CITY OF RIVIERA BEACH

RISK MANAGEMENT INTER-DEPARTMENT COMMUNICATION

TO: WILLIE HORTON, INTERIM AST. CITY MANAGER

FROM: MARIE SULLIN, RISK MANAGER

CC: KAREN L. HOSKINS, CITY MANAGER
RANDY SHERMAN, FINANCE DIRECTOR
EUREKA IRVIN, INTERIM HUMAN RESOURCES MANAGER

DATE: JUNE 28, 2018

RE: HEALTH INSURANCE OVERBILLING AND OVERPAYMENT

In response to the citizen's inquiry from the Special City Council meeting held on June 25, 2018 regarding health insurance premium payments. The Human Resources Department began its audit on July 2017. However, Finance began their audit after the pre- benefit renewal meeting due the headcount listed on the renewal proposal, where the Carrier identified the number of eligible employees, was above the headcount of eligible employees by the City.

After that meeting Finance provided a copy of the audit they completed. Upon review, the Human Resources Risk Management Division pointed out several discrepancies within the audit. While the Finance audit is not completely incorrect, however the total provided does not reflect several matters known to benefit administration.

Human Resources Risk Management continued our audit and compared to the list that Finance provided. Upon review of supporting documents that we were able to retrieve from available e-mails (prior Insurance Technician, Risk manager and Temporary personnel) the City was credited for a total of $395,543.59 (see attached credit report of employees, retirees). In addition, since the discrepancy Finance is provided with a copy of the bills where the credits are indicated monthly with the monthly premium payment request.

The following process was utilized to verify the Audit list provided by Finance:

1. Employees with dependent coverage pay their benefit one month in advance; therefore, the termination date is not the actual date of coverage termination (i.e. employee John Doe hired on 6/1/18 is eligible for benefits September 1, 2018 since he elected dependents his deductions begins on the first pay period in August. The City collects premium one month in advance to pay the bills for employee with dependents and or family).
2. Employees who elect COBRA coverage remain on the bill but premium not paid by the City, but through the COBRA Administrator.

# of employees and Issues presented on Finance Audit list

1. One Hundred one (101) employees came up with payment discrepancies from Finance Audit.
2. Twenty (20) employees were Retirees whose deductions are taken by the pension Administrators and forward to Utility Billing Division of Finance.
3. Three (3) active employees on the list but duplicated.
4. Ten (10) CRA employees who came up as unknown to Finance in the report (CRA on a different payroll system).
5. One (1) Deceased employee (L.S)
6. Employee termination dates are not the actual benefit termination dates.

The audits conducted by Finance with the following corrections and action plans taken by the Human Resources Risk Management Division.

Risk Management audited the 101 employee's on Finance original list and the following are the results:

A. 67 were actual terminated employees
B. 4 duplicate coverage
C. 20 were retirees
D. 10 Active CRA employees

CORRECTIVE MEASURES TAKEN SINCE JULY 2017:

1. Human Resources Risk Management Division was restructured and an additional personnel was hired (Benefit Administrator). Prior to that hiring, Risk Management consist of two personnel responsible for Risk, Safety, Benefits, etc...
2. Benefit Administrator came on board as of 7/5/2017 and began Auditing.
3. Monthly Audit of eligible employees (Retirees, Cobra, and Active).
4. Benefit Administrator to assure that the bill is accurate and that credits are applied accordingly.
5. Run monthly report for termination verification.
6. A copy of the list bill is provided to Finance for review with each monthly bill.
7. Discrepancies are reviewed and verified, if changes are necessary information is updated on Health carrier system. Credit are posted as received on the next billing cycle.
8. Retiree payments paid that are made through Utility Billing. As September 2017 the report from Utility Billing are reviewed by Risk Management to eliminate errors and payment discrepancies.
9. Retirees (in-person payments) who fail to submit payments are terminated off bills after 30-days to avoid reimbursement limitations with carrier.
10. City no longer send terminations to Aetna via e-mail for manual process. As of December 19, 2017 City staff has received on-line access to complete termination of benefits.