



**CITY OF RIVIERA BEACH
FINANCE AND ADMINISTRATIVE SERVICES**

INTER-DEPARTMENTAL COMMUNICATION

DATE: JUNE 28, 2017

TO: WILLIE HORTON, INTERIM ASSISTANT CITY MANAGER

FROM: RANDY M. SHERMAN, DIRECTOR OF FINANCE AND ADMINISTRATIVE SERVICES

**CC: KAREN HOSKINS, CITY MANAGER
MARIE SULLIN, RISK MANAGER
NYDIA REYNOLDS, INTERIM ASSISTANT FINANCE DIRECTOR**

SUBJECT: HEALTH INSURANCE OVERBILLING AND OVERPAYMENTS

You have requested a summary report regarding the claim made by a citizen at the special council meeting on June 25, 2018 regarding health insurance. The claim by the citizen revolved around the City's payments to the health insurance provider for individuals who were past City employees and no longer eligible for health care coverage. Unfortunately, the citizen's claim is true.

The health insurance overbilling and related overpayments by the City were uncovered by Finance staff during the FY2017 renewal process with Aetna, the City's health insurance provider. Each year, as part of the renewal discussion process, the City is provided with a Rate Change sheet. The sheet identifies a subscriber (employee) and a membership (employees plus dependents) counts and steps through a number of calculations to start with current claims and end with future estimated costs. While reviewing the Rate Change sheet, Finance staff found discrepancies between the FY2017 Rate Change sheet and the FY2016 Rate Change sheet. There appeared to be approximately \$753,000 unaccounted for between the two years.

Finance staff immediately began to dig deeper into the employee health insurance enrollments, plan coverages and monthly premium billings. Finance staff spent approximately two weeks pulling files and matching records. The attached sheet is the end result of Finance staff's findings. The sheet may be difficult to follow without some direct discussion and explanation, but basically the results of the findings were that the City had been overbilled by Aetna for employees and their dependents for up to fifty (50) billing periods. The overbilling uncovered ranged from one (1) to fifty (50) months covering 77 subscribers. Finance staff found the City was being billed for fifty-one (51) terminated or inactive employees, one of which had died while in City employment, sixteen (16) retired employees who had chosen not to extend coverage into their retirement, one (1) employee was doubled billed and nine (9) CRA employees were being paid for by the City.

Upon uncovering the discrepancies, a prior version of the attached worksheet was sent to the Risk Manager for review. While the Risk Management and the Finance staff had a few discrepancies, the majority of the findings held. On August 30, 2017 the matter was brought to the attention of the former City Manager. I am unaware of what the former City Manager did with the information between the August 30th meeting and when the health insurance renewal was placed on the September 20, 2017 agenda. However, when the agenda item for the health insurance renewal was being developed, the former City Manager expressly stated that discrepancies had been identified and the impact of those findings. The Agenda Item Summary is attached. At that time, the former City Manager noticed the Council that a workshop on health insurance was needed. That workshop was never held.

The fiscal impact of the overbilling and overpayments was calculated to be \$1,101,556.45. Aetna provided credits of \$215,559.00 in September and October of 2017 leaving a balance outstanding at \$885,997.10. Aetna was clear that it would be willing to provide additional credits if the City could provide verifiable proof that they had been placed on notice by the City to remove the ineligible subscribers. In March, Finance received an email from the Risk Manager stating that \$456,041.45 in credits had been received from Aetna. Finance has not been provided detail to that number to verify. If accurate, the current overpayment would be \$645,515.

In December of 2017 Finance staff informed the City Manager that there had been no resolution to the matter and that the nearly \$900,000 receivable from Aetna had been recorded in the financial statements and would be reflected in the City's FY2017 Comprehensive Annual Financial Report.

RMS/sde
Attachments