



## Douglas County Internal Audit

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December 2, 2019

Douglas County Board of Commissioners  
1819 Farnam Street, Suite LC2  
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft,  
PJ Morgan, and Chris Rodgers

Karen Buche, Human Resources Director  
1819 Farnam Street  
Omaha, NE 68183

Dear Commissioners and Ms. Buche:

I have completed a performance audit of the County's health insurance dependent verification process. The audit revealed that the policies and procedures needed improvement in providing definitive evidence that covered family members were eligible dependents. Details from the audit can be found in the Findings section of the report below.

### **Background**

Douglas County employee medical expenditures totaled approximately \$36.5 million in fiscal year 2019. A significant amount of the County's healthcare expenditures are due to the expenses related to employee dependents. Due to the high cost of providing healthcare coverage, it is very important that dependent eligibility be verified. The County's Human Resources Department (HR) obtains various types of documentation to verify the legitimacy and eligibility of employee dependents. Depending upon the dependents statuses, this includes marriage licenses, birth certificates, passports, social security cards, and court decrees.

### **Scope**

The scope of the audit included an assessment of the design and effectiveness of the policies and procedures in place from September 1, 2018 through August 31, 2019.

### **Objective**

The objective of the audit was to determine if HR has effective procedures in place to verify that employees' health insurance dependents are eligible for coverage under the County's health plans.

## **Methodology**

Internal Audit (IA) obtained reports from the County's Oracle Human Resources module which included the number and ages of dependents from the beginning of the scope period and compared them to those at the end of the scope period. This included retirees. IA selected all employees at the end of the scope period that had increased the number of dependents for coverage and a random sample of new employees who elected dependent coverage or existing employees who had not previously had dependent coverage. IA then examined the documentation HR used to verify the eligibility of the new dependents.

## **Findings**

### **Eligibility Policy**

**Criteria:** Dependent children of employees are covered under the County's healthcare plans to age 26. However, Nebraska statute § 44-761 in effect since 2010 allows entities to provide dependent coverage to age 30. The County's most recent written Summary Plan Descriptions (SPD) included this provision as follows:

"You may elect to continue coverage to age 30 for a dependent who would otherwise lose coverage when he or she meets the plan's limiting age provided that the following criteria are met:

- the child remains financially dependent on you; and
- the child was covered as an Eligible Dependent at the time such coverage would have terminated."

The SPD goes on to require payment for this coverage as follows:

"The premium for continuation coverage will be equal to the full, unsubsidized single adult premium. You are responsible for paying the full premium each month. The first month's premium must be paid to the Group through which your coverage is provided no later than 31 days after the date the child's coverage would have terminated."

**Condition:** IA tested the documentation provided from 67 employees for 99 dependents to see if the documentation obtained provided clear evidence of eligibility. Of the 99 dependents tested there was one instance where coverage was requested for a dependent over the age 25 according to the plan provision as shown in the criteria above. The employee was not charged an additional amount to include the coverage. HR personnel stated that it was not County practice to charge the additional unsubsidized premium as noted above. According to HR, the SPDs and the extension form provided by Blue Cross contained the unsubsidized premium provision in error.

The County could not produce any documentation showing that the County Commissioners had explicitly approved the practice of not charging an additional premium for dependents over age 25. For the 2019 coverage period there were 27 active employees with 32 nondisabled dependents over ages 25 that were covered. There were 15 retirees with 18 nondisabled dependents covered.

Effect: The County's practice and written SPDs were not consistent with each other. The County did not take advantage of being able to charge the unsubsidized premiums for dependent coverage over age 25 if it wished to do so. The 2019 annual unsubsidized premium that was not charged for this coverage totaled \$490,372.

Cause: County Administration was not fully aware of the practice of not charging an additional premium for dependents over age 25 and that it could charge an additional premium for that coverage.

Recommendation: The County Board and management should determine if it wishes to continue the practice of not charging an additional premium for dependent coverage over age 25. The County's plan and practices should be consistent and actively monitored for compliance.

Response: *The practice of not charging the unsubsidized premium began upon the effective date of § 44-761 of the Nebraska Revised Statutes in 2010. United Health, TPA, plan summaries did not contain language that over age dependents would be charged a premium. In 2017, the County changed TPAs to Blue Cross Blue Shield, and it is their standard practice to include this language in the SPD. The 2017 and 2018 SPDs did not match our practice. Additionally, we have contacted BCBS to address their over age dependent form, and they have stated the form is outdated and in response to our call is under revision. Additionally, the County Attorney's Office issued an Opinion Letter dated 11/05/19 stating that charging for over age dependents would be a mandatory subject of bargaining for union-covered employees. The County Commissioner's Office determined that the County would continue its practice through the calendar 2020. During 2020, it will review possible options for future years.*

#### Dependent Documentation

Criteria: The County should have clear written policies and procedures to ensure uniformity and continuity for carrying out departmental requirements.

Condition: The County's HR Department did not have written policies clearly delineating the various forms of documentation needed to add dependents for coverage.

Effect: The County could not be certain that all employees obtaining dependent documentation had the necessary knowledge of the documentation needed to prove dependent eligibility for all scenarios which would help ensure claim legitimacy.

Cause: The County did not establish written policies and procedures outlining the documentation needed for adding dependents for health coverage.

Recommendation: Develop policies, and include them in the plan provisions if necessary, requiring the documentation that provides clear proof of dependent eligibility. Consider including examples of the documentation that would be required in various scenarios (for example, current federal tax returns). Additionally, consider making use of the County Vital Records and Clerk/Comptroller departments who have ready access to government records of births and marriages to provide proof of eligibility.

Response: *HR will create a policy as to what documents (e.g. FMLA papers, tax returns) are acceptable as well as other types of proof such as a request from the TPA to add a child due to birth.*

*HR will pursue the ability to gain access to Douglas County government records for marriage licenses and birth certificates. This would improve HR efficiencies and reduce the cost for the employee in obtaining a copy of their marriage license and/or birth certificate.*

**Audit Standards**

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

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Internal Audit appreciates the cooperation provided by the HR Department. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki  
Internal Audit Director

cc: Mark Rhine  
Lenny Swanger  
Inna Goldman  
Bryan Broekemier  
Dan Esch  
Sheri Larsen  
Jodi Campbell  
Patrick Bloomingdale  
Diane Carlson  
Joe Lorenz  
Colleen Fredrickson  
Amy Shreck  
Colby Jensen