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Performance Audit Report

**MEDICAL CLAIMS
AND ELIGIBILITY**

As of August 2019

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



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November 10, 2020

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

We have completed an audit of Medical Claims and Eligibility as of August 2019.

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 and the staff of Capital Blue Cross. Their help was essential to the performance of this audit.

Management's response is included in the Audit Results section of the report.

Very truly yours,

Tony E. Bassil
County Controller

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EXECUTIVE SUMMARY

In our audit, we discovered \$19,776.33 in claims that were paid for ineligible individuals. However, the total of claims paid was over \$33.2 million during the period 1/1/18 through 6/30/19. We also noted Blue Journey retiree plan premium payments made over a number of years were made for an ineligible individual. There were also other errors which resulted in improper payments and incorrect payroll deductions. It should be noted, however, that these conditions represent a significant improvement over some prior audits. As a result of our 2010 audit, our office partnered with the Human Resources Department (HR) to perform comparisons every six months between the eligibility list maintained by Capital Blue Cross (CBC) and the County's database of enrolled employees and retirees using ACL data analysis software. In addition to the ongoing diligence of both CBC and the County, we believe that this comparison has aided in the strengthening of internal controls, minimizing the potential for costly errors. In addition, addressing the errors noted in this audit can result in the further strengthening of internal controls.

INTRODUCTION

On February 28, 2007, the County of Northampton entered into a contract with CBC for third-party administration of the County's health care benefits. CBC has continued to serve as administrator through a number of contract renewals. The current contract, dated January 25, 2019, was obtained as a result of the County's membership in the Lehigh Valley Business Coalition on Healthcare (LVBCH). The contract offers employees a choice between Preferred Provider Organization (PPO) options and a High Deductible Plan which features a Health Savings Account (HSA). The County currently contributes an annual stipend to employees enrolled in the HSA plan to defray the cost of the deductible.

The County is self-insured for most health benefits; CBC pays the providers as they receive claims and bills the County the following week for the amount paid to providers. The County also has access to CBC's Electronic Group Enrollment Management System (eGEMS). Human Resources employees directly enter information into the eGEMS system. Enrollee lists are available in Excel format on eGEMS. HR does not verify the full list; however, every six months the Controller's Office uses ACL data analysis software to compare enrollees on the County's records to CBC eligibility lists. HR researches and clears any discrepancies noted as a result of this comparison.

From 1/1/18 through 6/30/19 (the period for which we analyzed claims), the County spent just over \$33.2 million to pay for medical and prescription claims for enrolled employees, retirees and eligible family members, and an additional \$2,403,766 in administrative fees to CBC for third-party administration and stop loss insurance. The County benefits from deep discounts negotiated between CBC and medical providers/facilities; although the County paid \$33.2 million in claims in the period under review, providers billed over \$142.7 million during this period, according to the database provided to us by CBC.

Certain retirees (depending on hire date and length of service) are entitled to coverage for themselves and their spouses as a post-employment benefit. When an eligible retiree or spouse reaches the age of 65, the County also provides the option of enrolling in Blue Journey rather than the traditional plan. This is a premium-based rather than a self-insured plan; in the period under review, the County spent \$2,067,312 in premiums for enrollees in Blue Journey.

Employees contribute toward health care costs through deductibles, co-pays, co-insurance and contribution rates assessed through payroll deduction.

PURPOSE AND SCOPE

The purpose of our audit was:

- To determine if medical claims are being processed accurately and on a timely basis by the third-party administrator.
- To ensure that payments are made only on behalf of eligible enrollees and for covered services.
- To ensure that enrollees in the high deductible plan that features an HSA received a \$1,250 (single coverage) or \$2,500 (family coverage) stipend from the County.

The scope of our audit included all claims from 1/1/18 through 6/30/19. It should be noted, however, that although the claims database was otherwise complete, certain important data was absent for all claims involving mental health, substance abuse or HIV/AIDS. According to representatives from CBC, this is due to a State mandate regarding privacy issues. All information related to the identity of the patient or employee and all diagnosis and procedural data was not provided to us and we were unable to perform any substantive analysis of these claims. The total of these claims exceeded \$1,740,000.

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

- Verifying the completeness/validity of the CBC database.
- Determining if processing delays are excessive.
- Determining if claims are being paid more than once.
- Ensuring that claims are paid for eligible employees, retirees, spouses and beneficiaries.
- Ensuring claims and PPO Administration Fees are not paid for retirees enrolled in Blue Journey.
- Ensuring that only enrollees in the high deductible plan received a stipend from the County.
- Ensuring COBRA benefits are granted within federal guidelines.
- Verifying the accuracy of the monthly bill from CBC and determining the reasonableness of the average provider discount received.
- Analyzing various coverage issues within the CBC claims database.

METHODOLOGY

For audits of this nature, our office utilizes ACL data analysis software that greatly improves an auditor's ability to review large amounts of computer-based data. CBC provided us with all of the claims paid during the period of review in Excel format as well as an eligibility list as of 7/31/19, also in Excel format. In addition, we were able to download County employee data into Excel using pre-formatted reports available in the ONESolution system. We also acquired an Excel spreadsheet of retirees from the Fiscal Affairs Accountant. 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 CBC database by looking for illogical data anomalies such as negative days of service and total paid.
- Determine the average delay in processing claims.
- Review for duplicate payments on claims as well as duplicate Social Security Numbers in the eligibility list.
- Compare the CBC database and eligibility list with the ONESolution database to find any claims paid for ineligible individuals.
- Compare the CBC database and eligibility list with the database of retirees to make sure retirees are coded to the proper plan.
- Compare spreadsheets created in Human Resources of employees who received an HSA stipend to the ONESolution reports indicating the plans in which employees are enrolled.
- Investigate instances where the claim paid was out of network but there was no co-insurance percentage paid by the claimant.
- Analyze the claims database to ensure only covered services are paid.

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 and Claims

1. Claims Paid For Ineligible Individuals – PPO Plans

OBSERVATION

Claims totaling \$19,776.33 were noted for nine ineligible individuals. A number of these individuals were identified on the last Medical Eligibility comparison we completed in June 2019. The County corrected these missed terminations at the time of our comparison, but the claims were paid prior to this. One individual was the spouse of a retiree who continued to use the benefit card following the death of the retiree. There was no indication that CBC was notified to terminate coverage prior to the incurrence of these claims; therefore, the County cannot recover these amounts from CBC. CBC should be notified by the County as soon as they become aware of terminated/deceased individuals no longer eligible for coverage.

RECOMMENDATION

Human Resources should exercise greater care in notifying CBC of terminated individuals and should verify that individuals are removed from eligibility lists after notification to CBC. Our office will continue to perform periodic comparisons between CBC eligibility lists and County records as a double-check to ensure lists are accurate.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

Human Resources data entry is closely monitored and double checked for accuracy. Audits performed by the Controller's office have been helpful and we would like them to continue. The County HR team will continue to notify Capital Blue Cross of deceased individuals.

2. Blue Journey Eligibility and Premiums

OBSERVATION

We noted the following exceptions related to individuals enrolled in the Blue Journey premium-based retiree plan:

- One individual has continued to be on the Blue Journey eligibility list for eight years after the death of their retiree spouse. Although the spouse of a deceased retiree is eligible to remain covered for up to 36 months following the retiree's death under COBRA laws, the spouse must pay the established COBRA rate monthly. There was no indication that this individual applied for this extended coverage, and COBRA eligibility would have expired a number of years ago. Since Blue Journey is a premium-based plan, the amount of claims paid is immaterial to the County. However, we estimate that based on current premium rates, the County has paid almost \$15,000 in premiums for this individual since the death of the retiree.
- Three individuals were noted that were on both the PPO list and the Blue Journey eligibility list. We did not find evidence that claims were paid under the PPO plan while the individuals were covered under the premium based plan.

The County should not pay premiums for ineligible individuals. Also, having individuals on both the PPO and Blue Journey eligibility lists increases the risk that the County will pay claims under the PPO plan which should be paid for by Blue Cross under the premium-based Blue Journey plan. It should be noted that the County does not do a detailed analysis of the Blue Journey eligibility list.

RECOMMENDATION

Human Resources should periodically review the Blue Journey eligibility lists for accuracy. Our office can, upon request, include this analysis in our periodic verification of the PPO eligibility lists as well.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

The Human Resources Department currently reviews eligibility lists monthly for accuracy. All errors found were prior to our current review process. We will continue to review the eligibility list monthly.

3. Dual Enrollments – PPO Plans

OBSERVATION

Two married retirees, both former employees, were found to be enrolled in Subscriber and Spouse plans, acting as a dependent on each other's plans. One claim was paid for \$69.03 under one plan, then the claim was resubmitted and the same amount was paid under the other plan. This is prohibited under County policy 3.301 – Group Health and Welfare Plans, which states "If both spouses are employees or eligible retirees, each may choose to have single coverage or the employee with the higher base salary may choose to cover the other." The County appears to have failed to identify this violation when the plans were established. This can result in claims paid in excess of what is covered under County policy.

RECOMMENDATION

Human Resources should exercise caution when structuring medical plans for employees or retirees that are related. Our office will include an analysis of these criteria when we perform our periodic Medical Eligibility comparisons.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

The Human Resources office is currently reviewing this outstanding issue. Since this audit, we have reviewed our system and there are no other married Retirees or Active employees that are dependents on each other's plans that we are aware of. If we were to find any other outstanding instances, we will review upon finding.

4. COBRA Exceptions – PPO Plans

OBSERVATION

We noted the following exceptions with individuals coded as receiving COBRA benefits:

- One individual was improperly coded as on COBRA on the 7/31/19 Blue Cross Eligibility list but was not entitled to coverage. COBRA coverage for this individual expired 2/28/18; however, the County did not notify CBC to terminate coverage until December 2019. Claims were paid totaling \$464.32 following the expiration of COBRA coverage.
- Three additional individuals were improperly coded as on COBRA, but were found to be entitled to benefits, as they were still employed.

The eligibility lists (which are not regularly analyzed by the County) should be accurate and up to date. Errors can result in improperly paid claims.

RECOMMENDATION

As noted in Section A-1 above, a detailed analysis of the Blue Cross eligibility list should be performed on a periodic basis. Our office will include an analysis of these criteria when we perform our periodic Medical Eligibility comparisons.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

This was an outstanding issue where individual was not sent COBRA paperwork for an unknown reason. It is the current Human Resource Department's monthly practice to review the eligibility list. Our COBRA coverage is now processed through a vendor, BASIC NEO, who is responsible for coverage eligibility.

5. ONESolution Exceptions – PPO Plans

OBSERVATION

We noted the following exceptions in ONESolution (the software the County uses for Human Resource Management):

- One Gracedale AFSCME employee was assigned the wrong plan in ONESolution resulting in an overcharge in the amount of their payroll deduction.
- One individual coded as Employee Only was actually covered under the Family plan. In this instance, the employee was undercharged in their payroll deduction.
- One individual noted on ONESolution was coded as being covered under both the retiree plan and the active employee PPO plan. This did not result in any improper payroll deductions.

These appeared to be input errors that were not caught. The plans should be accurately coded in ONESolution based on the employee's election.

RECOMMENDATION

Greater caution should be used when entering data to the ONESolution system. Following input, employee profile information should be verified to benefit election forms.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

All data entry has been updated to reflect accurate information. Human Resources staff will continue to take caution when entering data.

6. Minor Housekeeping Exceptions

OBSERVATION

- One terminated individual was listed on the Blue Cross eligibility list following the date of termination. No claims were paid following termination, however.
- One individual provided the same social security number for herself and her daughter.

Terminated individuals should be removed from eligibility lists on a timely basis. Social security numbers are unique identifiers and should not be used for more than one individual. For the terminated individual, the County entered the wrong date on the cancellation submission. The duplicate social security number was not caught at input.

If terminated individuals remain on the eligibility list, this can result in claims being improperly paid. A wrong social security number can result in the misidentification of an individual.

RECOMMENDATION

Greater care should be used in notifying CBC of terminated individuals and ensuring that duplicate social security numbers do not get entered into the CBC system. Our office will continue to assist in this effort by performing periodic comparisons between CBC's eligibility lists and County records.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

Human Resources staff will continue to monitor data entry and attention to detail.

Section B – Contracting

1. Violations of Administrative Code Article XIII

OBSERVATION

The current contract between Northampton County and CBC does not include clauses required of all County contracts by Administrative Code Article XIII. These required conditions are detailed in Code sections 13.15 g (1), (2), (4), (12) and (13).

The Executive Order which awarded this contract referred to it as a cooperative purchase agreement contract. Article XIII, section 13.13a of the Administrative Code permits the County to enter into cooperative purchasing agreements to acquire materials and services under the contracts of other public entities provided structured procurement procedures have been exercised. If the County is cooperating on an existing contract that was written by another public entity, the sections of Administrative Code requiring clauses to be present in the contract would not apply.

In the case of the County's contract with CBC, however (as well as the contracts with the vendors administering dental and vision benefits), the County took advantage of their membership in the LV BCH which allows the County to leverage that organization's pooled purchasing power to negotiate reduced administrative fees for benefit programs. The County, however, simply receives preferential rates as a result of this membership; but the contract as written is between the County and CBC, with no other public entities involved. We believe that in this instance, the sections of the Administrative Code requiring certain clauses to be present in contracts applies. Contracts that do not comply with Administrative Code could be challenged as invalid.

RECOMMENDATION

We noted similar findings in our audits of Dental and Vision Benefits. In both cases, the County drafted addenda to the contracts which incorporated the wording required by Administrative Code. We recommend the County take the same action with the CBC contract.

MANAGEMENT RESPONSE – Kathleen Wedge – Acting Director, Human Resources

The Human Resources Department will review the language and partner with Purchasing and Capital Blue Cross to amend the contract.