

<p>Date: March 6, 2019</p> <p>To: Cheresé Chery, Director, Department of Human Resources</p> <p>From: Craig S. Trujillo, Chief Auditor Joseph Caruso, Deputy Chief Auditor</p> <p>Tele: 860-757-9952 860 757-9955</p>		<p>City of Hartford Department of Human Resources Healthcare Dependent Eligibility Report 1913</p>
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I. Executive Summary

We completed a review and performed investigative work in February 2019 related to the work done by Secova, Inc. (Secova) for the City of Hartford (City) related to Healthcare Dependent Eligibility. The purpose of our audit work was to review the process performed by Secova, review the reported findings by Secova, quantify all claims that were paid by Anthem, Cigna and CVS Caremark for those dependents that we found to be ineligible and evaluate actions taken or planned to be taken by City management. The results of our work was reviewed with C. Chery, Director, Department of Human Resources; R. Pokorski, Benefits Administrator, Department of Human Resources; H. Rifkin, Corporation Counsel; and, where appropriate, the Hartford Police Department (HPD). We thank the Department of Human Resources and Corporation Counsel management, staff and others we worked with for their cooperation and courtesies extended to us during our audit.

In general, we found no issues with the work performed by Secova except that they transmitted the results of their audit by unencrypted email to the City with personal identifiable information through an Excel spreadsheet. The Secova audit reported 77 employee dependents that could not be verified for eligibility. The report was issued in January 2019. We found that 13 employees did not have their divorced spouses removed from the City health plan as required, however; we found that only eight of these dependents incurred claims totaling \$237,000 (one retiree's ex-spouse accounted for approximately \$208,000 of this amount) since their divorce. These dependents were flagged by Secova for not providing any documentation or not providing sufficient dependent eligibility documentation to them or the dependent was voluntarily removed by the employee as a result of Secova requesting eligibility documentation. We were not able to locate a divorce record for 11 other covered spouses with our resources. We referred all 11 of those dependents that incurred claims totaling about \$171,000 to the HPD who may be able to locate divorce records, if they exist, through their sources. Nineteen employees and their dependents were referred to the HPD by us for investigation and possible criminal prosecution for insurance fraud. In their report, Secova estimated that the City would save about \$492,000 as a result of their audit. We do not express any opinion on this estimate as we did not perform any audit work in this area. And, employee child dependents that could not be verified were not included in our quantification of claims. Without the cooperation of the employee submitting eligibility documentation, we could not determine an ineligibility date, therefore, quantification of claims paid would not necessarily reflect improper claims incurred. Per Secova, the ineligible benchmark for government entities at the conclusion of projects is between 5% and 6% percent. Of the six Secova government audits listed for benchmark comparison purposes, the highest ineligibility rate was 16.4% and the lowest was the City of Hartford at 3.1%. The City has

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also directed CIGNA's Recovery Unit to begin retraction proceedings for all claims paid to providers identified as ineligible within the Internal Audit Report.

Background

In our audit report #1620 issued in June of 2016, we recommended that the City perform a comprehensive healthcare dependent eligibility audit related to medical, dental and prescription drug healthcare benefits to eligible employees, retirees and their respective spouses and children as a part of their healthcare benefits package. Cigna is the current administrator of the self-insured healthcare program (Anthem prior to 2016) for medical, dental and prescription costs. CVS Caremark is the primary prescription provider. Healthcare benefit plan options and restrictions, including subscriber and dependent eligibility, employee contributions, types of coverage and co-pays are generally outlined in bargaining unit contracts. The Benefits Administration Unit (BAU) of the Department of Human Resources is currently responsible for adding and removing employees and dependents from the healthcare plan and oversees the insurance side of the healthcare programs. During the fiscal year ended June 30, 2018, the City paid incurred healthcare claims totaling \$47.4 million and \$1.5 million in administrative fees.

Scope

The scope of our work included, but was not limited to, reviews of the healthcare eligibility verification performed by Secova, researching dependent spouses that were dropped from the plan to obtain divorce decrees and dates, if they exist, from the CT Superior Court website and other sources, quantifying claims paid on behalf of dependents deemed ineligible and evaluate actions taken or to be taken related to employee discipline as well as criminal and civil action including the recovery of claims paid on behalf of ineligible dependents. It should be noted that Secova's work was based off the City's healthcare participant roster as of July 1, 2018. Secova commenced work in August 2018 and issued its report in January 2019.

II. Audit Results

Secova Healthcare Dependent Eligibility Audit Report

According to the Secova report, the population of City active and retired employees required to comply with Secova requested eligibility documents was 1,191. There are 2,559 dependents covered under the healthcare plan related to these individuals. Secova reported to the City that 77 dependents could not be verified as eligible (46 children & 31 spouses). Employees voluntarily dropped 51 dependents when asked for eligibility documentation; employees did not submit requested eligibility documentation for 12 dependents and employees failed to submit eligibility documentation for 14 dependents. It should be noted that five of 77 deemed unverified had their healthcare coverage reinstated because the employees subsequently complied with required eligibility documentation. Secova estimated that total annual savings related to removing 77 dependents from the plan would save the City approximately \$691,000. Secova assumed a 30% reinstatement percentage based on industry history which, if experienced, the savings would be about \$492,000. We do not express any opinion on this savings estimate as we did not perform any audit work in this area. City management did not have Secova transmit the results of their audit by encrypted email. Personal identifiable

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information such as name, social security number and birth date of 3,750 employees and dependents were sent to City management by Secova through an Excel spreadsheet. The spreadsheet was password protected by Secova.

Testing of the Secova Health Care Dependent Eligibility Audit Findings

We found that 13 of the 31 spouses mentioned above were actually ex-spouses by divorce decree according to Connecticut Superior Court records. We determined that eight of the 13 ex-spouses incurred claims since their divorce date totaling about \$237,000 (one retiree's ex-spouse accounted for approximately \$208,000 of this amount). With respect to the other 18 spouses, five covered spouses were found to be deceased and two were reinstated. For the remaining 11 spouses, the employees voluntarily dropped two spouses when asked for eligibility documentation, employees did not submit all the requested eligibility documentation for six spouses, and employees failed to submit any eligibility documentation for three spouses. We were unable to locate a divorce record for these spouses with our resources. We referred all 11 of those dependents that incurred claims totaling about \$171,000 to the HPD who may be able to locate divorce records, if they exist, through their sources.

Finally, employee child dependents that could not be verified were not included in our quantification of paid claims. We could not determine with reasonable assurance the ineligible coverage period, if applicable, for child dependents deemed unverified by Secova.

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