files, such as an election exceeding the allowed maximum. Elections, contributions, changes in participant status, and other information are posted to participant accounts by Optum Financial. Optum Financial performs reviews of participant information to identify other program discrepancies, including HSA eligibility, which requires enrollment in a HDHP, and a comparison of participant elections to projected contributions.

Optum Financial is responsible for claims processing services and provides customer support for unsubstantiated claims, denied claims, claims appeals, and claims inquiries. Optum Financial processes reimbursement requests for eligible expenses submitted by participants or by a merchant on behalf of a participant. This process includes auto-substantiating or manually substantiating claims in accordance with IRS regulations and in accordance with the pre-tax savings account contracts. Optum Financial notifies participants of claims that require additional documentation. Optum Financial invoices ETF for claims paid on a weekly basis for the ERA and CB programs.

For unsubstantiated claims, Optum Financial works with payroll centers to collect amounts due through payroll withholdings after the end of the calendar year and subsequently provides a report of outstanding unsubstantiated claims to ETF for business debt invoicing. Also, after the end of the plan year, Optum Financial determines any applicable carryovers and forfeitures for participants. Optum Financial rolls over any eligible carryovers and posts these to participant's accounts for the next plan year. Any forfeitures are retained by ETF to help offset administrative costs of the

programs. Optum Financial invoices ETF a monthly administrative fee for administering the programs based on participant enrollment for the pre-tax savings account programs.

Optum Financial provides ETF various reports as outlined in the pre-tax savings account contracts or as agreed upon, including the Plan Finalization Report, Unsubstantiated Claims Business Debt Report, and Quarterly Performance Standards Report. These reports are used to assess the pre-tax savings program activity, for business debt invoicing, for ETF financial reporting, and for monitoring Optum Financial's contract performance. Penalties are associated with failed performance standards reported on the Quarterly Performance Standards Reports and with most reporting deliverables. ETF evaluates and assesses penalties to Optum Financial for failed performance standards and failed deliverables.

Results and Recommendations

We observed that ETF and Optum Financial communicate and meet frequently to discuss upcoming changes, program issues, seek resolution, and monitor key deliverables and performance standards as described in the pre-tax savings account contracts. We found enrollment and contribution files submitted by payroll centers were processed by Optum Financial accurately based on our detailed testing of these files. We did not identify discrepancies in the paid claims billing based on our detailed testing of paid claims invoices. As part of our detailed testing, we found unsubstantiated claims were properly denied requiring additional documentation. Finally, we found administrative fee billing appeared materially accurate based on our analytical review of administrative fee invoices.

During our audit, we experienced delays in receiving requested items from Optum Financial, such as supporting documentation for performance standards reporting and enrollment and contribution files. These delays impacted the efficiency and timeline of our audit.

Our review resulted in 6 findings with recommendations and several additional considerations for Optum Financial and ETF to ensure contract compliance and proper administration of the HSA, ERA, and CB programs.

Findings, Recommendations and Management Responses

1. Reporting Concerns – Plan Finalization Report and Unsubstantiated Claims Business Debt Report

Finding

We found Optum Financial did not have adequate controls in place to prevent and detect errors in the Plan Finalization Report and the Unsubstantiated Claims Business Debt Report to ensure final reports submitted to ETF were materially correct and timely.

Plan Finalization Report

- We identified one election understated by \$327.26 on the plan year 2020 Plan Finalization Report during our review of 144 participant enrollments for plan year 2020 and 2021.
- In addition, we learned ETF's Division of Trust Finance identified numerous errors as part of its own analysis of the Plan Finalization Report for plan year 2020 and 2021. A final, audited Plan Finalization Report is due by May 31 each year. The final plan year 2020 report was not received until July 15, 2021. Further, the anticipated final reports received for plan year 2020 and 2021 were neither audited nor final - for the plan year 2020 report, it was last adjusted for errors in December 2021; for the plan year 2021 report, it was last adjusted in September 2022.

Unsubstantiated Claims Business Debt Report

- We identified one unsubstantiated claim from plan year 2020 during our review of 20 unsubstantiated claims from plan year 2020 and plan year 2021 that was overstated by \$15 on the Unsubstantiated Claims Business Debt Report.
- In addition, we learned that of the 409 participants invoiced by ETF for plan year 2020 claims based on the Unsubstantiated Claims Business Debt Report, 213 participants (52%), were billed incorrectly due to the inaccuracy of the Unsubstantiated Claims Business Debt Report. While errors were not identified with the Unsubstantiated Claims Business Debt Report for plan year 2021, we learned the report needed to be updated and resubmitted due to changes to participant accounts and the resubmissions lacked clarity and consistency.

Risk/Effect

Errors and late changes to the Plan Finalization Report and Unsubstantiated Claims Business Debt Report can impact ETF's financial statements and ETF's customer service reputations. It can also cause significant extra work for ETF staff to resolve discrepancies and unnecessary efforts from participants to resolve discrepancies with Optum Financial and ETF.

Recommendation

We recommend Optum Financial develop, document, and implement procedures to adequately compile and review the Plan Finalization Report and Unsubstantiated Claims Business Debt Report, such as conducting reviews based on risk and reconciling to other program reports or data, to ensure these reports are materially correct, provided timely, and information is comprehensible when provided to ETF.

Significance: Medium - High

TPA Response

Optum Financial accepts the finding. As a result, the following steps have/will be taken:

- Responsibility for the production and updating of the Plan Finalization Report and the Unsubstantiated Claims Business Debt Report was taken over by the Relationship Executive to research and resolve errors and discrepancies made by the previous owner.
- Optum Financial will develop, document, and implement procedures to adequately compile and review the Plan Finalization Report and Unsubstantiated Claims Business Debt Report.
- A secondary independent audit of the Plan Finalization Report and Unsubstantiated Claim Business Debt Report will be performed prior to distribution.

Responsible Staff:

Allesia Messer, Client Service Manager, Optum Financial
Ann Burke, Client Service Manager, Optum Financial
Todd Forwood, Relationship Executive, Optum Financial

Completion Dates:

- In May of 2021, the generation and updating of the Plan Finalization Report and Unsubstantiated Claims Business Debt Report was taken over by the Relationship Executive.
- A secondary audit of the Plan Finalization Report and Unsubstantiated Claims Business Debt Report will be performed prior to the final distribution of the 2022 version of the report.
- In conjunction with the 2022 Plan Finalization Report and Unsubstantiated Claims Business Debt Report, report compilation and review procedures will be documented.

ETF Management Response

It was Optum's first time developing a Plan Finalization Report and Unsubstantiated Claims Business Debt Report customized for ETF. Also, internal staff changes at Optum created inconsistencies in the reports delivered to ETF. Optum initiated a review of both

reports and went through several iterations before the final 2020 plan year reports were provided to ETF. In 2022, the reports were improved for the 2021 plan year and provided without delays.

ETF and Optum continue to look for opportunities to improve the Plan Finalization and Unsubstantiated Claims Business Debt Reports. Over the course of the contract term, ETF and Optum have made changes to the report layouts and specifications to improve the accuracy of the reports and to better meet ETF's needs. In addition, Optum has committed to implement an internal multi-level audit review process prior to delivering the 2022 plan year reports to ETF. Once the audit is complete, Optum is to provide ETF with a signed audit checklist showing this level of auditing has been done.

To ensure the timely delivery of all deliverables, including reports, ETF worked with Optum to develop an agreed upon Pre-tax Management Plan in 2022. This Pre-tax Management Plan clearly lays out Optum's responsibilities and the respective due dates to ensure timely delivery that ETF will oversee to ensure adherence.

ETF will support Optum as they develop, document, and implement procedures to adequately compile and review these reports.

Responsible Staff: Xiong Vang, HSA & ERA Accounts Program Manager, OSHP

Completion Dates: August 31, 2023

2. ERA and CB Claims Substantiation

Finding

We found that although Optum Financial's documented requirements to substantiate claim expenses met IRS requirements, additional substantiation requirements to ensure claims are for eligible expenses were not consistent among the program administration manual, claims forms, and certain program materials. Furthermore, Optum Financial did not always apply these documented substantiation requirements when processing claims.

Of the total 160 claims we reviewed, we identified 7 ERA and CB program claims totaling \$6,652.51 from our plan year 2020 review and 6 ERA and CB program claims totaling \$2,642.70 from our plan year 2021 review that were ineligible or were reimbursed without sufficient documentation to substantiate the expense in accordance with IRS requirements. See our results summarized in the following table.

Contract	Program Name	Description	Plan Year	Number of Claims	Amount
ERA	Health Care FSA	Ineligible date of service	2021	3	\$768.70
			2020	1	133.17
		Ineligible expense	2021	1	474.00
		Ineligible amount for auto-substantiation of copay	2020	1	714.00
	Limited-Purpose FSA	No documentation	2020	1	455.94
	Dependent Care FSA	Ineligible date of service	2021	1	1,350.00
Missing date of service		2020	1	613.70	
CB	Parking Account	Missing description of eligible expense	2021	1	50.00
			2020	1	160.70
		Ineligible/missing date of service and exceeds monthly reimbursement limit of \$265	2020	2	4,575.00
Total				13	\$9,295.21

Risk/Effect

Participants could receive reimbursement for expenses that were noncompliant with IRS requirements.

Substantiation requirements are not consistently documented which may cause confusion for participants and make it challenging for ETF to determine whether Optum Financial is processing claims according to the documented substantiation requirements.

Recommendation

We recommend Optum Financial

- evaluate and determine the cause for the ineligible claims identified by our audit and ensure appropriate steps are taken;
- improve controls, such as performing audits of claims based on risk, to ensure claim substantiation requirements are adhered to; and
- document claim substantiation requirements that are clear and consistent throughout program administration manuals, claims forms, and program materials and process claims in accordance with these substantiation requirements.

Significance: Medium

TPA Response

Optum Financial accepts the finding. As a result, the following steps have/will be taken:

- Substantiation requirements for eligible expenses detailed in the program administrative manual; on claims forms; and in program materials will be reviewed and updated for consistency.
- Examples and details of inconsistencies in the application of the documented substantiation requirements when processing claims has been shared with Optum Claims Leadership for internal follow-up and training opportunities.
- Responsibility and oversight for the auditing of claims has been moved from under the Optum Claims Team to the Optum Quality Center of Excellence to provide thoroughness and accountability and ensure the independence and integrity of the process. In addition, the Optum Quality Center of Excellence randomly audits 25 State of Wisconsin claims each month.

Responsible Staff:

Allesia Messer, Client Service Manager, Optum Financial
Ann Burke, Client Service Manager, Optum Financial
Rhonda Boyd, Claims Supervisor, Optum Financial
Jaya Perez, Director – Quality Center of Excellence, Optum Financial

Completion Dates:

- To ensure consistency, Optum will review and update, where necessary, the substantiation requirements for eligible expenses detailed in the program administrative manual; claims forms; and other program materials, by March 31, 2023.
- Responsibility for auditing all Optum Financial claims was moved to the Optum Quality Center of Excellence beginning in March 2022. In July 2022, the Optum Quality Center of Excellence assumed responsibility for the additional audit of 25 random claims for the State.

ETF Management Response

In 2021, ETF and Optum identified opportunities to improve the adjudication of claims. From October 2021 through December 2021, Optum took additional steps to coach claims adjudicators. Also, Optum implemented a daily claims adjudication monitoring process. Optum’s quality coaches review the claim audit reports on a daily basis; Optum’s leadership reviews these reports on a weekly basis. Also, Optum increased the monitoring of claims adjudication to as much as a 100% for lesser experienced or newly hired staff.

In 2022, Optum implemented a Quality Center of Excellence Program across their book of business to address the quality of customer care and claims adjudication services. The Quality Center of Excellence Program provides additional oversight, monitoring, training, and coaching of customer service and claims adjudication staff to ensure

accurate and quality service is provided to participants. Also, the Quality Center of Excellence Program finds opportunities to enhance and refine processes to ensure quality outcomes. Since the implementation, ETF has seen improvements in the services Optum provides to ETF and ETF's participants.

Also, Optum started performing randomized audits of twenty-five (25) claims each quarter at the end of the 2022 plan year and is expected to continue these audits quarterly throughout the life of the contract. These audit results are to be provided to ETF each quarter and will be reviewed to further assess improvements that have been made.

Starting in 2023, Optum is expected to perform quarterly audits based on risk, to ensure the claim substantiation requirements are adhered to. In addition, Optum is also expected to provide additional claims processing and substantiation training to claims adjudicators to include Optum's subcontractors.

ETF and Optum will review and update all administration guides, forms, and materials for the ERA, HSA, and CB programs to ensure the standard IRS requirements are met and documentation is consistent across all materials.

Responsible Staff: Xiong Vang, HSA & ERA Accounts Program Manager, OSHP

Completion Dates: September 30, 2023

3. Program Discrepancies – Contribution Limits and HSA Eligibility

Finding

We found 12 FSA participants for plan year 2020 and 4 FSA participants for plan year 2021 had contributions exceeding the IRS contribution limit requirements as part of our review of contributions reported on the Plan Finalization Reports. While contributions exceeded the IRS contribution limits, these participants had elections at or below the contribution limits and did not receive reimbursement greater than the contribution limit. Further, we identified instances in which contributions, while less than the IRS contribution limit, were greater than or less than the participant's annual election.

We also found 1 HSA participant for plan year 2020 in our sample of 127 HSA participants for plan years 2020 and 2021 who was enrolled in an HSA and was not enrolled in a HDHP as required for eligibility.

Optum Financial is required by the program contracts to

- conduct an annual audit to ensure participants meet annual election amounts and will not exceed their annual election amounts;

- conduct an audit prior to the start of each plan year and after the start of each plan year to validate participants are enrolled in a HDHP if enrolled in an HSA;
- provide discrepancies to payroll centers for review and resolution; and
- work with payroll centers to resolve discrepancies timely.

Optum Financial provided HSA eligibility discrepancies to payroll centers and ETF for plan year 2020 and plan year 2021. This included the 1 HSA participant identified in our testing. However, adequate follow-up to ensure corrective action was not taken. Additionally, we found election and contribution discrepancies were not provided to payroll centers and ETF until quarter 3 of CY 2021 and adequate follow-up to ensure corrective action was not taken.

Risk/Effect

Program discrepancies may not be resolved timely with payroll centers, resulting in program noncompliance such as contributions not meeting participant elections, contributions exceeding IRS required limits, and ineligible participants as identified by our audit.

Recommendation

We recommend Optum Financial

- follow-up with payroll centers timely to resolve program discrepancies to ensure participant elections are met, contribution limits are not exceeded, and HSA eligibility requirements are met; and
- seek assistance from ETF when necessary in resolving program discrepancies with the payroll centers

Significance: Medium

TPA Response

Optum Financial accepts the finding. Optum Financial believes there was adequate follow-up to ensure corrective action was taken for participants identified in the HDHP/HSA audit, as two full plan audits were performed, and discrepancies identified for each Payroll Center. It is ultimately the responsibility of the Payroll Center to ensure accounts are enrolled correctly. However, there is an opportunity to conduct an additional audit later in the plan year to ensure corrections/updates were made and to confirm the status of any new hires. As a result, the following steps have/will be taken:

- To ensure identified corrections/updates were made and to confirm the status of any new hires, Optum proposes an additional audit be completed in September of each plan year.

Responsible Staff:

Allesia Messer, Client Service Manager, Optum Financial
Ann Burke, Client Service Manager, Optum Financial

Todd Forwood, Relationship Executive, Optum Financial

Completion Dates:

- Beginning in March of 2022, the ‘Projected Contributions’ report for each Payroll Center was moved to a quarterly cadence to give Payroll Centers ample time to make necessary election, contribution and/or enrollment adjustments earlier and throughout the plan year.
- Beginning in September 2023, an additional HDHP/HSA audit will be conducted each plan year.
- With the State’s enrollment platform transitioning to Benefit Place through BenefitFocus for the 2024 plan year, a control will be in place that will not allow members to enroll in the HSA without electing a HDHP.

ETF Management Response

Contribution discrepancies were related to payroll transfers, timing, and payroll system limitations. By utilizing the existing Over and Under Contribution Audit and HDHP HSA Audit Discrepancy reports, Optum and ETF are able to identify the discrepancies and work with the payroll centers to resolve them. In 2022, ETF identified similar discrepancies therefore increased the frequency of the Over and Under Contribution Audit report from yearly to quarterly to ensure Optum compliance.

Starting in 2023, Optum is expected to conduct a complete review of each payroll center response to their Over and Under Contribution Audit and HDHP HSA Audit Discrepancy reports. Also, Optum agreed to rerun these reports to confirm all discrepancies have been resolved by the payroll centers.

Responsible Staff: Xiong Vang, HSA & ERA Accounts Program Manager, OSHP

Completion Dates: September 30, 2023

4. Quarterly Performance Standards Reporting

Finding

Optum Financial did not have supporting documentation for the Quarterly Performance Standards Report for each quarter of CY 2020. Additionally, for the 20 performance standards included in the Quarterly Performance Standards Report for CY 2021, Optum Financial was unable to provide documentation to support the Participant Reimbursement performance standard. The pre-tax savings account contracts require Optum Financial to maintain records for seven years after termination of the contracts.

For the Quarterly Performance Standards Report for CY 2021, we found Optum Financial reported 5 of 20 performance standards using methodology that did not meet the required reporting definitions for the performance standard as defined in the pre-tax savings account contracts. Of these 5 performance standards, we were able to recalculate two performance standards based on support provided by Optum Financial and found one performance standard was not met. For the remaining three performance standards, we did not have support to be able to recalculate the performance standards using the appropriate reporting methodology and, therefore, could not further evaluate. We noted the following differences in reporting methodology for these three performance standards:

- The Claims Processing Time performance standard only included manual claims for March 2021. Because of this omission and because Optum Financial was unable to provide support for the CY 2020 Quarterly Performance Standards Reports, we were unable to adequately test claims processing timeliness as intended as part of our audit.
- The Financial Accuracy performance standard reported the percentage of claims audits passed instead of the percentage of claims dollars paid correctly.
- The Processing Accuracy performance standard reported the average of the Financial Accuracy and Claims Processing Time performance standards for 6 of 12 months, instead of percentage of claims processed correctly. The remaining months could not be determined.

Risk/Effect

ETF cannot adequately evaluate Optum Financial's contract performance and assess whether penalties are warranted because of a lack of supporting documentation and difference in reporting methodologies used for certain performance standards.

- Our audit identified that the performance standard for Web-Portal Availability was not met for 3 days during CY 2021 when applying the appropriate reporting methodology and we estimate the potential performance penalty to be \$9,000.

Recommendation

We recommend Optum Financial

- develop and document written procedures to compile the Quarterly Performance Standards Report in compliance with required reporting definitions;
- implement a report review process to ensure the Quarterly Performance Standards Report is accurate; and
- implement a process to ensure records are maintained as required by the pre-tax savings account contracts.

We recommend ETF

- request supporting documentation for Quarterly Performance Standards Reports and perform sample verifications to ensure additional accountability over contract performance; and
- determine whether any performance standards should be reported retroactively, applying required reporting definitions for the Quarterly Performance Standards Reports for prior periods, and assess whether any penalties are warranted.

Significance: Medium

TPA Response

Optum Financial accepts the finding. As a result, the following steps have/will be taken:

- The measurement of claims performance standards has been moved to the Optum Quality Center of Excellence and the measurement of the non-claims related performance standards has been moved to the Operational Excellence Team to formalize the process and standardize reporting and data retention.
- Optum will engage internal teams to ensure the proper reporting methodology and definitions are being used to measure and report the performance standards and will coordinate with ETF to detail requirements and expectations to ensure the Quarterly Performance Standards Report is accurate.
- If requested by ETF, Optum will provide the supporting documentation for the Quarterly Performance Standards.
- If requested by ETF, Optum will review the CY 2022 Quarterly Performance Standards Reports for accuracy and adherence to the required reporting definitions.

Responsible Staff:

Todd Forwood, Relationship Executive, Optum Financial

Jaya Perez, Director – Quality Center of Excellence, Optum Financial

Brock Dearden, Sr. Business Analyst – Operational Excellence, Optum Financial

Completion Dates:

- In March 2022, measurement of claims performance standards was moved to the Optum Quality Center of Excellence and the measurement of the non-claims performance standards was moved to the Operational Excellence Team.
- During the 1st quarter of 2023, Optum will coordinate with ETF to detail requirements and expectations to ensure the Quarterly Performance Standards Report is accurate, with the expectation of having a process in place to support 1st quarter reporting.
- If requested by ETF, Optum will provide the supporting documentation for the Quarterly Performance Standards beginning with 1st quarter 2023 reporting.

- If requested by ETF, Optum will review the CY 2022 Quarterly Performance Standards Reports for accuracy and adherence to the required reporting definitions, with a target completion date of May 31, 2023.

ETF Management Response

ETF relies on Optum to report accurate data on the performance standards and to have backup documentation supporting the report. Going forward, Optum is expected to provide required supporting documentation with the Quarterly Performance Standards Reports and ETF plans on enhancing its oversight.

ETF will review the contract performance standards to determine if appropriate measures are being used and to add clarity to the measures and penalty calculations. Also, ETF will evaluate penalties associated with the performance standards and deliverables to determine if an increase in a penalty(ies) may be appropriate to mitigate future noncompliance. ETF will work with Optum if any standards warrant adjusting and as noted will enhance its oversight to ensure adherence to agreed upon performance standards.

ETF will work with Optum as they implement a process to ensure records are maintained as required under the contracts.

Responsible Staff:

Xiong Vang, HSA & ERA Accounts Program Manager, OSHP
Beth Bucaida, Contract Specialist, Division of Management Services

Completion Dates: June 30, 2023

5. Performance Standards Penalties

Finding

Optum Financial is required to report monthly values for 9 of 20 performance standards in the Quarterly Performance Standards Report. The pre-tax savings account contracts state the *penalty associated* with these 9 performance standards is *\$1,000 for each percentage point for which the standard is not met in each month*. We found ETF calculated penalties of \$1,000 for each percentage point for which the standard was not met for the average of all three months reported for the quarter. This resulted in ETF calculating potential penalties for CY 2020 and CY 2021 to be \$32,000 instead of \$114,000 for performance standards that were not met by Optum Financial.

Risk/Effect

While *ETF reserves the right to waive a penalty in certain circumstances when ETF determines it is warranted*, the inconsistency of how the performance standards were evaluated for *associated penalties* can result in a misunderstanding of Optum Financial's contract performance.

Recommendation

We recommend ETF evaluate Optum Financial's failure to meet performance standards in accordance with the *associated penalties* stated in the pre-tax savings account contracts.

Significance: Low to Medium

ETF Management Response

It has been ETF's intention and standard practice to use the 3-month average of performance measures for evaluating certain performance measures and assessing penalties. This method is also used for other ETF benefit programs, such as health insurance and wellness.

ETF will review the contract performance standards to determine if appropriate measures are being used and to add clarity to the measures and penalty calculations. Also, ETF will evaluate penalties associated with the performance standards and deliverables to determine if an increase in a penalty(ies) may be appropriate to mitigate future noncompliance. ETF will work with Optum if any standards warrant adjusting and as noted will enhance its oversight to ensure adherence to the agreed upon performance standards.

Responsible Staff:

Xiong Vang, HSA & ERA Accounts Program Manager, OSHP
Beth Bucaida, Contract Specialist, Division of Management Services

Completion Dates: May 31, 2023

6. Optum Secure File Transfer Protocol Access

Finding

We found controls were not in place to appropriately restrict and monitor access to Optum Financial's Secure File Transfer Protocol (SFTP) in which payroll centers, ETF, and Optum Financial upload program data, including personally identifiable information. We found 7 individual user accounts had access to Optum Financial's SFTP but no longer needed access based on their job duties. We found certain files uploaded by

Optum Financial to its SFTP were not removed timely to further restrict access to sensitive program data.

Additionally, while user accounts and passwords generally should not be shared among individuals, in the case of scheduling jobs to upload files to an SFTP this is not generally feasible. Therefore, other compensating controls should be in place to restrict access to the SFTP, including regularly changing passwords. We found passwords for Optum Financial's SFTP were not required to be changed.

Risk/Effect

Optum Financial found that the 7 individual users with access to the SFTP had not logged into the accounts at all or since January 2020. Files uploaded by Optum Financial to the SFTP site which are not automatically moved or deleted contain substantially less program data than the files uploaded by payroll centers which are automatically moved and deleted. Logging for the SFTP had been enabled which may assist in detecting inappropriate activity. These factors significantly reduce the risk of access to sensitive program data on Optum Financial's SFTP.

Recommendation

We recommend Optum Financial develop and implement controls to appropriately restrict and monitor access to its SFTP, including

- facilitating timely monitoring of SFTP user accounts,
- implementing a process to remove all files timely on its SFTP, and
- requiring SFTP account passwords to be changed on a regular basis and when users terminate or change job duties.

Significance: Low - Medium

TPA Response

Optum Financial accepts the finding. As a result, the following steps have/will be taken:

- SFTP user account confirmation request has been added to the monthly 'Employer Dashboard Check-In' email to each Payroll Center.
- When an account is identified by a Payroll Center as no longer needed, the account will be immediately disabled and the SFTP password for the Payroll Center will be changed.
- The SFTP account password for each Payroll Center will be changed at least annually or when Optum is notified that a user has terminated, changed job duties or their SFTP access is no longer needed.
- File error reports will be removed from the SFTP every 2 weeks.

Responsible Staff:

Allesia Messer, Client Service Manager, Optum Financial

Ann Burke, Client Service Manager, Optum Financial

Completion Dates:

- The request for SFTP account confirmation through the monthly 'Employer Dashboard Check-In' began with the email distributed on 11/2/2022.
- The bi-weekly process to remove files uploaded to the SFTP by Optum began on 12/6/2022.
- The SFTP password for each Payroll Center will be changed by 1/31/2023.

Process Improvement Considerations:

We provided the following process improvement suggestions for ETF and Optum Financial's consideration to improve the efficiency and effectiveness of the administration of the pre-tax savings account programs.

- ETF clearly communicate the reporting deliverables required by Optum Financial, including reporting elements, frequency, due dates, and associated penalties, and, if warranted, amend the pre-tax savings account contracts.
- ETF consider imposing penalties associated with failed performance standards quarterly rather than annually to better align with the period of failed performance and promote timely corrective action to meet future performance standards.
- Optum Financial further review one participant fee incorrectly billed to ETF on the administrative fee invoice for one month. We were able to determine this instance appeared isolated but warrants further review by Optum Financial as to the cause and whether improvements to the administrative fee invoicing process should be made.
- Optum Financial and ETF consider additional training and communications to be provided to payroll centers to address delays or errors in correctly notifying Optum Financial of changes to participant elections, contributions, and account statuses to limit the program discrepancies needing to be subsequently resolved by Optum Financial, payroll centers, and ETF.

Audit Methodology

The OIA conducted this audit by performing the following testing procedures:

- *Enrollment and Contributions* – Using our ACL analytics software, we identified all discrepancies between ERA and CB election data on the open enrollment files

and the election data reported on the Plan Finalization Report (HSA is not reported on the Plan Finalization Report). We then performed a targeted sample from these discrepancies to verify that both enrollment and contribution files were processed accurately and posted properly to participant accounts and to assess the reasonableness of the discrepancies in the data. For HSA accounts, we randomly sampled open enrollment files and reviewed for any elections exceeding IRS limits, eligibility based on enrollment in a HDHP, as well as for accurate processing of elections and contributions.

- Claims Processing – For a random sample (stratified by program and manually substantiated claims) and a targeted selection (unexpected data, such as significant or unusual amounts and dates of service with increased risk), we verified that claims were adequately substantiated in accordance with substantiation requirements and the claim was for an eligible expense. If the claim was denied, we reviewed that the claim was properly denied and required additional documentation.
- Reporting – We performed detailed testing of the following reports significant to the pre-tax savings account programs.

Plan Finalization Reports – We performed an analytical review on 100% of participants reported to identify if any elections, contributions, or carryovers exceeded IRS limits. For the targeted sample of participants in our enrollment and contribution file testing, we reviewed the accuracy of enrollment and contribution data reported. For the sample and selection of participants included in our claims processing testing, we reviewed accuracy of total claims paid and recalculated carryovers and forfeitures.

Unsubstantiated Claims Business Debt Reports – For a random sample (stratified by claim status), we verified the participant's unsubstantiated claims balance by reviewing the participant's claims activity and payroll withholdings.

Quarterly Performance Standards Reports – We reviewed the reporting methodology applied and verified the accuracy of all performance standards reported based on supporting documentation provided. We determined whether penalties for failed performance standards were appropriately imposed or waived.

- Invoicing – We analytically reviewed administrative fee invoices to determine if fees were materially accurate and consistent with participant counts. For the sample and selection of participants included in our claims processing testing, we reviewed that the participant was appropriately included on the administrative fee

invoices, and we reviewed the claims activity for the participant to determine if all claims for the participant were accurately included on the paid claims invoices.

- Access to Program Data (via SFTP) – We reviewed user access to program data (census, enrollment, and contributions files) uploaded to Optum Financial's designated SFTP for payroll centers.