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Performance Audit Report

**DENTAL CLAIMS
AND ELIGIBILITY**

As of December 31, 2020

**Office of the Controller
County of Northampton
Pennsylvania**



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August 24, 2021

Members of the Northampton County Council
Lamont G. McClure, Jr., County Executive
County of Northampton, Pennsylvania

We have completed an audit of Dental Claims and Eligibility as of December 31, 2020.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the Human Resources Department. Their help was essential to the performance of this audit.

Our report was discussed with management at our exit conference on August 18, 2021. Management's response is included in the Audit Results section of the report.

Very truly yours,

Tony E. Bassil
County Controller

Stacy L. Duke
Staff Auditor

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EXECUTIVE SUMMARY

United Concordia Companies, Inc. (UCC) provides effective third party administration of the County's Dental Plan. Claims appear to be paid accurately and on a timely basis for eligible employees and their families. We found that if the County exercised more diligence in updating eligibility lists when employees retire or terminate, an estimated \$430.70 in administrative fees and mispaid claim could have been saved. The County also needs to update the UCC contract information to comply with provisions of the Administrative Code.

INTRODUCTION

On October 1, 2001, the County of Northampton entered into a contract with UCC for third-party administration of the County's dental benefits. The contract term was for one year but featured an automatic renewal clause which had been exercised every year since its initiation. On November 10, 2016, however, the County Executive signed Executive Order 16-91, which continues the County's relationship with UCC, but through a relationship this vendor has with the Lehigh Valley Business Coalition on Healthcare (LVBCH). In an effort to reduce administrative costs through cooperative contracting, the County is now going through LVBCH for all of its health benefits, including medical and vision.

The County is self-insured for health benefits; UCC pays the providers as they receive claims and bills the County for the amount paid to providers. The County pays UCC via wire transfer monthly.

In 2020, the County spent \$603,670 to pay for dental claims for enrolled employees and eligible family members, and an additional \$40,011 in administrative fees to UCC for third party administration. (In our audit as of 12/31/16, the County paid for claims totaling \$688,964 and administrative fees of \$41,138.) The administrative fees for third-party administration are \$2.20 per month for each employee enrolled in the plan, regardless of whether there is a spouse and/or children enrolled as well. Spouses and children of enrollees are covered under the plan without a separate enrollment for each individual. These benefits apply to active employees only; retirees do not receive dental benefits.

Employees contribute toward dental costs through deductibles, co-pays and contribution rates assessed through payroll deduction. Employees pay a single payroll deduction amount for all of the County's health benefits, including dental. Unlike third-party administrative fees, employees' payroll contribution is more depending on whether a spouse and/or children are covered as well.

PURPOSE AND SCOPE

Claims and eligibility are audited periodically to determine compliance with the County's Administrative Code and to verify that internal controls are in place and working properly.

The following components of internal control were considered significant to the audit objectives, and were therefore assessed, and as appropriate based on risk, tested:

- Determining if dental claims are being processed accurately for covered services and on a timely basis by the third party administrator.
- Ensuring that payments are made only on behalf of eligible enrollees.

Our testing was conducted on claims that occurred during the period January 1, 2020 through December 31, 2020, and eligibility as of 4/27/21.

METHODOLOGY

For audits of this nature, our office utilizes ACL data analysis software which greatly improves an auditor's ability to review large amounts of computer-based data. UCC provided us with all of the claims paid in 2020 in Excel format. Human Resources provided us with a UCC eligibility list as of 4/27/21, also in Excel format. We were also able to download County employee data into Excel using pre-formatted reports available in the ONESolution system. All of these reports were imported to ACL for the purpose of detailed analysis. Using ACL, we were able to perform the following:

- Verify the validity of the UCC database by looking for illogical data anomalies such as paid amounts less than zero.
- Determine the average delay in processing claims.
- Review for duplicate payments on claims.
- Compare the UCC database and eligibility list with the ONESolution database to find and investigate any claims paid for ineligible individuals.
- Investigate payments on behalf of beneficiaries older than 26 years of age.
- Investigate claims paid for spouses and beneficiaries where the employee is enrolled in an Employee Only plan.
- Determine that the Administrative Fee bill does not include individuals that do not belong to the County's plan.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Section A – Eligibility

1. Claims and Administrative Fees Paid for Terminated Employees

OBSERVATION

According to County Policy 3.301 – Benefits, any employee who terminates County employment is no longer eligible for health benefits effective the last day of the month after their termination date. Terminated employees may elect to continue coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA), but the individual is responsible for paying the full premium cost each month.

In our audit, we noted a number of exceptions related to eligibility and terminated employees:

- We compared the UCC Eligibility List as of 4/27/2021 to the County's list of eligible employees available in the ONESolution system as of 4/27/2021 to determine if there were individuals on the UCC list that should have been removed. We found one employee that opted out of benefits effective 1/1/21 was removed from the County's Eligibility list and the Capital Blue Cross list but remained on the UCC eligibility list. This employee was removed from UCC at the time it was discovered during the audit. The total administrative fee was overpaid by \$13.20.
- We also compared the file of claims paid by UCC in 2020 to the County's list of eligible employees to determine if claims were paid for ineligible individuals. We found one exception totaling \$21.50. This claim was paid because the Personnel Action Notification form was delivered to Human Resources while the Benefits Coordinator was out on leave. By the time the Benefits Coordinator returned the following week and entered the terminated employee into the UCC system there was already a claim processed. Though this is an immaterial amount, if the internal control procedures do not change, claims with higher amounts could be processed between the time the employees' benefits should be cancelled and when they actually are. Also, a terminated employee might remain active on the Capital Blue Cross health insurance plan, where higher costs and procedures could occur within the termination delay period.

- We also manually compared the UCC administrative fee bill for April 2021 to the County's list of eligible employees available in ONESolution on 4/27/2021 and found that the County is being charged duplicate fees for one employee who is listed twice on the bill for two different plans. One plan was for an Employee + 1 and the other plan was for family. It appears this employee switched plans in 2006 but since her social security number was entered incorrectly, it was not recognized as a duplicate employee on the bill. The administrative fees overpaid for this individual totaled \$396.00 from the date of the error until the error was discovered during the audit. Since the County performs the data input for enrollees, the error was not committed by UCC, therefore, recovery of this amount is unlikely.

RECOMMENDATION

We recommend that Human Resources exercise more care in promptly notifying UCC of employees no longer eligible for dental benefits. Also, they should make sure to review the eligibility list to verify that all information for an employee is entered properly to reduce the risk of an employee being entered twice or incorrectly into the database. Human Resources should cross-train another employee in the department to be able to cancel and add employees to the UCC eligibility list for coverage for when the Benefits Coordinator is out of the office, especially for changes made to the plans in the beginning and ending of months in order to eliminate additional charges processed for ineligible terminated employees.

MANAGEMENT RESPONSE – Kathleen Wedge, Director of Human Resources

Human Resources staff was advised to exercise caution when enrolling eligible participants and dependents in benefit plans, in order to mitigate the opportunity for inaccurate duplicate entries. The HR Department will work to ensure all benefits-related changes occur in a timely manner. Benefits will continue until the end of the month in which the employee leaves County employment. If appropriate notification to the HR Department is untimely, retro-termination may be required.

Section B – Contracting

1. Contract Requirement

OBSERVATION

Article XIII, Section 13.15 of the County's Administrative Code states that all contracts and agreements shall be prepared and executed as directed by the County Executive by way of the Executive Order. It also states, all executed contracts and agreements shall be filed in the Procurement Division within fourteen (14) days after execution and shall immediately be available for inspection by any member of County Council or the County Controller.

We consulted with the Purchasing Manager and determined their office does not have a copy of the UCC 2020 contract. Also, there was no Executive Order issued for this contract.

Upon further review of the UCC contract filed in the Human Resources Department, we found that the agreement does not include all the clauses required of all County contracts in the Administrative Code. These required conditions are detailed in sections 13.15g with a summary listed below:

- (1) Contracts are contingent upon the availability of appropriated funds.
- (2) In event of non-appropriations of funds at any time during the term of the contract, which prevents the County from making payment under the terms or conditions, the County may terminate the contract.
- (4) Vendors delinquent on taxes owed to the County during the term of the agreement, shall be in breach of the agreement.
- (12) Vendor agrees not to hire County personnel that are involved in awarding, administration or continuance of that vendor's contracts.
- (13) Contracts must contain conditions on Undue Influence and Conflict of Interest.

This issue was included in the 12/31/16 Dental Claims audit and an amendment to the agreement was drawn up for the original 2001 contract. It appears the wording was not added to the new contract written for 2020, as UCC's boilerplate contract was used in this instance.

RECOMMENDATION

Human Resources should send the original 2020 UCC contract to the Procurement Office. To comply with the provisions of the Administrative Code, the County Executive should issue an Executive Order whenever a new contract is awarded and signed. (This is not necessary for contracts with automatic renewal clauses.)

The County should draft an addendum to the contract to incorporate the wording required by Administrative Code, as they did with the prior contract.

MANAGEMENT RESPONSE – Kathleen Wedge, Director of Human Resources

The Human Resources Department will work in conjunction with Procurement and United Concordia to ensure all necessary contractual language is included to properly protect the County.