August 24, 2022 Audit Report No. AUD-22-024

Administrative and Medical Expenses Reported on Financial Statistical Reports

UnitedHealthcare Community Plan of Texas, L.L.C. and UnitedHealthcare Insurance Company, Inc.

Results in Brief

Why OIG Conducted This Audit

The Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit) conducted an audit of UnitedHealthcare Community Plan of Texas, L.L.C. and UnitedHealthcare Insurance Company, Inc.'s (UnitedHealthcare's) process for preparing and submitting expenses on its 334-day 2020 Medical financial statistical reports (Medical FSRs) and Combined Administrative and Quality Improvement Expenses financial statistical report (Combined FSR) based on an identified risk of incorrectly reported expenses on the financial statistical reports (FSRs), including unallowable expenses without sufficient documentation. When unallowable and questioned expenses are included on FSRs, the reported net income may be inaccurate. As a result, there is a risk that the Texas Health and Human Services Commission (HHSC) may rely on inaccurate information when setting capitation rates and calculating experience rebates.

UnitedHealthcare is a managed care organization (MCO) contracted to provide Medicaid and CHIP services to Texas Medicaid and CHIP members through its network of providers. During the period from September 1, 2019, through August 31, 2020, UnitedHealthcare reported $4 billion in total gross revenue and served an average of 312,964 members per month for all programs and service areas.

Conclusion

UnitedHealthcare Community Plan of Texas, L.L.C. and UnitedHealthcare Insurance Company, Inc.'s (UnitedHealthcare's) process for preparing and submitting expenses on its 334-day 2020 Medical financial statistical reports (Medical FSRs) and Combined Administrative and Quality Improvement Expenses financial statistical report (Combined FSR) had some control weaknesses. UnitedHealthcare had a process for preparing financial statistical reports (FSRs), which included effective controls related to (a) identifying and removing unallowable general ledger accounts, (b) reconciling FSR data, and (c) assigning and communicating authority and responsibility of the FSR reporting process. UnitedHealthcare also accurately reported prescription expenses tested on the STAR Kids Medical FSR for the Harris service area. However, UnitedHealthcare (a) incorrectly reported and did not maintain readily available documentation to support affiliate outsourced service expenses on its Combined FSR and (b) incorrectly reported behavioral health claims expenses on its STAR+PLUS Medical FSR for the Travis service area. As a result of these two issues, UnitedHealthcare overstated expenses by $8,159,962.

Key Results

UnitedHealthcare had some control weaknesses concerning (a) documentation to support that affiliate outsourced service expenses are accurately reported at fair market value and (b) its process for determining affiliate administrative rates.

UnitedHealthcare had a rationale for reporting affiliate outsourced services expenses at fair market value. However, it was not prepared to provide documentation to support its fair market value prior to submitting the Combined FSR, including:

- How it determined the cost of affiliate outsourced services.
- How it qualified to report affiliate outsourced service expenses at fair market value.
- The fair market value rate for the affiliate outsourced service expenses.

Summary of Review

The audit objective was to determine whether (a) UnitedHealthcare reported expenses on selected components of its Medical and Combined FSRs submitted to HHSC in accordance with contract requirements and laws and (b) the related internal controls over the preparation of the FSRs were designed and operating effectively.

The audit scope included UnitedHealthcare's Medical and Combined FSRs and related internal controls over the preparation of those FSRs for state fiscal year 2020, which covered the period from September 1, 2019, through August 31, 2020.

Background

FSRs are a reporting mechanism used by MCOs to provide financial information, including medical and administrative expenses, related to the Medicaid and CHIP programs in which the MCO participates. MCOs are required to submit quarterly and annual Medical FSRs for each program and every service area for which the MCO provides coverage, and a separate Combined FSR to report administrative expenses. The information reported in the Medical and Combined FSRs is also used by HHSC to calculate each MCO's experience rebate.

Management Response

UnitedHealthcare predominantly agreed with the audit recommendations and indicated work to implement corrective actions was underway.

For more information, contact:
OIGAuditReports@hhs.texas.gov

In addition to not providing adequate support for its fair market value reporting, UnitedHealthcare did not require two of the three tested affiliates to provide unredacted customer contracts upon request from the Texas Health and Human Services (HHS) Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit). Further, UnitedHealthcare did not report all affiliate outsourced service expenses at or below determined fair market value rates or calculate a reasonable fair market value rate for all affiliates.

As a result of the control weaknesses, OIG Audit recalculated the fair market value rate for two of the three tested affiliates and determined that UnitedHealthcare inaccurately reported an estimated $7,939,507 of affiliate outsourced service expenses above fair market value on the Combined FSR.

Further, UnitedHealthcare inaccurately reported expenses above its contracted provider rate for 4 of 52 (7.7 percent) behavioral health claims expenses tested. As a result, UnitedHealthcare overstated behavioral health claims expenses totaling $11,663. Based on this issue, OIG Audit performed further analysis and identified an additional 183 behavioral health claims expenses across the claims population, resulting in overstatements totaling $208,793, that UnitedHealthcare incorrectly reported.

Recommendations

UnitedHealthcare should:

- Ensure all subcontractors and affiliates are obligated, in writing, to provide OIG prompt, reasonable, and adequate access to any support that is related to the scope of the contract between the Texas Health and Human Services Commission (HHSC) and UnitedHealthcare, as required by the Uniform Managed Care Contract.
- Prepare and maintain documentation to support qualification to report at fair market value prior to the beginning of the state fiscal year.
- Report affiliate outsourced service expenses at or below fair market value, when using the fair market value method to report expenses.
- Work with HHSC Financial Reporting and Audit Coordination (FRAC) to determine the appropriateness of utilizing the HHSC Texas Medicaid and CHIP MCO rate setting packets as a basis for determining fair market value affiliate outsourced service rates and ensure all components of its fair market value calculations are supported by reasonable rationale.
- Ensure behavioral health claims expenses it reports on its FSRs are accurate in accordance with provider contracts.