

Final Audit Follow-Up

Status As of June 15, 2015



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Health Plan Eligibility Controls for Dependents

(Report #1501 issued October 1, 2014)

Report #1513

July 8, 2015

Summary

This is the first and final follow-up on the Audit of Health Plan Eligibility Controls for Dependents, report #1501 issued October 1, 2014. Four action plan steps were established by management to address issues identified in the audit, with each step due for completion by March 31, 2015. As of June 15, 2015, all four action plan steps had been completed.

The City of Tallahassee provides as a benefit to its employees the ability to participate in a group health insurance plan (plan). Under the plan, an employee may elect to participate as an individual and may also elect to include coverage of qualifying dependents, such as a spouse, domestic partner, and children. Similar benefits are available to retirees.

Premiums due under the plan are paid in part by the employee or retiree (subscribers) and in part by the City. Errors in the determination of the eligibility status of dependents can result in the overpayment of premium contributions to the contracted health care provider. Moreover, employers in some instances may be held liable for the claim payments made on behalf of an ineligible individual.

Our initial audit was conducted to determine what controls the City had in place to address the risk its health plan participants may include ineligible dependents. In that initial audit, we concluded and reported that, overall,

dependents covered under the City's health insurance plan were eligible for the coverage received. We also identified opportunities to enhance related City controls established to reduce the risk of ineligible dependent participation.

Four action plan steps were established by the City to enhance the applicable controls as a result of our audit recommendations. Our follow-up showed that, as of June 15, 2015, each of those steps had been completed. Specifically:

- Along with the list of requirements dependents must meet to be covered under the City's health care plan that is provided to employees upon their initial hire and during open enrollment, Human Resources now alerts employees that the City may request documentation demonstrating the eligibility of any claimed (covered) dependent at any time during the period of insurability. *(One step)*
- Along with the list of requirements dependents must meet to be covered under the City's health care plan provided to each retiring City employee and again during open enrollment, Retirement now alerts retirees that the City may request documentation demonstrating the eligibility of any claimed (covered) dependent at any time during the period of insurability. In addition, Retirement Services continues to require retiring employees to provide

marriage certificates as proof of dependent eligibility for spouses at the time of their retirement. *(One step)*

- Human Resources and Retirement Services implemented a process to verify the eligibility of dependents for a sample of employees and retirees, with plans to continue this process annually. *(Two steps)*

We appreciate the cooperation and assistance provided by staff in Human Resources and Retirement Services during this audit follow-up.

Scope, Objectives, and Methodology

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our follow-up audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our follow-up audit objectives.

Original Report #1501

The scope of our initial audit (report #1501) included the City’s health insurance plan coverage for employees and retirees. Other health related coverages provided by the City, such as dental or vision insurance, were not included in the scope of our audit. The purpose of the audit was to answer the following four questions:

- 1) What controls are available to employers to provide reasonable assurance that health plan subscriber dependents meet the plan’s established eligibility requirements?

- 2) What controls are employed by the City?
- 3) Is there evidence that ineligible dependents are enrolled as participants in the City’s health insurance plan?
- 4) What enhancements to the City’s controls are recommended?

To address the stated audit objectives, we:

- Reviewed relevant laws, ordinances, contracts, and industry literature and reports.
- Interviewed applicable City staff, as well as staff of the City’s contracted health plan providers (Capital Health Plan and Florida Blue).
- Surveyed other local governments.
- Identified, reviewed, and gained an understanding of applicable City processes, procedures, and records.
- With the assistance of Human Resources and Retirement Services, notified City employees and retirees prior to the audit of our intent to conduct the audit.
- Selected and tested a sample of City health plan subscribers (employees and retirees) to determine whether their covered dependents were eligible for plan participation.

Report #1513

This is our first and final follow-up on action plan steps identified in audit report #1501. The purpose of this follow-up is to report on the progress and status of efforts (as of June 15, 2015) to complete the action plan steps that were due for completion as of March 31, 2015. To determine the status of the action plan steps, we interviewed staff and reviewed relevant documentation.

Background

Section 112.08, Florida Statutes, authorizes governments, including municipalities, to provide and pay out of its available funds all or a part of the premium for health insurance for the government's officers, employees, and their dependents and to enter into contracts with insurance companies or professional administrators to provide such insurance. Section 112.0801, Florida Statutes, requires retirees of the government and their dependents be allowed to continue to participate in the group health plan after an officer or employee's retirement.

Under this authority, the City provides health insurance options for the City's employees and retirees and their eligible dependents through a contract with Capital Health Plan (CHP), an affiliate of Blue Cross and Blue Shield of Florida doing business as Florida Blue. Florida Blue also provides coverage options for City employees, retirees, and dependents.

As noted in our original audit, the City spent \$23,734,000 on healthcare costs during Fiscal Year (FY) 2013, and was projected to spend approximately the same amount in FY 2014.

Plan eligibility requirements as addressed in the original audit included the following:

- Subscribers, including:
 - Employees classified as a permanent employee working at least 20 hours a week.
 - Former employees who were vested and eligible for retirement benefits upon leaving City employment.
- Dependents of subscribers, including:
 - A spouse.
 - A domestic partner.

- Children up to 30 years of age (includes natural children, step-children, foster children, or any child for whom the employee or retiree has been appointed legal guardian). Under Florida law, to be eligible for coverage, non-disabled children between the ages of 26 and 30 must be:
 - Unmarried and without a dependent.
 - A Florida resident or a full-time or part-time student.
 - Not enrolled in any other health coverage policy or plan.
 - Not entitled to benefits under Title XVIII of the Social Security Act.
- Permanently disabled children of any age.
- Grandchildren up to 18 months of age. For any grandchild that is covered, one of the grandchild's parents must be an eligible child dependent already covered under the City's health insurance plan through a City employee or retiree at the time of the grandchild's birth.

As of the beginning of the 2014 calendar year, according to CHP, Florida Blue, and City records, the City had 6,829 subscribers (employees and retirees) and dependents (participants) enrolled in health insurance under its group insurance plan. This included 3,288 subscribers and 3,541 dependents. A total of 6,494 (95%) were enrolled with CHP, and 335 (5%) were enrolled with Florida Blue.

The City offers several different coverage types and pays a portion of the monthly healthcare costs for both employees and retirees based on the coverage type.

Previous Conditions and Current Status

In report #1501, we provided recommendations to management regarding areas that could be enhanced related to the City’s controls for health

plan participation. Management’s Action Plan consisted of four steps. All four of those action plan steps have been completed as of June 15, 2015. Specific actions taken to complete those steps are described in Table 1 below.

**Table 1
Action Plan Steps from Audit Report #1501
Due as of March 31, 2015, and Current Status**

Action Plan Steps Due as of March 31, 2015	Current Status as of June 15, 2015
Provide increased assurance of the eligibility of the dependents of employee subscribers.	
<ul style="list-style-type: none"> At the time of initial enrollment and during each open enrollment period, subscribers will be reminded of dependent eligibility requirements and that the City may require that the employee provide documentation demonstrating dependent eligibility at any time during the period of insurability. 	<p>✓ Completed. In addition to the annual benefits enrollment guide provided by Human Resources to employees upon initial enrollment and during the annual open enrollment period, the online benefits enrollment website also provides in detail the qualifications a dependent must meet in order to be determined eligible for coverage under the City’s health plan. Now included at the end of the list of qualifications on the website is a notice alerting employees that the City may request documentation demonstrating the eligibility of a covered dependent during periods in which the dependent is covered under the City’s health plan. City employees must use the website to add (or otherwise change) dependents. This notice is also included in the new hire enrollment guide. As such, this step is considered complete.</p> <p><u>Audit Comment:</u> In response to our follow-up recommendation, Human Resources plans to also add to the annual benefits enrollment guide a statement that the City may request documentation demonstrating the eligibility of a covered dependent during periods in which the dependent is covered under the City’s health plan. Adding that statement will further ensure employees are made aware of this process on an ongoing basis.</p>

<ul style="list-style-type: none"> Human Resources will implement a plan which will include selecting a sample of subscribers and verifying dependent eligibility. This will occur annually in the month of February to allow for employees to correct any eligibility errors during the previous annual enrollment period. 	<p>✓ Completed. Human Resources and Retirement Services worked together to select a random sample of active employees and retirees with dependents covered under the City’s health plan for the purpose of testing and verifying the eligibility of those dependents. Fifteen active employees and ten retirees were selected for that purpose. Sampled active employees are being tested and reviewed by Human Resources, while sampled retirees are being tested and reviewed by Retirement Services.</p> <p>Human Resources sent letters to the selected employees in early June 2015, requesting documentation to validate their covered dependents were eligible for coverage under the City’s health plan. As of the end of our follow-up fieldwork in mid-June 2015, some responses had been received and eligibility of the applicable dependents validated by Human Resources. Human Resources plans to perform this process annually. As a process has been established and is ongoing, this step is considered complete. <i>(See the last step in this table for the status of Retirement Services’ efforts in regards to the sampled retirees.)</i></p>
<p>Provide increased assurance of the eligibility of the dependents of retiree subscribers.</p>	
<ul style="list-style-type: none"> At the time of retirement and during each open enrollment period, subscribers will be reminded of dependent eligibility requirements and that the City may require that the retiree provide documentation demonstrating dependent eligibility at any time during the period of insurability. In addition, Retirement Services will continue to require marriage certificates as proof of dependent eligibility for spouses at time of retirement. 	<p>✓ Completed. Retirement Services provides to each retiring City employee (including those entering the Deferred Retirement Option Plan, or DROP) detailed descriptions of qualifications dependents must meet to be eligible for coverage under the City’s health plan. Now, included in that description is a statement alerting retirees that the City may request documentation demonstrating the eligibility of a dependent during periods of coverage. In addition, the City website retirees are directed to for information and guidance</p>

	<p>during the annual open enrollment period includes, as an annual reminder, the same qualification descriptions and statement. Retirement Services has also continued to request and obtain copies of marriage certificates when spouses are to be covered at the time of an employee’s retirement. As such, this step is considered complete.</p>
<ul style="list-style-type: none"> • Retirement Services will implement a plan which will include selecting a sample of subscribers and verifying dependent eligibility. This will occur annually in the month of February to allow for employees to correct any eligibility errors during the previous annual enrollment period. 	<ul style="list-style-type: none"> ✓ Completed. As stated above for a previous action plan step, Human Resources and Retirement Services worked together to select a random sample of active employees and retirees with dependents covered under the City’s health plan for the purpose of testing and verifying the eligibility of those dependents. Fifteen active employees and ten retirees were selected. As previously noted, sampled retirees are being tested and reviewed by Retirement Services, while sampled active employees are being tested and reviewed by Human Resources. <p>Retirement Services began sending letters to selected retirees in early June 2015, requesting documentation to validate the covered dependents were eligible for coverage under the City’s health plan. As the responses are received the submitted documentation is being/will be reviewed to validate the eligibility of the applicable dependents. Retirement Services plans to perform this process annually. As a process has been established and is ongoing, this step is considered complete.</p>

Table Legend:

- Issue to be addressed from the original audit.

- ✓ Issue addressed and resolved.

Conclusion

Table 1 above shows Human Resources and Retirement Services have successfully completed and resolved the four action plan steps established to address issues identified in audit report #1501. Those completed actions include:

- Along with the list of requirements dependents must meet to be covered under the City's health care plan that is provided to employees upon their initial hire and during open enrollment, Human Resources now alerts employees the City may request documentation demonstrating the eligibility of any claimed (covered) dependent at any time during the period of insurability.
- Along with the list of requirements dependents must meet to be covered under the City's health care plan that is provided to employees upon their initial retirement and during open enrollment, Retirement Services now alerts retirees the City may request documentation to demonstrate the eligibility of any claimed (covered) dependent at any time during the period of insurability. In addition, Retirement Services continues to require retiring employees to provide marriage certificates as proof of dependent eligibility for spouses at the time of their retirement.
- Human Resources implemented an ongoing (annual) process to verify the eligibility of dependents for a sample of employees.
- Retirement Services implemented an ongoing (annual) process to verify the eligibility of dependents for a sample of retirees.

We appreciate the cooperation and assistance provided by staff in Human Resources and Retirement Services during this audit follow-up.

Appointed Officials' Responses

City Manager:

I am pleased that the final follow-up on the audit of Health Plan Eligibility Controls for Dependents indicates that all of the action steps have been completed. We appreciate the Auditor's recommendations on future improvements and control enhancements relating to dependent eligibility verifications and monitoring. I would like to thank the Auditor's Office, employees, retirees, and City departments for their work and follow-up on this audit.

City Treasurer-Clerk:

We are pleased that the City Auditor's follow-up report determined that all action steps have been successfully completed. We also express our appreciation for the cooperative spirit of Human Resources in addressing the action steps; given that retirees are covered under the healthcare program administered by Human Resources, a collaborative approach was both necessary and efficient.

Copies of this final audit follow-up #1513 or audit report #1501 may be obtained from the City Auditor's website (<http://www.talgov.com/auditing/auditing-auditreports.aspx>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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