



UNITED HEALTHCARE – ELIGIBILITY, KPI'S & PAYMENT CONTROLS (#24-10)

Terry Follmer, Chief Audit Executive

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Executive Summary

As part of our Fiscal Year 2024 and 2025 Internal Audit Plans approved by the CapMetro Board, we performed an audit of the United Healthcare third party administrator (TPA) contract for CapMetro's self-insured benefits for medical and dental. The primary objective was to determine whether there were sufficient internal controls to ensure contract compliance and accurate billings from United Healthcare for their services. The audit results including the objective, scope, and conclusion are as follows.

Background

CapMetro has utilized United Healthcare as their third-party health plan administrator since July 29, 2009, and the current contract term expired January 1, 2025; with the option to extend the contract for up to 3 additional years. United Healthcare bills CapMetro once a month for their administrative fees and every two weeks for the claims paid to healthcare and dental providers. CapMetro has given access to United Healthcare to directly debit CapMetro's bank account for the monthly and bi-weekly billings and support is provided from United Healthcare for all withdrawals. In calendar year 2024 United Healthcare withdrew a total of \$21,029,838 (\$10,348,304 for admin costs and \$10,681,534 for healthcare provider payments) from CapMetro's bank account. We also noted that the UHC contract does contain KPI performance goals (e.g. initial and appeal turnaround times; claims processing accuracy; etc.) and we tested compliance with these performance metrics as part of this review.

Also, the 2024 CapMetro Benefit Guide of Acceptable Dependent Eligibility Verification Documentation (**See Appendix C**) states that "to provide coverage for a dependent under any of the benefit programs", employees are required to submit proof of dependent eligibility by providing official pre-approved documentation as listed in the Benefits Guide. Ensuring proper support for eligible dependents helps in managing the cost of benefits by reducing the risk on unauthorized dependents. Compliance with this policy was also tested as part of this review.

Audit Objective & Scope

The primary objective was to determine whether there were sufficient internal controls to ensure contract compliance and accurate billings from United Healthcare for their services. An additional objective was to evaluate CapMetro dependent controls to ensure that only eligible dependents are receiving benefits and required documentation is obtained and retained. The scope included a review of controls over contract monitoring, debits made by UHC to CapMetro's bank account for the calendar years 2022 through 2023, and records evidencing dependent eligibility.

Management had been collecting eligibility documentation (e.g. marriage and birth certificates, etc..) during the onboarding process but not retaining and saving to Oracle. During the audit the P&C Department collected all missing eligibility documentation and saved it to Oracle. Several employees did not provide dependent eligibility documentation; therefore, benefits were removed for these dependents. Based upon management's corrective actions taken during the audit, we have deleted this finding from the audit report.

Opinion

In our opinion, internal controls are generally in place and properly functioning for United Healthcare Payment reconciliation and dependent eligibility verification. We identified some areas where internal controls could be further strengthened as follows:

Issues & Risk	Risk Rating	Status	Target Completion Date
1.UHC PAYMENT CONTROLS AND BANK ACCESS	Medium	Open	November 01, 2025
2.UHC KPI'S, INCENTIVES, PENALTIES, AND ADJUDICATION AUDIT	Low	Open	This would occur in Q1 or Q2 of 2026, depending on when the data becomes available.

More details regarding the issues/risks and recommendations can be found below in the detailed audit report.

This audit was conducted in accordance with the US Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was conducted by the following staff members in the Capital Metro Internal Audit Department:

- Amy Parekh, Senior Internal Auditor
- Terry Follmer, Chief Audit Executive

Recommendations to strengthen controls and improve accountability were provided to management. Management agrees with the internal audit recommendations and has provided target completion dates which are included in the detailed audit report below. A follow-up audit is performed semi-annually (i.e., May and November) to ensure management action plans for all issued audit reports are completed in a timely manner.

We appreciate the cooperation and assistance provided to us throughout this audit. The risk rating definitions and rating methodology are provided on the next page of this report.

Risk Rating Definitions

Ratings Definitions- Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

Rating	Issues identified	Action required
HIGH	Issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.
MEDIUM	Issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
LOW	Issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer the program(s)/function(s) audited.	Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

Ratings methodology- In determining the ratings of audit findings, auditors considered factors such as:

1. Financial impact
2. Potential failure to meet program/function objectives
3. Noncompliance with state statute(s), rules, regulations, and other requirements or criteria
4. The inadequacy of the design and/or operating effectiveness of internal controls
5. Evidence of potential fraud, waste, or abuse
6. Significant control environment issues
7. Little to no corrective action for issues previously identified

Auditors also identified and considered other factors when appropriate.

Audit Report

Issues & Risk	Risk Rating:	Recommendation	Management Action Plan
	Medium		
<p><u>1. UHC PAYMENT CONTROLS AND BANK ACCESS</u></p> <p>UHC has been granted access to CapMetro’s bank account to debit their administrative fees (monthly) and claim reimbursements (bi-weekly) of approximately \$20 million annually for UHC health and dental benefits. The bank account from which UHC directly debits is CapMetro’s main clearing account, which is used for almost all CapMetro day-to-day operations, including deposits and other withdrawals.</p> <p>Allowing a vendor to directly debit this clearing bank account creates additional risks, including the risk that the vendors withdrawals may be unauthorized, an incorrect amount, proper support is not provided and/or is not timely. An additional risk is the money is withdrawn by UHC before the accounting Journal Entry is made, therefore the missing entry will become a reconciling entry on the Bank Reconciliation if not made timely.</p> <p>Audit tested all UHC bank withdrawals for 2022 & 2023 and noted that UHC provided support for all bank debits, however, we found two UHC withdrawals (see Appendix A) for which corresponding Journal Entry (JE) had not been made as follows:</p> <ul style="list-style-type: none">10/27/2022 payment of \$342,5282/16/2023 payment of \$128,884 <p>Upon sharing these missing JE’s with Accounting, they made the correcting JE’s.</p>	<p>Internal Audit recommends that Management consider the following:</p> <p>a) The CFO and Controller should consider ending the practice of allowing United Healthcare to make automatic debits/withdrawals from CapMetro’s bank account.</p> <p>b) If management chooses to continue the practice of allowing UHC to make automatic withdrawals from CapMetro’s bank account, management should consider creating a separate bank account for only United Healthcare activity in order to increase visibility of UHC transactions and simplify the reconciliation process. Additionally, the Manager of Accounting should perform a postmortem exercise on the two missed UHC withdrawals to understand why this occurred and lessons learned to prevent this from happening again.</p>	<p>Management agrees with the recommendation and has developed the action plan below:</p> <p>A) We agree with Internal Audit’s recommendation to shift away from direct withdrawals and have UHC submit formal invoices to AP. Currently, our team member creates the support for the debit from UHC’s portal and sends it to AP for processing. This change would provide better control and relieve the accounting team from some administrative burden. The team will then just be validating the UHC charges. There is no target completion date from Accounting’s end at this time as Procurement/Legal team are taking the lead in working with UHC to</p>	

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<i>Issues & Risk</i>	<i>Risk Rating:</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
	Medium		
			<p>understand any contractual limitations.</p> <p>B) This issue occurred during the time of Oracle transition along with UHC portal access problems, and temporary staff responsible for making these entries had already left. We have an improved reconciliation process since then for our cash and cash clearing accounts that will help identify issues like these should they occur. After evaluating the option of opening a new bank account, we determined it's not feasible due to the significant administrative upkeep involved.</p> <p><u>Target Completion Date:</u> 11/01/2025</p>

<i>Issues & Risk</i>	<i>Risk Rating:</i>	<i>Recommendation</i>	<i>Management Action Plan</i>
	Low		
<p><u>2. UHC KPI'S, INCENTIVES, PENALTIES, AND ADJUDICATION AUDIT</u></p> <p>We noted that CapMetro's contract with UHC contains eight performance guarantees with credit amounts to be applied to invoices should United Healthcare fail to meet these guarantees. We benchmarked CapMetro's contract against the UT System contract with Blue Cross Blue Shield which had 17 very clear performance guarantees detailed in their contract along with defined monetary penalties associated with each performance guarantee not met (See Appendix B for some examples of performance guarantees in the UT System contract with Blue Cross Blue Shield that have no equivalent in the CapMetro contract with United Healthcare).</p> <p>We noted that People & Culture has not been checking to see if UHC is meeting the performance guarantees, and no one has been assigned this responsibility. Internal Audit attempted to test the performance guarantees but noted that only one of the eight metrics can be tested, because UHC is not providing the data to validate the other seven performance guarantees.</p> <p>Additionally, a third-party has never been hired to perform an adjudication audit to ensure the accuracy of claims processed and evaluate overall performance against industry standards and compliance with contractual performance guarantees.</p>		<p>Internal Audit recommends that Management consider the following:</p> <ul style="list-style-type: none"> a) The VP of People & Culture and Director of Total Rewards should consider assigning the responsibility for review and enforcement of the performance guarantees detailed in the contract with United Healthcare. b) The VP of People & Culture and Director of Total Rewards should consider hiring a third-party firm to perform an adjudication audit to ensure the accuracy of claims processed and evaluate overall performance against industry standards and contractual performance guarantees. 	<p>Management agrees with the recommendation and has developed the action plan below:</p> <p>Add review of performance incentives to the standing agenda for the board of trustees to make sure the data is reviewed year over year with trustees.</p> <p><u>Target Completion Date:</u> This would occur in Q1 or Q2 of 2026, depending on when the data becomes available.</p>

Appendices

Appendix A: All United Healthcare Outgoing ACH Debit Payments from October 1, 2022 (Oracle go-live date) through October 1, 2023

SECTION	DATE	DESCRIPTION	MARKET VALUE/AMOUNT/B	Category
Withdrawals and Debits	10/06/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (148,999.60)	UHC Outgoing wire
Withdrawals and Debits	10/13/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (122,582.03)	UHC Outgoing wire
Withdrawals and Debits	10/20/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (57,081.69)	UHC Outgoing wire
Withdrawals and Debits	10/27/22	ORIG CO NAME=UNITEDHEALTHCARE,ORIG ID=UH	\$ (342,528.25)	UHC Outgoing wire
		ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221103 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000026412324 EED:221103 IND		
Withdrawals and Debits	11/03/22	ID:223050567 IND NAME:CAP METRO TRANSIT ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221110 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000020225638 EED:221110 IND	\$ (64,043.78)	UHC Outgoing wire
Withdrawals and Debits	11/10/22	ID:223120442 IND NAME:CAP METRO TRANSIT ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221117 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000022492157 EED:221117 IND	\$ (289,093.00)	UHC Outgoing wire
Withdrawals and Debits	11/17/22	ID:223190665 IND NAME:CAP METRO TRANSIT ORIG CO NAME:UNITEDHEALTHCARE ORIG ID:UHC5070356 DESC DATE:221125 CO ENTRY DESCR:PAYMENTS SEC:CCD TRACE#:021000026555330 EED:221125 IND	\$ (87,103.64)	UHC Outgoing wire
Withdrawals and Debits	11/25/22	ID:223260868 IND NAME:CAP METRO TRANSIT	\$ (231,842.14)	UHC Outgoing wire
Withdrawals and Debits	12/01/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (101,224.58)	UHC Outgoing Wire
Withdrawals and Debits	12/08/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (213,128.54)	UHC Outgoing Wire
Withdrawals and Debits	12/15/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (597,156.34)	UHC Outgoing Wire
Withdrawals and Debits	12/29/22	ORIG CO NAME=UNITEDHEALTHCARE	\$ (132,234.34)	UHC Outgoing Wire
Withdrawals and Debits	01/05/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (102,806.59)	UHC Outgoing Wire
Withdrawals and Debits	01/12/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (275,436.98)	UHC Outgoing Wire
Withdrawals and Debits	01/19/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (84,794.19)	UHC Outgoing Wire
Withdrawals and Debits	01/26/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (303,730.63)	UHC Outgoing Wire
Withdrawals and Debits	02/02/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (114,757.11)	UHC Outgoing Wire
Withdrawals and Debits	02/09/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (236,028.04)	UHC Outgoing Wire
Withdrawals and Debits	02/16/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (128,884.11)	UHC Outgoing Wire
Withdrawals and Debits	02/23/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (276,216.86)	UHC Outgoing Wire
Withdrawals and Debits	3/2/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (123,640.97)	UHC Outgoing Wire
Withdrawals and Debits	3/9/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (235,451.20)	UHC Outgoing Wire
Withdrawals and Debits	3/16/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (114,872.88)	UHC Outgoing Wire
Withdrawals and Debits	3/23/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (211,365.25)	UHC Outgoing Wire
Withdrawals and Debits	3/30/2023	ORIG CO NAME=UNITEDHEALTHCARE	\$ (132,567.20)	UHC Outgoing Wire
Withdrawals and Debits	04/06/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (191,315.15)	UHC Outgoing Wire
Withdrawals and Debits	04/13/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (86,149.32)	UHC Outgoing Wire
Withdrawals and Debits	04/20/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (308,993.23)	UHC Outgoing Wire
Withdrawals and Debits	04/27/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (119,839.92)	UHC Outgoing Wire
Withdrawals and Debits	05/04/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (309,417.18)	UHC Outgoing Wire
Withdrawals and Debits	05/11/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (160,621.91)	UHC Outgoing Wire
Withdrawals and Debits	05/18/23	ORIG CO NAME=UNITEDHEALTHCARE	\$ (119,524.41)	UHC Outgoing Wire

Note: The two debits in red above by UHC (\$342,528.25 on 10/27/22 and \$128,884.11 on 02/16/23) were automatically withdrawn from CapMetro's bank account but the respective Journal Entry for this payment was never made until the audit discovered it.

Appendix B: UT System and BlueCross BlueShield Contract Performance Guarantee Examples Not in CapMetro and UHC Contract

Implementation Activities (Initial Year Only)	<p>Benefit Coding Accuracy: Claim Administrator will code the Employer's standard and custom benefits accurately according to the Benefit Matrix. Claim Administrator agrees to an accuracy rate of 97% or greater.</p> <p>Method of measurement: Following the implementation, a comprehensive audit will be performed to validate the results from the pre-production and post-production benefit testing.</p>	Met Not Met	\$0 \$5,000 per error Maximum of \$20,000/plan year
Communication Requirements	<p>BCBSTX's performance during an annual enrollment will be evaluated by the group based on results of the following due date requirements:</p> <ol style="list-style-type: none"> 1) preparation of System-specific website; 2) distribution of enrollment materials; and 3) assistance with preparation of plan booklets 	Met Not Met	\$0 \$4,000 per each not met
Dataset Processing	<p>Maintenance eligibility Datasets received by BCBSTX from the System on any business day received by 8:00 a.m. CST will be processed within 24 hours of receipt and System will be notified of the status once processed. If problems with a dataset or with the vendor's information system prevent processing of any file within 24 hours of receipt, the vendor shall immediately notify System of the issue and begin resolving the issue(s). Any records that error out or require additional research are considered invalid records and not subject to the performance guarantee.</p> <p>Claims Datasets must be transmitted to the System in the required format by the fifteenth (15) of the month following receipt of the initial claim billing and in the month following any subsequent adjudication on a claim.</p>	<p>Met Not Met</p> <p>Met Not Met</p>	<p>\$0 \$2,000 per each not met \$20,000 Maximum</p> <p>\$0 A financial penalty of \$2,000 may be assessed for each claims detail dataset that is overdue by more than 30 days, up to a maximum of \$20,000 per contract year</p>
Appeals	Contractor guarantees that at least 90% of written appeals shall be resolved within 15 days from the date of receipt of reasonably necessary information. Contractor shall report the total number of written appeals received from participants, and the percentage resolved within 15 days of receipt by the Contractor during each quarter.	90% - 100% 0% - 89.9%	\$0 \$4,000 per quarter when fewer than 90% are resolved within 15 days of receipt of reasonably necessary information
Administrative Report Timeliness	Each Administrative Performance Report is due no later than the fourth Thursday of the month following the end of the System plan year quarter.	Met Not Met	\$0 \$2,000 per quarter not met

Appendix C: 2024 CapMetro Benefit Guide of Acceptable Dependent Eligibility Verification Documentation

Required Documentation:

To provide coverage for a dependent under any of the benefit programs, you must submit documentation that supports your relationship to the dependent. Dependents will not be enrolled without social security numbers and the required proof of dependency. Documentation must be submitted at the time of enrollment:

- **For a spouse:** A marriage certificate or declaration of informal (common-law) marriage, which has been recorded as provided by law.
- **For a child for medical coverage:** A birth certificate, complimentary hospital certification, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, or conservatorship.
- **For a child for other coverage:** A birth certificate, complimentary hospital certification, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, or conservatorship, as well as proof of dependency.
- **For a stepchild:** A birth certificate, complimentary hospital certificate, verification of birth facts issued by the hospital, and a court order establishing legal adoption, guardianship, or conservatorship, and a marriage certificate or declaration of informal marriage indicating the marriage of the child's parent and step parent.
- **For a dependent grandchild:** A birth certificate, complimentary hospital certification, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, tax return showing dependency, or conservatorship for your child and grandchild.
- **For a disabled child:** A birth certificate, complimentary hospital certificate, verification of birth facts issued by the hospital, or court order establishing legal adoption, guardianship, or conservatorship. A completed Dependent Eligibility Questionnaire verifying an ongoing total disability. Written documentation from a physician verifying an ongoing total disability may be required.
- **Qualified Individual:** A fully executed Qualified Individual Declaration and supporting documentation showing proof of financial interdependence (see Declaration for supporting documentation requirements). If the Qualified Individual is a "federally defined" spouse, a copy of the marriage certificate is required.
- **Gain/ Loss of Other coverage:** A Benefit Confirmation Statement/ Official Letter which shows the date coverage starts/ concludes. (i.e Severance/ Employment Dismissal Letter, COBRA Enrollment document, Official notice of benefit termination displayed on letterhead from prior employer/ prior insurance carrier)
- **Marriage/ Divorce / Birth / Death of Dependent:** These Qualified Life Events require the official issued Certificate/ Document of record detailing the event.

It is the employee's responsibility to determine whether your dependent meets the dependent definition and ensure all supporting documents for dependent eligibility/ verification is uploaded to the Oracle Document Library. Please note, all documents must be received timely following initial enrollment/ notification of Pending Actions Items. Employees are expected to report eligibility/ dependents accurately based on plan definitions; the IRS may tax benefits received for ineligible persons.