

Office of the City Auditor

Performance Audit

City Paid Health Benefits of Ineligible Former Employees

Finance, Governance, and Public Safety – December 13, 2023

Audit Team: Ruth Beyene and Jonathan Lecuyer

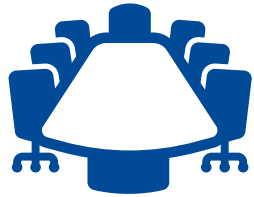


Audit Objective

Has the city paid benefits for ineligible employees after the employee separated from the city?



Background



Healthcare System Board of Trustees

Self insures health care for city employees and retirees



3rd Party Healthcare Administrator

BlueCross BlueShield



Human Resources Benefits Division

Responsible for billing audits and processing payments for vendors

City Paid at Least \$1.9 Million in Error for Former Employees' Health Benefits

Administrative Fees

At least **\$516,000**
paid in error

376 former
employees

Health Claims

At least **\$1.4 million**
paid in error

217 former
employees

Process to Remove Employees From City Insurance Not Always Working

Benefit Changes Data Not Always Communicated...

341 Employees Not Transmitted



Employee Separation Paperwork Submitted

HR Staff Updates City HRIS Records

City Auto-Transmits Employee Status Change File Weekly

BCBS Updates Active Employee Benefit Enrollment Data

BCBS Invoices City for Active Enrollees Monthly

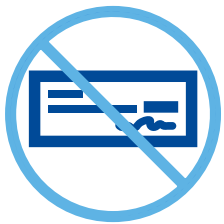
...Or Acted Upon

35 Employees Not Removed After Transmission

Procedures to Monitor Employee Removal From the City's Health Insurance Program Not Designed



Administrative fee invoices were not being reconciled



Ensuring Accuracy of Administrative Invoices Should Prevent Payment of Incorrect Claims

Recommendations

Seek recovery of incorrect administrative fees and claims payments

Report to city council when incorrect payments are reimbursed

Correct process to accurately transmit data of employees leaving city insurance

Reconcile BCBS administrative fee invoices against city employee insurance enrollment information

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