

TO: BOARD OF SUPERVISORS
FROM: JOHN CULLEN, County Administrator
DATE: MAY 1, 2007
SUBJECT: RESPONSE TO GRAND JURY REPORT NO. 0703, ENTITLED
"COUNTY HEALTHCARE PLAN ELIGIBILITY LOOPHOLES"



Contra
Costa
County

S.P. 4

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

RECOMMENDATION:

APPROVE response to Grand Jury Report No. 0703, entitled "COUNTY HEALTHCARE PLAN ELIGIBILITY LOOPHOLES" and DIRECT the Clerk of the Board to forward the response to the Superior Court no later than May 29, 2007.

BACKGROUND:

On February 27, 2007, the 2006/2007 Grand Jury filed the above-referenced report, which was reviewed by the Board of Supervisors and subsequently referred to the County Administrator and Employee Benefits Manager, Human Resources Department, who jointly prepared the attached response that clearly specifies:

- A. Whether a finding or recommendation is accepted or will be implemented;
- B. If a recommendation is accepted, a statement as to who will be responsible for implementation and by what definite target date;
- C. A delineation of the constraints if a recommendation is accepted but cannot be implemented within a six-month period; and
- D. The reason for not accepting or adopting a finding or recommendation.

CONTINUED ON ATTACHMENT: YES

SIGNATURE: *Sara Hoffman*

RECOMMENDATION OF COUNTY ADMINISTRATOR RECOMMENDATION OF BOARD COMMITTEE
 APPROVE OTHER

SIGNATURE(S): *Julie Garcia*

ACTION OF BOARD ON 05/08/07 APPROVE AS RECOMMENDED OTHER

VOTE OF SUPERVISORS

UNANIMOUS (ABSENT NONE)

AYES: _____ NOES: _____
ABSENT: _____ ABSTAIN: _____

CONTACT: SARA HOFFMAN (925) 335-1090

CC: PRESIDING JUDGE OF THE GRAND JURY
GRAND JURY FOREMAN
ASSISTANT COUNTY ADMINISTRATOR
EMPLOYEE BENEFITS MANAGER

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF AN ACTION TAKEN AND ENTERED ON THE MINUTES OF THE BOARD OF SUPERVISORS ON THE DATE SHOWN.

ATTESTED: MAY 8, 2007

JOHN CULLEN, CLERK OF THE BOARD OF SUPERVISORS AND COUNTY ADMINISTRATOR

BY *John Cullen* DEPUTY

**BOARD OF SUPERVISORS RESPONSE TO
GRAND JURY REPORT NO. 0703:
COUNTY HEALTHCARE PLAN ELIGIBILITY LOOPHOLES**

FINDINGS

1. The County contracts with, and is billed monthly by, healthcare plan administrators and insurance carriers on either an “individual” (employee or retiree only) or “family” (employee or retiree plus dependents) basis. The County pays one monthly insurance premium amount per plan for employees and retirees with no dependents (“individual”) and another negotiated monthly rate for employees and retirees with dependents (“family”), regardless of the number of dependents reported per family.

Response: Agree.

2. Based on representative monthly data (September 2006), the County pays healthcare insurance premiums averaging \$8.8 million per month—over \$105 million annually. Employee and retiree premiums average \$1.37 million monthly – over \$16.4 million annually.

Response: Agree.

3. Based on representative monthly data (September 2006), the County maintains combined medical and/or dental plan eligibility records for approximately 7,800 employees, 4,200 retirees, 330 surviving spouses, and 16,000 reported dependent spouses, children and domestic partners.

Response: Agree.

4. The County contracts with its healthcare plan administrators and insurance carriers on a full-insured basis. Under this financial arrangement, healthcare administrators and carriers are responsible for all costs in excess of the premiums collected from the County during a specified contract period. The negotiated premiums include anticipated costs for the benefits, administrative costs, and a profit for the administrators and carriers.

Response: Partially Agree. Kaiser Permanente, Health Net, Contra Costa Health Plan and Delta PMI Dental Plan are fully insured; the County has an Administrative Services Agreement with Delta Dental for the self-insured Dental Plan.

5. Each year, healthcare plan administrators and insurance carriers audit premiums and benefits paid, and increase premiums for subsequent years if benefits in the prior year exceeded premiums received.

Response: Partially Agree with clarification. Premium increases are based on projected claim costs for the upcoming period. This calculation involves using current claims data and projecting it forward based on trend and demographics to arrive at an expected claims cost. Then administration and special riders, profit and margin are added to that cost to arrive at the appropriate rate.

6. County healthcare plan participation is available to “eligible dependents.” Eligible dependents are defined as legal spouses, qualified domestic partners, unmarried children under the age of 19 for whom the employee or retiree has legal responsibility, and children under the age of 25 that, according to IRS regulations, are more than 50% dependent on the employee or retiree, and who are anticipated to be claimed as dependent children on the employee’s or retiree’s income tax return.

Eligible dependents between the ages of 19-25 need not be full-time students to be eligible to participate in the healthcare plans. Disabled children over age 19 are also eligible provided their disability occurred prior to their reaching the age of 19, and that they also are dependents as defined by IRS regulations.

Response: Agree with clarification. The County's requirement is that the dependent is an IRS qualifying dependent. IRS regulations (IRS Publication 501) require (with some exceptions) student status for dependents over age 19.

7. The HR department is responsible for the administration of healthcare plan eligibility policies, the maintenance of eligibility records, and the monthly reporting of eligibility information to healthcare plan administrators and insurance carriers.

Response: Agree.

8. The HR department relies on employees and retirees to enroll dependents. This is accomplished through the use of either and "Open Enrollment Change Form" or "Health and Dental Plan Enrollment Form." The latter specifies that, outside of annual open enrollment periods, employees and retirees are responsible for timely notification regarding the addition of eligible dependents; i.e., within 60 days of a qualifying event such as marriage or childbirth.

Response: Agree.

9. The "Open Enrollment Change Form" and "Health And Dental Plan Enrollment Form" also serve as the method by which employees and retirees are expected to report that dependents are no longer eligible. However, neither form obligates employees and retirees to report dependent deletions within any specified period.

Response: Agree. However, the forms do reference the COBRA requirements including elections within 60 days of the qualifying event (such as losing dependent eligibility).

10. Neither the "Open Enrollment Change Form" nor the "Health And Dental Plan Enrollment Form" requires employees or retirees to attest, by means of a signature, and under penalty of perjury, to the accuracy of the enrollment or deletion information they provide to the HR department.

Response: Agree.

11. The HR department does not verify that dependents reported during the enrollment process meet eligibility requirements for participation in the County's healthcare plans or that they remain eligible.

Response: Agree with clarification. On a monthly basis, reports are generated based on dependent child birthdates, with follow up when the dependent is over 25. Staff also processes terminations and COBRA letters for affected dependents. Carriers verify dependent age and will not provide services if the dependent is over age. The carriers also require documentation of dependent status when claims are incurred.

12. The County's "2007 Employee Benefits Information and Open Enrollment guide" includes the following policy statement: "It is against County Policy for an employee to enroll ineligible persons

as dependents; to do so may subject the employee to disciplinary action as well as the obligation to reimburse the plan for all costs associated with the delivery of medical or dental services to an ineligible person.”

Response: Agree.

13. The HR department does not have a procedure to secure reimbursement from employees or retiree of all costs associated with the delivery of medical or dental services to an ineligible healthcare plan enrollee.

Response: Agree with clarification. For the County’s fully-insured plans, the various insurance carriers are at risk when claims are paid erroneously or for ineligible participants. Additionally, the fully insured plans include ‘Right of Recovery’ and ‘Insurance Fraud’ language.

14. The HR department does not require all of its healthcare plan administrators and insurance carriers to verify by means of quality assurance “self-audits” or external audits that all the County’s healthcare plan contract provisions are being met; i.e., eligibility determination, plan coverage limits, customer service expectations, etc.

Response: Partially agree. The County does have Performance Guarantee Agreements with Kaiser Permanente, Health Net and the Delta Dental insured PMI plan. The performance guarantees measure member services, member satisfaction, account management, quality of care, accreditation, physician turnover and re-credentialing and reporting. The Contra Costa Health Plan (a County Department) complies with and reports on results for performance standards in accordance with State and Federal requirements; however, this information is not specific to County employees and retirees.

15. The healthcare eligibility benefits administration computer system, installed in 1989, does not allow for automated, self-service inquiries and information updates by eligible employees, retirees, and dependents. The system’s limited flexibility also does not allow the HR department to easily generate the ad hoc reports necessary to help analyze eligibility data.

Response: Agree.

16. The HR department hopes to replace its aging healthcare benefits administration system. Qualified data processing system vendors will be given the opportunity to submit proposals for a new system to meet the County’s requirements.

Response: Agree with clarification. It is our intent to upgrade the current PeopleSoft Human Resources System to include the Benefits Administration module. It would not be a new system, but the inclusion of functions currently available through PeopleSoft/Oracle.

RECOMMENDATIONS

The 2006/2007 Grand Jury recommends that the Board of Supervisors and County Administrator take the following steps to ensure more accurate administration of employee, retiree, and dependent eligibility related to the County’s healthcare benefit plans:

1. To verify the legal status of all reported dependents at the time of enrolment, require that employees and retirees provide appropriate documentation in the form of original or certified copies of marriage licenses, domestic partner certification, birth certificates, adoption court orders, and court custody orders.

Response: *Will be implemented in 2007 upon promulgation of the County's policy and accompanying procedures that includes acceptable documentation. The policy and procedures are in development.*

2. At the time of enrollment, require employees and retirees in any of the County's healthcare benefit plans to attest to the accuracy of the information they are providing by means of a signature, under penalty of perjury, on the enrollment form.

Response: *Will be implemented in 2007 upon promulgation of the County's policy and accompanying procedures that includes acceptable documentation. The policy and procedures are in development.*

3. Require that employees and retirees report dependent deletions in a timely manner, but in no case later than 60 days following a change in their IRS dependent status; i.e., the employee or retiree is no longer responsible for more than 50% of the enrolled dependent's support.

Response: *Has been implemented as this is the County's current policy.*

4. Within one year of this report, the HR department should verify the eligibility of all dependents currently enrolled in the County's healthcare plans requiring the same documentation as detailed in recommendations 1 through 3, above.

Response: *Requires further analysis. We are in the process of preparing a 'Request for Proposal' for the marketing of this audit project. If approved we are planning to accomplish this audit in 2007. The Board of Supervisors' consideration of this recommendation will take into account audit costs, budgetary constraints, expected savings and other factors.*

5. Thereafter, the HR department should verify the status of dependents already enrolled, annually, requiring the same documentation as detailed in recommendations 1 through 3, above for whom appropriate documentation was not previously secured and/or copies of which are not on file.

Response: *Requires further analysis. The audit in 2007 (if approved) will verify all current eligibility. New procedures and processes will ensure that required documents are on file for future enrolled dependents. We need to determine and consider the cost benefit of performing this audit annually.*

6. Consistent with the County's policy, establish and implement a procedure for securing reimbursement from employees and retirees for all costs associated with the delivery of medical or dental services provided to an ineligible enrollee in the County's healthcare plans.

Response: *Will not be implemented for County's self-insured dental plan; others already implemented. For the self-insured Delta Dental Premiere plan, the Board of Supervisors will consider the augmentation of existing policies regarding the recovery of costs paid in*

error (similar to the current policies on pay warrant errors and workers' compensation) and direct the Office of Revenue Collection to act on such recoveries as deemed appropriate by the Human Resources Department. Health Net, Kaiser Permanente, Contra Costa Health Plan and Delta Dental PMI are on a fully insured basis; the contracts include a "Right of Recovery" provision which allows the carriers to recover costs paid in error. Additionally, carrier contracts include provisions regarding Health Care Plan Fraud in accordance with governing insurance fraud statutes.

7. Within one year of this report, complete the data processing system vendor screening process in preparation for the purchase and installation of a healthcare eligibility administration system to replace the County's aging, inflexible system.

Response: *Will be implemented. Vendor screening (currently in process) is one step in the process and will be completed in 2007. Installation of a healthcare eligibility administration system is a multi-department process at an estimated implementation cost in excess of \$1,000,000 for licenses, 1st year maintenance and implementation consulting services.*

8. Require all health plan administrators and insurance carriers to complete annual administration quality assurance self-audits and/or external audits, at their own expense with reports to the Human Resources department to ensure that all the County's contractual obligations are being met; e.g., eligibility verification, plan coverage limits, customer service and performance levels.

Response: *Has been implemented in part; further analysis is also required. Performance guarantee provisions are in place with Kaiser Permanente, Health Net and Delta Dental PMI. The recommendation requires further analysis as it relates to Contra Costa Health Plan (a County Department). Human Resources will work with the Contra Costa Health Plan to develop reporting appropriate to the County's employee and retiree group for inclusion in the 2008 administrative contracts.*