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REPORT BY THE U.S.

General Accounting Office

Errors In Health Benefits Enrollment Data Push Up Health Insurance Costs

Discrepancies in enrollment data between Federal agencies' and health insurance carriers' records cause erroneous premium and benefits payments, and ultimately increase health insurance costs for both the Government and its employees.

The outdated manual system for exchanging information between agencies and carriers results in most of the errors. Exchange of data in computer-readable form would diminish the errors and reduce administrative costs. GAO recommends that the Director, Office of Personnel Management take steps to automate the exchange of enrollment data.

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DECEMBER 6, 1979

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-164562

The Honorable Alan K. Campbell
Director, Office of Personnel
Management

Dear Mr. Campbell:

Your organization, along with other Federal agencies, is responsible for the accuracy of the health benefit enrollment data used by agencies and carriers to provide benefits under the Federal Employees Health Benefits Program. Accuracy of this data is critical because the records are used to determine (1) the coverage provided the employee, (2) the employee's payroll deduction, and (3) the premium payment to carriers. Further, omissions and errors can delay payments of claims.

Despite the need for accuracy, discrepancies in enrollment data exist between agencies' and carriers' accounting records. These discrepancies cause erroneous premium and benefit payments and drive up carrier and Federal agency administrative costs, thus contributing to increased health insurance costs. The discrepancies result mainly from the manual procedures your office prescribed for Federal agencies and carriers to exchange enrollment data. The procedures invite error and are too costly to be effected fully.

Your agency can significantly diminish, if not eliminate, the errors in enrollment data by prescribing procedures for exchanging enrollment data in computer-readable form. This also would reduce agency and carrier costs for exchanging data.

Discrepancies in enrollment data fall into two categories: (1) carriers and Federal agencies each may have enrollees recorded who are not on the other's records and (2) when both have the same enrollee recorded, they may not have the same data for that enrollee. For example, often they have different enrollment codes for the same enrollee. Our auditors, as well as your auditors, identified numerous cases where

--employees paid for high-option coverage, but received low-option benefits;

--employees paid for low-option coverage, but received high-option benefits (this happened more frequently than the reverse);

--employees paid no premiums but received benefits; and

--premiums were paid to the wrong carriers.

The discrepancy rate varies, but appears to be over 10 percent, with carrier records containing most of the errors. Fortunately, the percentage of errors that causes erroneous premium and benefit payments is considerably lower. Nonetheless, the errors create inequities among carriers and employees and unnecessarily increase carrier and Federal agency administrative costs, as well as increase the cost of health coverage. According to our 1978 estimates, the cost of these errors is $2 million to $5 million annually. Federal agencies know that discrepancies exist, but they make little or no effort to identify and correct them because they consider the work to be of low priority, or the cost of doing so to be prohibitive under existing procedures.

We recognize that in enrolling 3.3 million employees for health benefits, some percentage of error is inevitable. But the present error rate clearly is too high. We believe that by automating the exchange of data and by making some other minor changes, the number of errors, as well as the cost of exchanging data and correcting any errors, can be reduced.

Our detailed recommendations for accomplishing this are on page 14 of the report. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

My staff discussed these matters with officials in your Compensation Group and they agreed with our recommendations. However, they raised several important points with which we concur. First, the Office of Personnel Management already has progressed in getting all carriers to adopt a single, permanent identification number for each enrollee to facilitate exchanging enrollment data. Secondly, the exchange of enrollment data in machine-readable form might be applicable only to large health carriers and large, centralized Federal payroll operations because small carriers and agencies may not

have the resources nor the need to automate. Finally, our recommendations should be phased in to allow time to incorporate a common identifier and develop and test a standard means to transmit enrollment data. I am hopeful that you will see that our recommendations are implemented.

I appreciate the courtesies and cooperation extended to my staff during the review.

Sincerely yours,

D. L. Scantlebury
Director

Contents

ABBREVIATIONS

HEW	Health, Education, and Welfare

CHAPTER 1

INTRODUCTION

The Federal Employees Health Benefits Act of 1959 (Public Law 86-382) offered Federal employees and retirees a chance to acquire protection against the cost of health care services for themselves and their families. The program is a voluntary insurance program open to almost all employees. The Government and participating Federal employees share the cost through agency contributions and payroll deductions, with the Government paying about 60 percent of the premiums.

In the 1977-78 reporting period, approximately 3.3 million Federal employees and retirees were enrolled in the Federal Employees Health Benefits Program. About 80 Federal agencies recorded and reported health benefit enrollment data on these enrollees. The insurance coverage was provided by 80 carriers for about $3 billion in premiums.

The Office of Personnel Management (formerly the Civil Service Commission) is responsible, as the Federal contracting office, for administering the health insurance program. Among other things, the Office contracts with carriers, participates in setting rates, issues enrollment instructions, and relays payments to the carriers.

The Office of Personnel Management (also referred to as the Federal contracting office) has made each Federal agency responsible for enrolling its own employees. This responsibility includes allowing eligible employees to enroll or change enrollment, recording enrollment data in agency records and reporting it to carriers, reconciling agency records with carrier records, and collecting premiums and reporting them to the contracting office.

Carriers have three primary responsibilities. They pay health benefits claims of enrollees, furnish identification cards to enrollees, and send enrollment data from their records to Federal payroll offices for verification.

PURPOSE AND SCOPE OF AUDIT

In auditing Federal agencies' payroll systems and reviewing agencies' internal audit reports, we learned of major discrepancies between agency and carrier health benefit records. Because we thought that these discrepancies might affect health benefits costs, we initiated an audit to ascertain the extent of the effect on health benefit costs, and the reasons for the disparities.

Most of our work was done at the Office of Personnel Management and at the Department of Justice. At Justice, we compared its enrollment records with those of Aetna and of Blue Cross/Blue Shield. We also inquired about the procedures used at two other Federal agencies.

We did not do indepth work at more agencies or carriers for two reasons. One, the existence of errors had already been verified so we did not have to substantiate that. Two, Federal agencies should follow essentially the same procedures--those published by the Civil Service Commission. Our work at Justice was geared primarily to assess how effective the procedures were. Our inquiries at other Federal agencies were to determine if the weaknesses at Justice also existed at other agencies.

CHAPTER 2

DISCREPANCIES IN AGENCY AND CARRIER ENROLLMENT RECORDS

Significant discrepancies in health enrollment data exist between the records of carriers and of Federal agencies, with most of the errors in carriers' records. These discrepancies cause erroneous premium and benefit payments which increase agency and carrier costs and contribute to increasing health insurance costs. At Justice, the discrepancy rate is over 15 percent, but the percentage affecting benefit and premium payments is much lower. The discrepancies result mostly from the manual procedures that Federal agencies use to report enrollment data to carriers. The procedures are costly and invite errors, particularly during open season when employees may select different carriers or change coverage. Further, Federal agencies we surveyed make little or no effort to identify and correct the discrepancies because they consider the work low priority or too costly.

Most of the discrepancies we found at Justice do not affect benefit and premium payments, and others that do are self-correcting or offsetting. Therefore, estimating the cost related to record discrepancies is difficult. However, our and others' work clearly shows that the remaining discrepancies cause inequities and increase the cost of health insurance for agencies and employees. We estimate that the underpayments of premiums and overpayments of benefits cost $2 million to $5 million annually.

FEDERAL AGENCIES RESPONSIBLE FOR ACCURATE ENROLLMENT RECORDS

The Federal contracting office for the benefits program along with the Federal agencies, who are its agents, are responsible for the accuracy of records they submit to the carriers. The carriers are responsible for reconciling these records with the agencies' records. The accuracy of these records is critical as they determine the coverage provided, the payroll deduction, and the payment to the health carrier. Further, omissions and errors can delay payment of claims.

Despite the need for accuracy, major discrepancies in enrollment data exist between agencies' and carriers' accounting records. In our tests and those of two other agencies' auditors, both carrier and Federal agency records showed enrollees that were not on the other's records, with carriers reporting more enrollees than Federal agencies. Differences in enrollment codes also were found. Enrollment codes designate the

level of coverage employees pay for, such as "self, high-option" and "family, low-option." Numerous less significant errors also existed, such as incorrect, duplicate, or omitted control numbers and misspelled names.

The carriers, the Federal contract office, and agency officials we talked with acknowledged the discrepancies which were reported by the Federal contracting office, two agency's internal auditors, and us.

DISCREPANCIES IN ENROLLMENT REPORTED BY THE FEDERAL CONTRACTING OFFICE

The Federal contracting office has, for many years, prepared figures comparing enrollee information reported by carriers and that reported by Federal agencies. The carriers reported more enrollees--from 12,000 to nearly 100,000 more than the agencies--during the past years.

	Total enrollment recorded		Difference	
Date	By carriers	By agencies	Number	Percentage
1970	2,656,829	2,644,833	11,996	0.5
1971	2,720,627	2,680,198	40,429	1.5
1972	2,818,442	2,768,758	49,684	1.8
1973	2,914,475	2,865,688	48,787	1.7
1974	3,078,394	3,014,506	63,888	2.1
1975	3,175,841	3,079,643	96,198	3.1
1976	3,225,500	3,146,998	78,502	2.4
1977	3,300,943	3,250,500	50,443	1.5

The amount of difference varies by carrier. A 1976 study by the Civil Service Commission's program auditors showed that variations ranged from 0.2 to 35.5 percent. Our tests in several agencies showed that the difference varied among payroll offices, too.

Because agencies and carriers list enrollees that are not on the other's records, the difference is really much greater than the figures above show. In those figures, the number of enrollees reported by carriers but not by Federal agencies is reduced by the number of enrollees reported by Federal agencies but not by carriers.

The fact that carriers have more enrollees on their records than Federal agencies is significant since enrollees on a carrier's records may receive benefits without paying premiums.

The fact that Federal agencies have enrollees on their records and carriers do not is less important (assuming the

carriers should have them enrolled), because it will not result in increased benefit costs. The carrier will not incur costs because it will not provide benefits to a person not on its records. The employee will be temporarily inconvenienced when making a claim because the carrier will reject it. But either the employee or the carrier can request the agency to correct the error.

DISCREPANCIES REPORTED BY OFFICE OF PERSONNEL MANAGEMENT AUDITORS

Over the years, Office of Personnel Management auditors studied the health benefits program enrollment procedures. In September 1976, they reported comparing the enrollment records of the annuity payroll office (in the Office of Personnel Management) with those of Blue Cross/Blue Shield. According to the report, the annuity payroll office had 489,399 enrollees, about 25 percent of the Blue Cross/Blue Shield Federal enrollees. The auditors' match of Blue Cross/Blue Shield files with the annuity payroll office files as of March 31, 1976, disclosed an overall discrepancy rate of 10 percent. Details are shown below.

	Difference	Percentage (note a)
Duplicate control numbers	1,508	0.3
Control numbers blank	6,606	1.4
Enrollees on agencies' records but not on carriers'	9,267	1.9
Enrollees on carriers' records but not on agencies'	28,761	5.9
Enrollment codes different	2,582	0.5
Total	48,724	10.0

a/Difference divided by 489,399 enrollees on the annuity payroll office records.

After detailed analysis, the auditors reported that a majority of the differences could be explained. Many resulted from the timelag in sending data and posting it to carrier records. However, the auditors found that many people shown as enrolled by the carrier but not by the agency did claim and receive benefits. The auditors estimated the lost annual premiums for all such annuitants at $1,576,000.

The auditors also reported that many enrollees had received high-option coverage when they paid for low-option. Unfortunately, a small number had paid for high-option coverage but received low-option coverage. The auditors estimated

that premium over- and underpayments were about $348,000. They estimated that the net underpayment of premiums was about $145,000.

DISCREPANCIES REPORTED BY HEALTH, EDUCATION, AND WELFARE AUDITORS

Similarly, the internal auditors in the Department of Health, Education, and Welfare (HEW) compared enrollment records of Blue Cross/Blue Shield and HEW's payroll office. The auditors' found over 10,000 discrepancies with an overall discrepancy rate of 13 percent; only about 3 percent affected benefit costs. The auditors estimated about $693,000 in premium underpayment annually resulting from differences in enrollment codes.

DISCREPANCIES NOTED IN GAO AUDIT

Using records as of July 1977, we made a similar comparison of health enrollment records from Blue Cross/Blue Shield and Aetna with those of the Justice Department--18,221 records were with Blue Cross/Blue Shield and 4,411 with Aetna.

Our comparison showed the following discrepancies.

	Blue Cross/ Blue Shield	Aetna
Enrollees on Justice' records but not on carrier's	636	676
Enrollees on carrier's records but not on Justice'	1,627	141
Enrollment codes different	81	159

The discrepancy rates were about 14 percent between Justice and Blue Cross/Blue Shield records and about 25 percent between Justice and Aetna records. This difference could be attributed to the possibility that Blue Cross/Blue Shield has a better system for identifying discrepancies in data sent to it by Federal agencies.

In researching the cause for these discrepancies, we checked 155 of the 1,627 enrollees Blue Cross/Blue Shield had on its files but which Justice did not. We found that all had retired or had left Justice. Justice apparently did not notify Blue Cross of these actions.

Analysis of the 81 cases where the enrollment codes differed showed that in 53 cases the carrier had simply delayed

posting changes sent by Justice. For the 28 remaining cases with discrepancies

--1 employee received $1,346 in health benefits but did not pay premiums,

--5 were paying for more coverage than was being provided,

--18 were paying for less coverage than was being provided (of which 11 received $10,385 in unauthorized benefits),

--4 were paying for coverage under one plan while enrolled in another plan which paid them $10,157 in benefits.

The annual premium underpayments totaled $8,351 and the overpayments, $2,459.

ERRORS CAUSE INEQUITIES AND INCREASE HEALTH INSURANCE COSTS

It is difficult to estimate the costs related to the discrepancies in enrollment records, but it does not seem as great as expected from the multitude of contradictions. Nonetheless, some discrepancies in carrier and agency enrollment records cause errors in premium and benefit payments that create inequities and increase the cost of health insurance to employees and the Government.

Inequities and increased cost for employees and carriers

Inequities are created in two ways--when employees pay for higher coverage than they receive and when premiums are paid to a different carrier than the one providing benefits. Insurance costs are not affected in either case but the results are inequitable to the enrollee and the carriers.

Health insurance costs rise unnecessarily in three ways:

--When carriers spend time identifying and correcting discrepancies.

--When employees receive benefits without paying premiums.

--When employees pay premiums for less coverage than they receive.

We could not calculate the added cost of the first way, but we know that it takes considerable time and causes frustration. The cost of the latter two can be measured by the amount of premiums the employees did not pay and the amount of benefits paid versus entitlements.

Based on our work and that of the two agencies' internal auditors, we believe that the overall inequitable payment is $2 million to $5 million annually. These figures are based on both actual figures and projections.

As noted earlier, we determined the extent of erroneous benefit payments from one carrier for one agency's claimants. We did not make that measurement for all carriers because of the volume of information and difficulty of obtaining the information for the projections.

Why the effect is not greater

The estimated adverse effect is not greater for several reasons. One reason is that although the discrepancies can affect costs, most of them do not increase costs significantly. Examples are misspelled names, errors in control numbers, and duplicate enrollments under different control numbers. Such discrepancies do, however, complicate the payment process and make comparison of records time consuming.

Also, the effect is not greater because many discrepancies that could affect costs are detected by the employee or the carrier and corrected before any adverse effect occurs. For example, an employee who is paying premiums probably will act when he learns that the carrier does not have him enrolled. Also, many discrepancies result from agency or carrier delays in reporting and posting information, but that will be done eventually.

Another factor is that although potentially people could take advantage of certain errors, they seldom do; perhaps because they do not know they could or simply because many people are honest and instead try to correct the errors. Such a situation exists when a carrier has a person enrolled but the agency does not and the person could collect benefits without paying premiums.

Errors like these ultimately will affect insurance costs--at least because of the time spent correcting them. However, we did not feel it would be appropriate to compute a dollar effect for such discrepancies.

CHAPTER 3

INEFFICIENT MANUAL PROCEDURES

CAUSE ERRORS

Just as the carriers, the Federal contracting office, and agency officials know of the discrepancies in enrollment records, they also know generally why the errors occur. The causes they cited were confirmed by our review and the review of the Civil Service Commission auditors. Briefly, the manual procedures prescribed by the health benefits contracting office for reporting enrollment data to carriers and for reconciling agency and carrier records are costly and invite errors.

We believe that the errors and cost of exchanging enrollment data can be significantly reduced by automating procedures. With automation, enrollment data can be exchanged in computer-readable form with the majority of the controls for the manual system incorporated in the automated procedure. One carrier already has proposed such a conversion.

GENERAL CAUSES OF DISCREPANCIES

In general, discrepancies result because:

--Federal agencies fail to notify the former carrier when an employee switches to a different plan or leaves the agency.

--Federal agencies delay sending information to carriers, and carriers delay posting it.

--Federal agencies make errors in the enrollment data they send to carriers.

--Carriers and agencies make keypunching and clerical errors in recording enrollment data in their records.

We believe that discrepancies occur mainly in open season when the number of changes overwhelm agency manual reporting and control systems. (During open season, enrollees may change health plans or type of coverage.)

REPORTING PROCEDURES PRESCRIBED BY OFFICE OF PERSONNEL MANAGEMENT

The Office of Personnel Management directive for enrolling employees and reporting and recording such data (Federal Personnel Manual Supplement 890-1) provides the following procedures for reporting the data (with some provisions for modification to fit the agency's payroll system):

Step 1 - An employee completes an enrollment form, Standard Form (SF) 2809, selecting health benefit coverage.

Step 2 - The personnel office checks the enrollment form for errors and, when necessary, manually completes a change of health benefits enrollment form (SF 2810). The SF 2810 is necessary when an employee changes plans, transfers, terminates, or retires, and in certain other cases. Both the enrollment form and the change form are distributed as follows: one copy goes to the employee, one to the employee's personnel file, and two to payroll (one to the health benefits perpetual inventory clerk and one to the accounting section).

Step 3 - The payroll accounting section enters the data in the payroll records (most are automated) and gives the inventory clerk a list of changes. Periodically this section reconciles its enrollment records with those of the carriers.

Step 4 - The perpetual inventory clerk manually prepares a transmittal sheet (SF 2811) and sends it with the SF 2809 and SF 2810 to the appropriate carrier. The SF 2811 serves as a transmittal control document and a perpetual inventory report by plan and enrollment code. The inventory clerk also sees that the SF 2811 agrees with the payroll office enrollment records--the health benefits control register.

Step 5 - The carrier enters the data in its enrollment records (some of which are automated) and sends an identification card to the enrollee. Also, the carrier periodically gives Federal payroll offices a list of enrollees to reconcile with the payroll records.

Agencies make errors on forms and fail to send them to carriers

These procedures are conceptually sound. However, they require so much time and effort that agency people often make errors, particularly during open season. Employees in many personnel offices sometimes fail to complete the SF 2810, and the inventory clerks make many errors on the SF 2811. Also, the inventory clerks often do not use the SF 2811 as an inventory control document.

Our review of sample SF 2811s at Justice disclosed errors on 85 of 86. In examining why the agency was making so many errors on the forms, we learned two things. One, the people had not recently, if ever, read the instructions. Two, supervisors were routinely signing off on the forms without completely reviewing them.

In examining records of 155 of the 1,627 enrollees Blue Cross had on its records but which Justice did not, we found that all 155 had retired or had left Justice. This indicates that Justice had not sent SF 2810s notifying Blue Cross of the changes.

Also, we noted that Blue Cross sent Justice information explaining the errors it found in the data Justice sent. Justice rarely acted on this information. Blue Cross officials said most payroll offices do not respond to the error lists sent them.

Also, we doubt that many inventory clerks use the SF 2811 as an inventory control document. The clerks should reconcile the SF 2811 with payroll's health benefits control register. However, at Justice and at HEW, we noted that these records did not agree. For example, at HEW the perpetual inventory of September 22, 1978, showed 84,803 employees enrolled with Blue Cross while the health benefit control register showed 73,954. At Justice the perpetual inventory of December 14, 1978, showed 18,703 and 4,676 enrolled with Blue Cross/Blue Shield and Aetna respectively, while the health benefits control register showed 17,925 and 4,273, respectively, enrolled. We believe the agencies do not reconcile their records, at least for the major carriers, because finding and reconciling the errors is too time consuming.

Agencies seldom reconcile enrollment data with carriers

The Federal payroll offices we reviewed were not reconciling their enrollment records with those of the carriers as required. Many carriers did not send lists of enrollees to the agency payroll offices, and the payroll offices seldom reconciled the lists that were sent. They did not reconcile them because to manually compare the lists for all but the smallest carriers would be prohibitively expensive. Payroll employees at Justice said they receive annual lists from some carriers, including one large carrier whose list contains over 14,000 names. Justice said it has neither the time nor the resources for manual reconciliation.

AUTOMATION COULD CUT ERRORS AND COSTS

We believe that automated procedures for exchanging enrollment data would reduce both the errors in, and the cost of, reporting enrollment data to carriers, and would make reconciliation of enrollment records cost effective.

How enrollment data would be reported with automated procedures

Using automation, Federal agencies would have, as part of their payroll procedures, the computer prepare the enrollment data for the carriers. The information on the SF 2809 and SF 2810 would be prepared in computer language on cards or tape depending on the volume of transactions and compatability of equipment. The information on an SF 2811 would be automatically printed as a regular report and would serve as a control record so the carriers would know what they are receiving.

Costs would be reduced. Agencies would no longer have to manually reprocess and prepare SF 2810s and SF 2811s. The carriers would no longer have to convert the data from SF 2809s and SF 2810s into computer language. They would be able to record it directly into their computer records from the cards or tape, thus reducing errors and cost. If considered necessary, carriers could be given a copy of the SF 2809, signed by the employee, as backup.

Also, the computer generated SF 2811 would be used only as a transmittal document, not as a perpetual inventory. Agencies could prepare inventory reports from their automated health benefits control registers required by title 6 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies.

How enrollment records would be reconciled using automated procedures

Now carriers must provide lists of enrollee discrepancies to Federal payroll offices for verification; some carriers provide a complete list of enrollees to aid the reconciliation. Under automated procedures the carriers would provide this information in computer-readable form on cards or tape, and the computer would automatically compare the reports. To reduce the workload, carriers could provide data only on employees who filed claims during a specific period. As errors here ultimately may affect benefit costs, agencies would verify that the claimant is paying for the coverage provided.

Other benefits can be derived from reconciling enrollment records. Reconciliation can show which carriers keep their records accurate. It can also be used to investigate the reasons for the errors and to initiate corrective action. As an added control, we believe that the reconciliation should be monitored by agency internal auditors. The results should be reported to the contracting office.

Preliminaries

Before automated reporting can be efficient:

--Agencies and carriers must agree on a format for exchanging enrollment data.

--Each enrollee must be given a common identification number to be used in establishing eligibility. (Now an employee may have two or more control numbers.) Social security numbers are one choice. Aetna is already converting to social security numbers and Blue Cross will, too. The Civil Service Commission estimated in 1977 that this would cost carriers from $122,000 to $228,000.

--Federal agencies must reprogram their computers to prepare the enrollment data in computer-readable form. We cannot estimate what this will cost.

COSTS WOULD BE REDUCED BY AUTOMATION

We compared the cost of the present manual procedures with the cost of automated procedures. By examining the operations at three agencies--one large, one medium, and one small--we estimate that the large and medium agencies could reduce their health enrollment administrative costs by 1 to 2 staff-years. We believe this reduction would apply to most Federal agencies since, for various reasons, the effort devoted to this job is not proportional to the number of employees.

Carriers could also reduce their costs significantly. For example, Blue Cross/Blue Shield said it cost over $600,000 in 1977 to enter enrollment data. The cost was due primarily to converting the enrollment data into machine-readable form. Because the carriers include these costs in their rates, a reduction in processing costs should help hold down health benefit costs.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

We recognize that errors will be made in enrolling 3.3 million employees for health benefits. But the present error rate is too high. We believe that the rate can be reduced significantly by automating the exchange of enrollment data and by making some other minor changes.

Automating exchange of enrollment data would not be difficult since nearly all Federal agencies have automated payroll systems, and most of the carriers have automated their enrollment records. The information to be reported could be compiled and printed on an appropriate medium as part of payroll processing. Also, our cost comparison shows that automated reporting is cheaper than manual reporting. In addition, automation would make reconciling carrier and agency enrollment records cost effective.

RECOMMENDATIONS

We recommend that the Director, Office of Personnel Management adopt as policy the use of automated procedures to report health benefit enrollment data to carriers and to reconcile agency and carrier enrollment records; and accordingly direct subordinates to:

--Develop and arrange with carriers the use of a common identifying number for each enrollee (such as the social security number) to facilitate identifying enrollment data transmitted between carriers and Federal agencies.

--Have agencies and carriers develop a standard format for exchanging enrollment information.

--Require carriers to provide payroll offices with verification enrollment data in computer-readable form on claimants of the reporting period.

--Prepare instructions for agencies on automated reporting and reconciliation of enrollment data. The instructions should eliminate the SF 2811 as a perpetual inventory.

AGENCY COMMENTS

We discussed these matters with officials in the Office of Personnel Management's Compensation Group and they agreed with our recommendations. However, they raised several

important points with which we concur. First, the Office of Personnel Management has already progressed significantly in getting all carriers to adopt a single, permanent identification number for each enrollee. Also, the exchange of enrollment data in machine-readable form might be generally applicable only to large health carriers and large centralized Federal payroll operations because small carriers and agencies may not have the resources nor the need to automate. Finally, our recommendations should be phased in to allow time to incorporate recommended identification numbers and develop and test a standard means of transmitting enrollment data.

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