

Office of Internal Audit

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



January 30, 2025

Executive Summary

We have completed a contract compliance audit of Optum Financial as a 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 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 2024-2025 Biennial Audit Plan to evaluate the design and operating effectiveness of internal controls over Optum Financial's compliance with the aforementioned pre-tax savings account contracts for calendar years (CY) 2022 and 2023, including prior audit recommendation follow-up. This audit was insourced to enhance the assurance provided over contract compliance while reducing costs.

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 3 findings with recommendations for Optum Financial and ETF to improve administration of the programs. These included proper substantiation and adequate review of claims as well as ensuring accurate compilation and review of performance reports and administrative fee invoices.

We recommended Optum Financial:

- Evaluate the cause for the claims that were inappropriately approved, denied, or transferred; determine appropriate corrective action to be taken to improve controls over adjudicating claims by responsible parties and assess the results and timeliness of this corrective action to determine its effectiveness; and document claim substantiation requirements that are clear and consistent, and process claims in accordance with these substantiation requirements.
- Develop and document procedures to compile the Quarterly Performance Standards Report in compliance with required reporting definitions; implement a report review process to ensure the reports are timely and accurate; and implement a process to ensure records are maintained and can be provided to ETF timely for monitoring and validation of performance standards.

- Address system billing errors and improve its review of administrative fee invoices to ensure the accuracy of administrative fee invoicing by reconciling system generated invoicing data to the final administrative fee invoice.

We recommended ETF:

- Consider whether any penalties are warranted for the audit performance standard which requires Optum Financial to address areas of improvement as identified by the prior audit (Ref. AUD | 03.23.23 | 6) specifically as it relates to prior audit recommendations for claims substantiation and Quarterly Performance Standards reporting.
- Require supporting documentation to be submitted by Optum Financial with the Quarterly Performance Standards Reports or as requested by ETF and consider a contract penalty for instances when requests for supporting documentation are not timely or accurately provided to ensure additional accountability over contract performance; perform regular reviews or sample verifications of performance standards; and assess which performance standards can and should be reported at plan-level or book-of-business and whether Optum Financial can accommodate this.
- We recommend ETF improve its monthly review of administrative fee invoicing received from Optum Financial to ensure the accuracy of administrative fees billed to ETF and seek to recover amounts overpaid to Optum as a result of administrative fee invoicing errors.

We also provided 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.

Audit Objective and Scope

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

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 2022 and plan year 2023 activity, including a 3-month run-out period, for the HSA, ERA, and CB programs. We also followed up on prior audit recommendations.

We 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.

Background

Contract and Program Information

ETF initially contracted with Optum Financial as part of three separate contracts for administration of the HSA, ERA, and CB pre-tax savings account programs beginning with plan year 2020 through December 31, 2021. The HSA, ERA, and CB contracts with Optum Financial have been 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 employees¹ 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 a participant's account may be carried over or will be forfeited as there are limits on which accounts can carryover unused funds and how much.

A brief description of each pre-tax savings program is included in Table 1.

¹ 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.

Table 1. Overview of HSA, ERA, and EB Programs

Contract	Program Name	Program Description	Plan Year 2022		Plan Year 2023	
			Contribution Limit	Carryover Limit	Contribution Limit	Carryover Limit
HSA	HSA – Individual Plan	Participant owned account used to pay for eligible health care expenses. Participant must also be enrolled in a High Deductible Health Plan (HDHP).	\$3,650 ²	Entire balance	\$3,850 ²	Entire balance
	HSA – Family Plan		\$7,300 ²	Entire balance	\$7,750 ²	Entire balance
ERA	Health Care Flex Spending Account (FSA)	Used for eligible out-of-pocket medical expenses not covered by insurance coverage.	\$2,750	\$550	\$2,850 ³	\$570 ³
	Limited-Purpose FSA	Used to pay for eligible dental, vision care, and post-deductible medical expenses for participants enrolled in a HDHP.	\$2,750	\$550	\$2,850 ³	\$570 ³
	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)	\$0	\$5,000 (\$2,500 married filing separately)	\$0
CB	Parking Account	Used to pay for eligible work-related parking expenses.	\$270 per month	Entire balance	\$280 Per month ³	Entire balance ³
	Transit Account	Used to pay for eligible transit expenses to commute to work.	\$270 per month	Entire balance	\$280 per month ³	Entire balance ³

² HSA Catch-Up Contributions of \$1,000 are allowed for eligible participants (age 55-65, not enrolled in Medicare).

³ The Group Insurance Board approved minimum election and carryover amounts of \$50 for FSA, Limited-Purpose FSA, Parking, and Transit accounts effective for plan year 2023. The minimum account balance carryover of \$50 only impacts participants who do not reenroll.

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

Results

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 ETF and Optum Financial addressed certain audit recommendations and process improvement considerations from our prior audit report (Ref. AUD | 03.23.23 | 6):

- Optum Financial documented its compilation procedures and implemented a review process for the Plan Finalization Report and Unsubstantiated Claims Business Debt Report. Although the reports were provided with improved timeliness to ETF for plan year 2022 and plan year 2023 with reduced errors and versions of the report, Optum Financial was penalized by ETF for receiving the plan year 2023 report one day late and for needing to provide a corrected version of the report.
- Optum Financial increased the frequency of its contribution limit review to ensure contribution limits are not exceeded. It also increased the frequency of the HSA and HDHP review to ensure enrollment eligibility requirements are met. We did not find any instances of contribution limits exceeding IRS limits at plan year end in our current audit. We also found HSA eligibility requirements were met or the participant was appropriately unenrolled as part of our sample testing in our current audit. This indicates adequate follow-up with payroll centers and ETF is occurring to resolve these program discrepancies timely.
- Optum Financial implemented timely SFTP user account monitoring and removal of files on its SFTP. Optum Financial also required regular SFTP account password changes.

- ETF began assessing penalties based on monthly performance standards reported as required by the pre-tax savings account contracts beginning with quarter 4 of CY 2023 instead of using a 3-month average as it previously had. ETF also began 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 beginning with CY 2024.
- ETF amended its pre-tax savings account contract to provide clarity for certain reporting and program deliverables including frequency, due dates, and associated penalties; and, to require annual training be offered to payroll centers regarding the unsubstantiated claims process and the election and contribution audit process to ensure payroll centers address delays or errors in correctly notifying Optum Financial of changes to participant elections, contributions, and account statuses limiting the program discrepancies needing to be subsequently resolved.

As previously identified by our prior audit, we continued to identify concerns with ERA and CB claims substantiation and Quarterly Performance Standards reporting which are further discussed in the Findings, Recommendations and Management Responses section below.

Overall, our current contract compliance audit of CY 2022 and CY 2023 resulted in 3 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. ERA and CB Claims Substantiation

Finding

Of the total 160 claims we reviewed, we identified 19 ERA and CB program claims totaling \$10,330.27 that were ineligible or were reimbursed without sufficient documentation or were denied reimbursement for eligible expenses in accordance with substantiation requirements. For example, we found claims with ineligible dates of service or service description, missing substantiation requirements, inadequate or no documentation, claims which exceeded reimbursement limits, transfers of claims to other plan years or programs without support, and eligible expenses with substantiation requirements met that were denied reimbursement. See our results summarized in Table 2.

Table 2. Summary of ERA and CB Claim Substantiation Audit Results

Contract	Program Name	Plan Year 2022		Plan Year 2023	
		Number of Claims	Claims Amount	Number of Claims	Claims Amount
ERA	Health Care FSA	3	\$1,063.03	2	\$111.24
	Limited-Purpose FSA	0	0	1	1,000.00
	Dependent Care FSA	2	2,815.00	1	100.00
CB	Parking Account	1	30.00	6	4,136.00
	Transit Account	1	870.00	2	205.00
Plan Year Total		7	\$4,778.03	12	\$5,552.24

We found Optum Financial did not adequately improve controls over claims substantiation as several claim substantiation issues were still observed as part of our CY 2022 and CY 2023 claims testing. We found ETF worked with Optum Financial to update substantiation requirements in the program administration manuals, however, Optum Financial's standard operating procedure documents did not align with the program administration manual or claims forms. We found the claims audits were not reported to ETF for quarter 1 and quarter 4 of CY 2023. We noted the results reported for quarters 2 and 3 showed no errors found and were random audits not based on risk.

Risk/Effect

Participants could receive reimbursement for expenses that were noncompliant with IRS requirements or may not receive reimbursement for expenses that are eligible with IRS requirements.

Substantiation requirements are not consistently documented which may cause confusion for participants, inconsistent adjudication of claims, and difficulty for ETF in determining whether Optum Financial is processing claims according to the documented substantiation requirements.

Recommendation

We recommend Optum Financial

- a) evaluate the cause for the claims that were inappropriately approved, denied, or transferred as identified by our audit and to be identified by Optum Financial's

claims audits and determine appropriate corrective action to be taken to improve controls over adjudicating claims by responsible parties;

- b) assess the results and timeliness of corrective action that is implemented to determine its effectiveness; and
- c) 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 documented substantiation requirements.

We recommend ETF consider whether any penalties are warranted for the performance standard which requires Optum Financial to address areas of improvement as identified by the prior audit (Ref. AUD | 03.23.23 | 6).

Significance: Medium

TPA Management Response

Optum Financial accepts the finding. To enhance claims processing efficiency, Optum Financial has implemented several key improvement steps. These include:

- *Secondary Review of Pended and Denied Claims* – All pended /denied claims are reviewed by claims processing staff for accuracy.
- *Sample Review of Approved Claims* – Regular sample reviews of approved claims are performed to maintain high standards of accuracy and consistency in our approvals.
- *Quarterly Refresher Trainings for All Processors* – We provide quarterly refresher training sessions for all claims processors to keep them updated on the latest policies, procedures, and best practices.

In addition to these measures, we are exploring the integration of automated processing systems. By leveraging automation, we aim to reduce manual intervention and minimize the risk of human errors. This will not only streamline our operations but also enhance the overall accuracy and efficiency of our claims processing.

Responsible Staff: Leilani McKean, Relationship Executive, Optum Financial

Babu Peter, Manager of Claims, Optum Financial

Rhonda Boyd, Senior Claims Business Process Consultant, Optum Financial

Nathan Bush, Senior Claims Business Process Consultant, Optum Financial

Completion Date: December 17, 2024

ETF Management Response

We acknowledge the audit findings regarding the ERA and CB Claim Substantiation findings. In response, ETF has taken proactive measures to address these concerns. Specifically, ETF engaged with Optum leadership during 2022-2023 to enhance claims substantiation training and to improve processes. Additionally, ETF collaborated with Optum's Account Management team throughout the 2023 plan year to revise and update claims substantiation requirements within the materials provided to both employers and members.

The audit identified inconsistencies in claims adjudication, where claims were approved without adhering to necessary substantiation requirements. Discrepancies were found in the alignment of Optum's standard operating procedures (SOP), particularly in relation to their subcontractor, providing claims adjudication, whose documentation requirements are not aligned with ETF's program administration manual requirements. ETF will work with Optum, which has agreed to take corrective actions to address this discrepancy:

- *Assessment of Penalties* – ETF will evaluate whether additional penalties are warranted based on the findings from the claims review, with the goal of ensuring Optum improves the claims processing accuracy performance standards. The evaluation will be completed by June 30, 2025.
- *Claims Adjudicator Training* – Optum will work with the subcontractor responsible for claims processing to deliver additional training related to claims substantiation. This training will emphasize the importance of consistency in validating claims expenses and ensuring compliance with proper documentation requirements, with completion due by March 31, 2025.
- *Internal SOP Documents* – Optum will work with the subcontractor to update their internal documentation appropriately to be in alignment with current IRS substantiation requirements and ETF contract requirements, with completion due by June 30, 2025.

ETF is committed to working closely with Optum to implement these corrective actions and ensure that claims substantiation practices meet the required standards moving forward.

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

Completion Date: September 30, 2025

2. Quarterly Performance Standards Reporting Deficiencies

Finding

We performed detailed testing of CY 2023 quarterly performance standards reported to ETF and did not include detailed testing of CY 2022 in order to focus our testing on changes and corrective action taken since our prior audit recommendation was issued. When substantiating CY 2023 quarterly performance standards reported, we found:

- i. Supporting documentation did not match or recalculate to the value reported on the Quarterly Performance Standards Report for Participant Reimbursement, Electronic Response Inquiry, Customer Satisfaction, and Claims System Availability performance standards.
- ii. Processing Accuracy and Financial Accuracy performance standards reported the same values and underlying support although the required reporting definitions differ. The support provided also did not appear reliable.
- iii. Book-of-business values were reported for certain standards instead of plan-level values as required by the contract.
- iv. Multiple versions of the reports were provided to ETF for each quarter of CY 2023 with updated values.

As part of our prior audit recommendation follow-up (Ref. AUD | 03.23.23 | 6), we found Optum Financial did not: adequately develop and document written procedures to compile the Quarterly Performance Standards Report in compliance with required reporting definitions; implement an adequate report review process to ensure the Quarterly Performance Standards Reports are accurate; and implement a process to ensure records are maintained as required by the pre-tax savings account contracts.

Additionally, as part of our prior audit finding follow-up (Ref. AUD | 03.23.23 | 6), we found ETF did not request supporting documentation for Quarterly Performance Standards Reports and perform sample verifications to ensure additional accountability over contract performance. ETF determined it would not require performance standards for CY 2021 or CY 2020 be reported retroactively and potentially assess penalties.

Risk/Effect

ETF cannot adequately evaluate Optum Financial's contract performance and assess whether penalties are warranted because of a lack of adequate supporting documentation and reporting methodologies applied for certain performance standards do not align with the required reporting definitions in the contracts.

Recommendation

We recommend Optum Financial

- a) develop and document procedures to compile the Quarterly Performance Standards Report in compliance with required reporting definitions;
- b) implement a report review process to ensure the Quarterly Performance Standards Reports are timely and accurate; and
- c) implement a process to ensure records are maintained as required by the pre-tax savings account contracts and can be provided to ETF to allow for timely monitoring and validation of performance standards.

We recommend ETF

- a) require supporting documentation to be submitted by Optum Financial with the Quarterly Performance Standards Reports or as requested by ETF and consider a contract penalty for instances when requests for supporting documentation are not timely or accurately provided to ensure additional accountability over contract performance;
- b) perform regular reviews or sample verifications of performance standards;
- c) assess which performance standards can and should be reported at plan-level or book-of-business and whether Optum Financial can accommodate this; and
- d) consider whether any penalties are warranted for the performance standard which requires Optum Financial to address areas of improvement as identified by the prior audit (Ref. AUD | 03.23.23 | 6).

Significance: Medium

TPA Management Response

Optum Financial accepts the finding. However, it should be noted that in 2023 Optum Financial and the State of WI renegotiated performance standards. At that time, the Optum Financial systems used for reporting and reconciliation of service standards were updated to reflect the new agreed upon standards and calculations. Given the timing for the associated audit, it was difficult to recreate the identical data sets from all prior periods. It should be noted that the State of Wisconsin does not leverage Optum Financial via a SaaS model, and thus all systems and data are multi-tenant, and confidential beyond the standard reporting provided.

Recommendations are acknowledged and in general reflect guidance that has been addressed following the 2023 renegotiated standards. Optum has and maintains a confidential Optum Performance Guarantee Policy, which is reviewed and updated annually, covering all sub-processes, procedures and standard works that support the procedures to compile Quarterly Performance standards in compliance with the

contracted terms. Said policy is deployed via an application that stores both policy and data necessary to traction, action, and report on associated standards.

Optum quality auditing is conducted by an independent audit function with ISO 9000 trained Quality Auditors. The quality audit methodology is based on a stratified, statistically randomized sample conducted on an hourly and daily basis across the control environment. Quality defects are identified, triaged, and mitigated upon detection to help prevent recurrence. For the State of WI, Optum maintains a quarterly performance standard metric schedule which is reviewed, prepared, audited and reported quarterly. This schedule appropriately identifies the entity (State of Wisconsin), contract metric identifier, contract metric name, performance standard category, performance standard sub-category, performance standard measurement basis, reporting timeframe, and metric analysis source of truth, e.g. report, survey name and access point.

Responsible Staff: Leilani McKean, Relationship Executive, Optum Financial

Brock Dearden, Data Quality & Governance Manager, Optum Financial

Amanda Kouba, Data Implementation & Reporting Manager, Optum Financial

Completion Date: Optum believes all recommended enhancements are in place and are following a standard lifecycle and/or policy mandated validation, enhancement and deployment schedule.

ETF Management Response

We acknowledge the audit findings regarding the Quarterly Performance Standards Report and appreciate the opportunity to address the identified issues. Below, we provide our response, including corrective actions plan to be implemented and resolve each finding.

- i. *Supporting Documentation Discrepancies* – ETF worked closely with Optum’s Account Relations Director and their leadership team from August 2023 through September 2023 to define the methodology and standards for calculating performance metrics and ensure Optum obtained supporting documentation on record. The performance standards were revised in the contract amendments signed on September 29, 2023, to align with Optum’s approach to calculate performance metrics for ETF. ETF acknowledges that Optum provided supporting documentations but were not matching to the value reported on the Quarterly Performance Standards Report. In January 2025, ETF collaborated with Optum, who has agreed to implement the following corrective actions within the agreed-upon timeline to ensure that the findings are adequately addressed.

- Supporting Documentation Discrepancies: ETF requested a sampling of supportive documentation for the 2024 plan year performance standards for review and will address any discrepancies by March 31, 2025.
 - Staff Training: Optum will conduct training sessions with relevant staff on updated protocols to ensure consistency and accuracy in future reporting, with completion expected by May 1, 2025.
 - Audit Trail Requirements: Optum will establish a standardize format for maintaining and storing supporting documentation, ensuring traceability to reported values on the performance standards. This process is expected to be completed by June 30, 2025.
 - Documentation: Optum will develop and implement detailed written procedures outlining data sources, calculation methodologies, and reconciliation steps for each performance metric. This will be completed by September 30, 2025.
 - Penalties for Supporting Documentation: ETF is planning to introduce penalties for insufficient or missing supporting documentation in the upcoming contracts.
- ii. *Inconsistent Definitions for Processing Accuracy and Financial Accuracy* – ETF addressed the inconsistent definitions with Optum senior leadership between August 2023 through September 2023. Optum leadership reviewed all performance standards and methodologies that is used and ensure reporting can be provided accurately based on the definitions in the amended contracts signed on September 27, 2023. In January 2025, ETF collaborated with Optum, who has agreed to implement the following corrective actions within the set timeline to ensure that the findings are adequately addressed.
- Data Values Review: Optum will review the values used for Processing Accuracy and Financial Accuracy to ensure they align with contractual requirements by March 31, 2025.
 - Validation Measures: Optum will cross examine all quarterly performance standard reports and supporting documentation validation to ensure the accuracy and reliability of underlying data, with completion expected by June 30, 2025.
- iii. *Reporting Book-of-Business Values Instead of Plan-Level Values* – ETF relies on Optum to provide accurate values in accordance with the contracts requirements. In January 2025, ETF collaborated with Optum, who has agreed to implement the below corrective action within the agreed-upon timeline to ensure that the findings are adequately addressed.
- System Adjustments: Optum will assess their reporting system's ability to separate plan-level data from book-of-business data. Optum will also

inform ETF about which performance standards can be reported at the plan level versus those reported at the book-of-business level. ETF will evaluate Optum's reporting capabilities alongside ETF's business needs to determine the appropriate next steps based on findings, with completion expected by June 30, 2025.

- iv. *Multiple Versions of Quarterly Reports Provided* – ETF acknowledges that multiple versions were provided by Optum due to necessary corrections in the performance standard reports. To address this issue, the following actions will be taken, as agreed upon by Optum in January 2025:
- Submission Process Review: Optum will implement a minimum of two levels of review for the quarterly performance standard reports before submitting them to ETF, with completion required by March 31, 2025.
 - Version Control Policy: Optum will establish a robust version control system to track updates and ensure that only the finalized version of the report is submitted to ETF, with completion due by March 31, 2025.
 - Document Retention: A centralized repository will be created by Optum to maintain a clear and organized record of report versions and revisions, with completion required by March 31, 2025.

ETF OSHP is committed to addressing these findings and ensuring compliance with all reporting requirements. The corrective actions will enhance data accuracy, process integrity, and accountability. We welcome further collaboration to ensure ongoing improvements and adherence to contractual obligations.

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

Beth Bucaida, Contract Specialist, Budget Contract and Procurement, Office of Budget and Management, ETF

Completion Date: September 30, 2025

3. Administrative Fee Invoicing

Finding

Optum Financial charges ETF an administrative fee per participant account per month. We found Optum Financial duplicated administrative fees for 1,257 participant accounts for its June 2022 administrative fee invoice resulting in an overcharge of \$1,934.04 to ETF. The duplication was a result of a manual error when copying system generated data to a spreadsheet for invoicing.

We also found ETF was billed an HSA administrative fee for one month in CY 2022 for one participant who was not enrolled in an HSA. Optum Financial indicated that the system erroneously billed the administrative fee. Further, as part of prior audit finding

follow-up, Optum Financial was unable to determine why an HSA administrative fee was incorrectly billed to ETF for one participant for one month in CY 2020.

Risk/Effect

Erroneous system billing and the manual process for invoicing administrative fees may result in incorrect invoicing and a potential ETF overpayment to Optum Financial for administrative fees.

Recommendation

We recommend Optum Financial determine the cause of the system billing errors and implement corresponding corrective action to address the cause of the error. We also recommend Optum Financial improve its review of administrative fee invoices to ensure the accuracy of administrative fee invoicing by reconciling system generated invoicing data to the final administrative fee invoice.

We recommend ETF improve its monthly review of administrative fee invoicing received from Optum Financial which could include a review of the percentage change in participants per month and a review for duplicates to ensure the accuracy of administrative fees billed to ETF. We recommend ETF seek to recover \$1,934.04 overpaid to Optum Financial for the June 2022 administrative fee invoice.

Significance: Medium

TPA Management Response

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

- The State of Wisconsin receives a customized invoice due to complexities in their fee agreement including the exclusion of retiree accounts and different rates for General Purpose FSAs and Limited Purpose Flexible Savings Accounts. Optum reported the June 2022 invoice included duplicate rows. This was determined to be a copy/paste error by the Optum Billing team. We reviewed all invoices from January 2022 – December 2024 for duplicate rows and did not find any other occurrences. We have added a control to our process to identify duplicate rows before the invoice is generated.
- Optum is currently completing the audit requested specific to inquiry on HSA Unenrolled accounts. Full findings will be provided in the audit that has been requested.

Responsible Staff: Trina Erickson, Senior Billing Analyst, Optum Financial

Kyle Wagner, Accounting Manager, Optum Financial

Completion Date: January 13, 2025

ETF Management Response

We acknowledge the findings from the audit and took proactive measures to address the identified discrepancies. The following corrective actions were implemented:

- *Recovering Overpayments* – On January 13, 2025, ETF recovered the \$1,934.04 that was incorrectly billed to ETF by Optum on the June 2022 administrative fee invoice (completed).
- *Review of 2022-2024 Administrative Fees* – In January 2025, Optum performed an audit of all 2022-2024 ETF administrative fee invoices for duplications and to determine why an HSA administrative fee was incorrectly billed to ETF to ensure ETF was accurately invoiced. No additional duplicate charges were found. However, Optum identified a formula error in their system reports that impacted billing modifications. Between March 2020 and February 2022, the formula failed to exclude HSA unenrolled accounts, which are billed directly to accountholders and should not have been billed to ETF. This error resulted in a total overbilling of \$16,197.69. While the formula was corrected in March 2022, no retroactive refunds were issued for the overbilled amounts. Optum will issue a credit of \$16,197.69 on the February 2025 administrative fee invoice (completed).
- *Additional Review of Invoice* – Starting in December 2024, ETF started a process to perform monthly validation checks on administrative fee invoices to ensure there are no duplicates in the invoice (completed).
- *Perform Percentage Changes Review* – Beginning in December 2024, ETF implemented a validation process for the administrative fee invoice by calculating the percentage change between the current and prior month's invoice. Any variance exceeding 2% (above or below) triggers further investigation to identify the underlying cause. ETF will collaborate with Optum to address any discrepancies and ensure the necessary corrections are made (completed).

ETF worked closely with Optum to thoroughly review the administrative fee invoicing process. The findings were promptly raised with Optum's leadership in December 2024, leading to immediate corrective actions. While ETF does not anticipate any future issues, it will continue to closely monitor the administrative fees and ensure that the implemented controls are functioning effectively.

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

Completion Date: February 15, 2025

Process Improvement Considerations and Other Items to Note

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.

- a) We found one participant in our sample of Limited Purpose Flexible Savings Accounts (LPFSA) participants for CY 2022 and CY 2023 was not enrolled in a HDHP or an HSA through ETF's benefit programs but was enrolled, contributed, and received reimbursement of \$1,200 for claims as part of the participant's LPFSA. A review for HDHP and HSA enrollment for LPFSA participants, similar to the review for HDHP enrollment for HSA participants already performed by Optum Financial, could help identify if this participant had eligible enrollment in HDHP and HSA. We suggest ETF consider how it can obtain assurance that LPFSA participants are compliant with LPFSA eligibility requirements to be enrolled in a HDHP and an HSA.
- b) We found performance standard percentages are reported at the nearest whole percentage which results in penalties being slightly over or under charged because ETF is assessing penalties at the nearest tenth of a percent. We suggest ETF consider requesting performance standards to be reported at the nearest tenth of a percent to improve the accuracy of reporting and assessment of penalties.

Audit Methodology

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

- *Enrollment and Contributions* – We performed a review of ERA and CB participants reported on the Plan Finalization Reports to identify if any elections, contributions, or carryovers exceeded IRS limits. As part of our ERA and CB claims testing, we verified election and contribution amounts reported to participant account activity. For HSA accounts, we reviewed comprehensive participant account activity for any elections and contribution amounts exceeding IRS limits and performed further review for a selection of participants. We reviewed for HSA enrollment eligibility based on enrollment in a HDHP by reviewing a selection of participants identified on Optum Financial's HDHP HSA review. We further reviewed a selection of Limited-Purpose FSA participants for enrollment eligibility based on enrollment in a HDHP and HSA.
- *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*** – For the sample and selection of participants included in our claims processing testing, we reviewed accuracy of annual elections, total contributions, total paid claims, and recalculated carryovers and forfeitures reported on the Plan Finalization Report.
 - ***Unsubstantiated Claims Business Debt Reports*** – For a selection of claims, 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 for CY 2023. 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.