

# MUNICIPALITY OF ANCHORAGE



Office of the Internal Auditor  
632 W. 6<sup>th</sup> Ave. Suite 600

Phone: 907-343-4438  
Fax: 907-343-4370

*Mayor Dan Sullivan*

September 27, 2010

**Internal Audit Report 2010-10  
Health Plan Claimed Dependents  
Employee Relations Department**

**Introduction.** The Municipality has a self-insured benefit plan that covers medical, dental, vision and prescription services for over 7,150 employees, retirees, and dependents. An eligible dependent is an employee's legal spouse, a same sex domestic partner, and unmarried dependent children until their 23<sup>rd</sup> birthday. Children can be the employees' natural child, the spouse's or domestic partner's child or adopted child, a child placed for adoption with the employee and a child related to the employee by blood or marriage for whom the employee is the legal guardian. Dependent eligibility must be supported with appropriate documentation. If eligible dependents are not enrolled within 90 days of first becoming eligible, they must wait for the next open enrollment period. Open enrollment occurs once a year at renewal. In addition, special enrollment rights can be invoked to add eligible dependents outside the open enrollment period. Finally, a child who has sustained a disability rendering him/her physically or mentally incapable of self-support may be eligible for coverage even though he/she is over 23 years old.

Oregon Dental Service Health Plan, Inc. (ODS) is the claims administrator for the Municipality's health plan and processes all Municipal claims. The Benefits Section of the Employee Relations Department (Department) is responsible for ensuring the required insurance enrollment paperwork is completed and notifies ODS of any changes of coverage such as terminations, retirements, etc. The insurance enrollment paperwork is maintained in employee files by the Department's Records Section.

**Objective and Scope.** The objective of this audit was to determine whether dependents listed by health plan participants met the eligibility requirements and were included accurately in the data base

provided to ODS for claims processing. Specifically, we determined whether employee files maintained by the Municipality contained all required documentation concerning dependent eligibility, whether the information provided to ODS for claims processing was accurate and current, and whether disability status of dependents was adequately documented. We statistically selected a random sample of employees and reviewed the documentation for all dependents. In addition, we looked at employees with disabled dependents over 23 years old.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through July 2010. The audit was requested by the Administration.

**Overall Evaluation.** Dependents listed as health plan participants in the ODS database were not always adequately supported by proper documentation. In addition, employees were not required to recertify their dependents after initial enrollment in the health plan. Finally, employee files did not contain proper documentation to support disability coverage for those over the age limit of 23 years old.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Employee Files Not Always Complete.**

- a. Finding.** Employee files did not always contain proper documentation for dependent eligibility. Our testing of 414 dependents revealed that 65 (16%) had no supporting documentation. According to the medical enrollment form, “Proof of relationship documentation must be submitted with this enrollment form within 90 days of the qualifying event. Coverage will not begin without appropriate documentation.

Example of proof of relationship documentation is: (1) copy of the Marriage Certificate for spousal coverage; (2) Original Domestic Partner Affidavit (3) copy of a Birth Certificate and/or a Court signed Adoption Decree for each eligible child.” Specifically, we found 65 dependents from 49 employee files that did not have required documents such as birth certificates, domestic partner affidavit, and marriage licenses. A similar condition was reported in Internal Audit Report 2006-2, Administration of Municipal Self-Insurance Plan.

- b. **Recommendation.** The Director of Employee Relations should ensure that employee files maintained by Records Section staff are complete and accurate. A review of employee files could be performed during the annual Flexible Benefits enrollment to ensure that all required documents are in the file.
- c. **Management Comments.** Management stated, “Concur. Management agrees the employee files should contain proper documentation for dependent eligibility. During the open enrollment period (November 1, 2010 through December 6, 2010) Employee Relations will ensure required dependent documents are in the personnel files.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Annual Recertification of Dependent Status Not Required.**

- a. **Finding.** Employees were not required to recertify their dependents after initial enrollment in the health plan. Instead, Benefits Section personnel relied on employees to voluntarily notify them of any changes in spouse or dependent status. In most cases, this voluntarily notification occurred during the open enrollment process where employees signed a paper to certify that the listed dependents were accurate.

However, 22 of the 190 (12%) employee files we reviewed did not contain the recertification document. A similar condition was reported in Internal Audit Report 2006-2, Administration of Municipal Self-Insurance Plan.

- b. **Recommendation.** The Director of Employee Relations should ensure all participants annually recertify and/or validate the status of spouses and dependents that are eligible to receive health insurance benefits under the Municipal Flexible Benefits Plan.
- c. **Management Comments.** Management stated, “Concur. Management agrees employees should recertify their dependents. During the open enrollment period (November 1, 2010 through December 6, 2010) Employee Relations will ensure employees recertify the status of spouses and dependents that are eligible to receive health benefits.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Support for Disability Not Documented.**

- a. **Finding.** Employee files did not contain proper documentation to support disability coverage for those over the age limit of 23 years old. We reviewed the employee files for eight disabled dependents and found that they did not contain a written physician’s statement to support the disability status. The Municipality’s Benefit Plan handbook states that “You must provide us with a written physician’s statement that confirms that these conditions existed continuously prior to the child’s 23<sup>rd</sup> birthday. Documentation of the child’s medical condition must be reviewed and approved by the ODS medical consultant. Periodic review by the medical consultant will also be required on an ongoing basis.”

- b. **Recommendation.** The Director of Employee Relations should ensure that a written physician's statement is on file to confirm the disability status.
- c. **Management Comments.** Management stated, "Concur. Management agrees supportive documentation should be maintained for dependents that are eligible for disability coverage. During the open enrollment period (November 1, 2010 through December 6, 2010) Employee Relations will ensure employees provide supportive documentation for dependents that are eligible to receive disability coverage."
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials.

Audit Staff:  
Jayi Schin