

**SEMINOLE COUNTY
CENTRAL SERVICES DEPARTMENT
HUMAN RESOURCES DIVISION**

**AUDIT OF
BOARD OF COUNTY COMMISSIONERS
HEALTH INSURANCE ELIGIBILITY**

REPORT NO. 101411

OCTOBER 2011

Prepared by:
The Office of the
Clerk of the Circuit Court



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

October 14, 2011

The Honorable Brenda Carey,
Chairman
The Board of County Commissioners
Seminole County, Florida
1101 East First Street
Sanford, FL 32771

Dear Madam Chairman: *Brenda*

I am very pleased to present you with the attached audit of dependent eligibility under the BCC Self-Insured Health Plan.

The records maintained by Blue Cross and Blue Shield of Florida were not always in agreement with the Seminole County records. Risk Management is in the process of updating the files to insure that files are accurate. As of the conclusion of this audit, 42 employees (with 92 dependents) had not provided to the auditors proof of insurance eligibility. We recommend that those employees and retirees that do not provide appropriate documentation to support eligibility be removed from the insurance plan to ensure that the county is not incurring a financial liability that is not necessary.

I would like to acknowledge the assistance of the county staff for their cooperation and assistance throughout the course of this audit. The assistance is deeply appreciated. With warmest personal regards, I am

Most cordially,

Maryanne Morse
Clerk of the Circuit Court
Seminole County

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**SEMINOLE COUNTY
OFFICE OF THE CLERK OF THE CIRCUIT COURT
AUDIT OF BCC – HEALTH INSURANCE ELIGIBILITY**

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Executive Summary

Clerk of the Circuit Court Audit of Dependent Eligibility under the BCC Self-Insured Health Plan

OVERVIEW

At the end of June 2011, the Clerk of the Circuit Court, Internal Audit division commenced an audit of the eligibility of spouses and children (dependents) participating in the Board of County Commissioner's Self Insurance Plan. Approximately Five hundred fifty (550) employees and retirees of the BCC, Tax Collector and the Supervisor of Elections offices were identified as having dependent coverage. Thirteen hundred and six (1,306) dependents were identified. Eligibility for coverage is governed by the Plan, federal and state law.

The list of dependents was cross checked between the JD Edwards payroll database and the Blue Cross Blue Shield billing invoice as of May 1, 2011. Although a statistical sampling would have been faster and less labor intensive, the decision was made to verify each dependent. This methodology was employed in order that Risk Management (RM) would have a "clean" database going forward. Each employee received written requests to provide the required information by July 31, 2011. As of July 31, 2011, there were a large number of employees/retirees (enrollees) who had not submitted copies of birth certificates and marriage licenses to verify eligibility for each identified dependent. Human Resources and the County Manager's office contacted each enrollee who had not complied at that time. On August 15, 2011, Internal Audit completed the verification process. On September 12, 2011 all submitted birth and marriage documents were destroyed by the Clerk's office.

FINDINGS

A number of minor errors in classification between the two referenced databases were identified and corrected. At the conclusion of the audit, August 15, 2011, eligibility information for 92 dependents still had not been provided by 42 enrollees. 12 child dependents were identified as being age 26 or older. These dependents may or may not meet "special" eligibility requirements. This list is being provided to RM in order to follow up on documentation as to special eligibility. During the audit period, RM processed the removal from coverage of 29 dependents, many of whom were on the list of enrollees having not provided documentation.

RECOMMENDATIONS

At the conclusion of this audit, RM has a verified baseline of eligible dependents that are being carried by the Plan.

It is **recommended** that RM remove any dependents from insurance where the employee and/or retiree have not submitted the proper documentation.

It is highly **recommended** that any change to a participant's dependent coverage be accompanied by documentation such as birth certificates and marriage licenses at the time the request for amended or increased coverage is processed. All new employees or entrants into the Plan should provide this documentation prior to any coverage taking effect. No initiation or amendments to coverage should be allowed until such documentation has been received and verified by RM. The greatest volume of changes will occur during the period of "Open Enrollment". Employees should be notified at least 30 days prior to this period that documentation for changes will be required. Upon receipt of the required documentation, RM personnel should record verification of the documentation and destroy the documents provided.

Educational guidelines in regard to potential eligibility changes should be provided to the enrollees during each Open Enrollment period. Employees should be provided information such as when a dependent or spouse ceases to qualify and provide that dependents over the age of 26 need to provide evidence of continuing eligibility each year at that time.

RM may want to consider providing a "census" form to each enrollee each year. This census would list each dependent currently insured and request the enrollee provide verification by signature that each dependent continues to be meeting the requirements of eligibility.

**Seminole County
Clerk of the Circuit Court**

**Limited Review of Health Insurance
Board of County Commissioner's (BCC)
Dependent Coverage**

The Office of the Clerk of the Circuit Court has completed a limited review of dependent coverage for employees participating in the Board of County Commissioner's (BCC) Group Health Insurance Plan.

PURPOSE

The review was performed to determine if dependents covered under the BCC's Group Health Insurance Plan met the eligibility requirements.

BACKGROUND

As part of an employee's fringe benefit package, all employees are eligible to participate in a county sponsored medical insurance plan. Seminole County is self insured but its plan is administered by Blue Cross and Blue Shield (BCBS) of Florida. The contract with BCBS was negotiated and approved by the BCC on January 1, 2010. Subsequently, the contract was amended on July 27th 2011. BCBS is paid an administrative fee of \$43.10 per enrolled employee per month. For the month of August 2011, the company was paid \$61,288.20. Payments to BCBS from January 1, 2010 to September 30, 2010 totaled \$550,208.12.

All full time employees and retirees of the BCC, Tax Collector, and Supervisor of Elections are eligible to participate in the program. The plan covers a spouse and any legal dependents (children) as defined by law or the plan. Employees are allowed to change healthcare coverage under certain conditions.

Dependants may be added for the following reasons:

- Marriage, divorce, or legal separation;
- Birth, Adoption, or change in custody of a child;
- Change in employment status of the employee or spouse; and,
- Open enrollment season.

Dependents may also be removed at any time if there is a change in status of the dependent such as a child exceeds the age limit, is no longer a full time student, or obtains health insurance through another employer plan.

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Employees are obligated to notify the BCC Human Resources Department within 30 days of a change in dependent coverage.

As of May 1, 2011, there were 550 employees and retirees, with dependent coverage, under the plan. Also, county records indicate that 1,306 dependants were covered under the plan. The results of the limited review are included in the report that follows.

SCOPE OF WORK

All employees and retirees that were enrolled in the BCC's Group Health Insurance plan as of May 1, 2011 were subject to this review. The scope of work included the following:

- Employee were requested to furnish evidence of dependent eligibility, this included copies of marriage records, birth records, and completing a questionnaire regarding current dependent status; and.
- Employee coverage from records maintained by the BCC; and,
- Comparison of the JDEdwards Financial Software data to the billing data from BCBS; and,
- Review of the BCBS contractual requirements and billing information;

OVERALL EVALUATION

No system of internal control exists to ensure that dependents included under the Group Health Insurance Plan meet the requirements of the plan. In other words, there is no formal procedure or established checklist to ensure that the dependents covered are eligible.

The Office of Clerk of the Circuit Court initially requested copies of birth certificates and marriage licenses on June 9, 2011 with a cutoff date of August 15, 2011. At that time, 42 employees had not provided copies of requested birth and/or marriage records supporting eligibility of 92 dependants covered under the plan.

Also, our review found 12 dependents that were over the age of 26. These dependants may or may not have been eligible for coverage depending based on requirements stipulated in federal and state law. It was also noted that during the time period June 9th, 2011 thru August 15, 2011 about 25 employees had asked

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Human Resources to remove some of their dependents from the coverage to comply with the program requirements. This is more collaboration that a regular on-going validation of the program is valuable.

In our opinion, written policies and procedures should address compliance with applicable laws and county policy.

The following conditions require management's immediate attention:

- BCBS records did not agree with County records; and,
- Some dependents did not qualify for coverage.

FINDING NO. 1

BCBS records did not agree with County records.

BCBS maintains a data file of all employees and dependents enrolled in the plan. Risk Management also maintains a similar record and they update their file as new employees and dependents are added and/or deleted from the plan. It also provides this update to BCBS.

The records maintained by the County (via JD Edwards) versus the records maintained by BCBS (via billing invoice records) were not in agreement. There were several discrepancies noted. Risk Management is in the process of updating the records to ensure county records agree with BCBS records.

By not having the records in agreement, it is open to discussion as to who is officially covered by the insurance plan. Thus, there is no assurance that the county is paying the correct fees associated with the program. With the cost of insurance exceeding \$10 million per year, just having a one percent error rate in the dependents eligible for coverage could result in a potential over payment of \$100,000.00 (one hundred thousand) dollars.

Recommendation

Files maintained by BCBS should be compared to County records for accuracy on a quarterly basis. Written procedures should be developed to address this requirement.

FINDING NO. 2

Some dependents did not qualify for coverage.

In 2011, the federal government added new requirements, for employer plans offering dependent coverage, through Public Law 111-148 (Patient Protection and Affordable Care Act). The effect of this change was that children of an employee covered under the plan could be eligible for coverage until age 26 with no restrictions regarding dependency, student status, marriage or disability.

In addition, Florida Statute 627.6562 states the following regarding dependent coverage:

1. If an insurer offers coverage under a group, blanket, or franchise health insurance policy that insures dependents of the policy holder, the policy must insure a dependent child of the policy holder at least until the end of the calendar year in which the child reaches the age of 25, if the child meets all of following:
 - a) The child is dependent upon the policy holder for support.
 - b) The child is living in the household of the policy holder, or the child is full-time or part time student.

2. A policy that is subject the requirements of subsection (1) must also offer the policy holder the option to insure a child of the policy holder a least until the end of the calendar year in which the child reaches the age of 30, if the child is:
 - a) Unmarried and does not have a dependent of his own;
 - b) A resident of this state or a full-time student; and,
 - c) Not covered under another group insurance plan.

As of August 15, 2011, the Office of the Clerk of the Circuit Court was not provided eligibility information for 92 dependents as requested. These 92 dependents were listed on county files belonging to 42 employees. We also found 12 dependents that were identified as being 26 or older.

Some of these dependents may be eligible and others may not be eligible depending on each individual situation.

By not having adequate documentation in the official county files there is no assurance that payments for health insurance coverage is proper. Based on the average cost of claims processed (approximately \$350 per person per month) the cost associated with insuring 12 potentially ineligible dependents would be about \$ 50,000 annually.

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Recommendation

1. Risk Management should maintain a worksheet indicating that each employee has provided proof of age and/or marriage for each dependent covered under the plan. Written procedures should be established to ensure compliance with this requirement.
2. RM should remove any dependants from insurance where the employee and/or retiree has not submitted the proper documentation.
3. Any change to a participant's dependent coverage be accompanied by documentation such as birth certificates and marriage licenses at the time the request for amended or increased coverage is processed. All new employee or entrants into the Plan should provide this documentation prior to any coverage taking effect.
4. No initiation or amendments to coverage should be allowed until such documentation has been received and verified by RM. The greatest volume of changes will occur during the period of "Open Enrollment". Employees should be notified at least 30 days prior to this period that documentation for changes will be required. Upon receipt of the required documentation, RM personnel should record verification of the documentation and destroy the documents provided.
5. RM may want to consider providing a "census form to each enrollee annually (See Exhibit A). This census would list each dependent currently insured and request the employee provide verification – by signature – that each dependent continues to meet the requirement of eligibility.
6. Educational guidelines in regard to potential eligibility changes should be provided to the enrollees during each Open Enrollment period. Employees should be provided information such as when a dependent or spouse ceases to qualify and dependents over the age of 26 need to provide evidence of continuing eligibility each year at that time.

EXHIBIT A

SAMPLE CENSUS FORM

I, _____ (EMPLOYEE;S NAME _____) do hereby acknowledge that the following dependents are still eligible to included on my policy with Seminole County Board of County Commissioners.

SPOUSE _____ insert name _____

Child _____ insert name _____

Child _____ insert name _____

Child _____ insert name _____

Child _____ insert name _____

Dated this _____ day of _____, 20—

Employee's signature.



MARYANNE MORSE
Clerk of the Circuit Court
Seminole County

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