Audit of

Eligibility of Dependents for District's Healthcare Programs

July 14, 2022

Report #2022-04

MISSION STATEMENT

The mission of the School District of Palm Beach County is
to educate, affirm, and inspire each student in an equity-embedded school system.

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Superintendent of Schools

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Audit of
Eligibility of Dependents for District's Healthcare Programs

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Audit of
Eligibility of Dependents for District's Healthcare Programs

EXECUTIVE SUMMARY

Pursuant to the ***Office of Inspector General's (OIG) 2020-21 Work Plan***, we have audited the Eligibility of Dependents for District's Healthcare Programs. The primary objectives of the audit were to: (1) assess the adequacy of procedures for ensuring that only eligible dependents are covered by the District's Healthcare Programs, and (2) determine the extent of compliance with applicable ***School Board Policies***. The audit produced the following major conclusions:

1. Benefits Enrollment Procedures Appeared Adequate

To ensure only eligible dependents can be enrolled in the District's Healthcare Programs, the District implemented a dependent verification process for enrolling dependents in the Fall of 2008 for Healthcare Programs beginning in calendar year 2009. To enroll dependents in the District's Healthcare Programs, employees must complete "*The School District of Palm Beach County Dependent Verification Form"*, and provide documentation for proof of the dependents' eligibility to the Risk & Benefits Management Department for review and approval.

Our review concluded the Department's procedures for the initial enrollment of employees' dependents appeared adequate in ensuring only eligible dependents could be enrolled in the District's Healthcare Programs. Additionally, our review revealed no exceptions for all 14 dependents newly enrolled in the District's Healthcare Programs during March and April 2021.

Management's Response: *Management concurs.* *(See page 10.)*

2. Procedures For Removing Dependents Reaching Age-Limits From the District's Healthcare Programs Appeared Adequate

In accordance with ***School Board Policy 3.78*** and the ***2021 Plan Year Employee Benefits Guide***, enrolling in the District's Healthcare Programs are subject to age limits for dependent children (up to 25 years old[1]), grandchildren (0-18 months), overage children (26-30 years old), and adult children with disabilities (disabled prior to turning 25 years old).

The review of Risk & Benefits Management Department's procedures for reviewing and removing ineligible dependents, who reached their age-limits, from the District's Healthcare Programs appeared adequate. Moreover, our detailed review found no exceptions for 29 sample dependent children and grandchildren, who reached the age limit for coverage in April 2021.

Management's Response: *Management concurs.* *(See page 10.)*

[1] The District's Healthcare Programs will cover a dependent child up to and including the entire month of the dependent child's 26th birthday.

3. 83% of Dependents With Disabilities Did Not Have Adequate Proof of Eligibility

There were 30 adult children (over the age of 25) with disabilities actively enrolled in the District's Healthcare Programs in April 2021. Although the Risk & Benefits Management Department performed monthly reviews, our review of the records found that 25 (83%) of them did not have all the required documentation for proof of eligibility:

- 13 did not have proof of disabilities from the Social Security Administration and proof of dependent status.
- Two did not have proof of disabilities from the Social Security Administration.
- 10 did not have proof of dependent status.

Of the 25 dependents without adequate proof of eligibility, nine of them enrolled in the medical plan; and the remaining 16 enrolled only in the dental and vision plans. As a result, the District incurred an estimated annual cost of $41,598 ($4,622 x 9) for providing medical coverage[2] for the nine dependents without adequate proof of eligibility.

During the audit, we provided our review results to the Risk & Benefits Management Department for review. Subsequently, the Department received the disabilities documentation for seven of the 15 dependents that were missing proof of disabilities, and removed the remaining eight dependents from the applicable medical, dental and vision plans effective September 1, 2021. According to staff, the 25 dependents were initially enrolled in the District's Healthcare Programs prior to 2012 and their eligibility documents were previously verified by a contracted vendor. The dependent verification documents were not maintained by the District until the Risk & Benefits Management Department began the verification in 2012.

Management's Response: *To ensure dependents with disabilities enrolled on the health plan for multiple years still meet the disability requirements to remain eligible, staff will conduct a dependent eligibility verification audit (DEVA) prior to Plan Year 2023. Updated documentation will be required from employees as a condition for continued coverage.*
(See page 10 for details.)

4. $679,434 in Estimated Annual Cost for Providing Medical Coverage to 147 Dependents Without Proof of Eligibility

As of January 31, 2021, the District had 8,902 employees (8,793 active and 109 retired) with one or more dependents enrolled in the District's Healthcare Programs. We randomly selected 267 employees with 573 dependents for review of the proof of eligibility of the dependents. The 573 dependents included: 165 spouses, six domestic partners, and 402 children.

[2] Dental and vision care insurance programs are outsourced to third party insurance companies and insurance premiums are fully paid by the participating employees.

The review disclosed that 177 (or 31%) of the 573 dependents did not have supporting documents of proof of eligibility. Moreover, 168 (95%) of the 177 dependents were enrolled in the District's Healthcare Programs prior to 2012, and the verifications were completed by a contracted vendor. The remaining nine dependents lacking supporting eligibility documents were enrolled in the Healthcare Programs and verified by District staff between 2012 and 2021.

Of the 177 dependents without proof of dependent status, 147 of them enrolled in the medical, dental, and vision plans; and 30 of them enrolled only in the dental and vision plans. As a result, the District incurred an estimated annual cost of $679,434 ($4,622 x 147) for providing medical coverage for these 147 dependents without proof of eligibility.

Management's Response: *Staff will conduct a DEVA to ensure dependents enrolled on the District's healthcare plans are still eligible. Updated eligibility documentation will be required from employees with covered dependents as a condition of continued coverage for the dependents. Due to the volume of employees with covered dependents on the plan, staff will complete the DEVA for employees with spouses or domestic partners on the plan prior to Plan Year 2023. Verification for employees with children on the plan will be conducted during Plan Year 2023.*

Management will also review and update Board Policy 3.78, which was adopted September 30, 2009, as necessary to reflect compliance with state and federal laws affecting employer-sponsored health plan eligibility criteria.

(See page 11 for details.)

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THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FLORIDA

OFFICE OF INSPECTOR GENERAL
3318 FOREST HILL BLVD., C-306
WEST PALM BEACH, FL 33406

(561) 434-7335 FAX: (561) 434-8652
www.palmbeachschools.org
Hotline: (855) 561-1010

TERESA MICHAEL, CIG, CIGI, CFE
INSPECTOR GENERAL

M E M O R A N D U M

TO: Honorable Chair and Members of the School Board
Michael J. Burke, Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Teresa Michael, Inspector General

DATE: July 14, 2022

SUBJECT: Audit of Eligibility of Employees' Dependents for District's Healthcare Programs

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PURPOSE AND AUTHORITY

Pursuant to the ***Office of Inspector General's (OIG) 2020-21 Work Plan***, we have audited the Eligibility of Dependents for District's Healthcare Programs. The primary objectives of the audit were to: (1) assess the adequacy of procedures for ensuring that only eligible dependents are covered by the District's Healthcare Programs, and (2) determine the extent of compliance with applicable ***School Board Policies***.

SCOPE AND METHODOLOGY

This audit was conducted in accordance with ***Generally Accepted Government Auditing Standards***. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit covered the dependents of active and retired employees enrolled in the District's Medical Insurance Program during calendar year 2021. The audit included interviewing staff and reviewing:

- ***Florida Statute Section 627.6562 – Dependent Coverage***
- ***School Board Policy 3.78 – Dependents for Purposes of Health Insurance Coverage***
- ***Affordable Care Act***
- ***26 C.F.R. §1.125-4 – Permitted Election Changes***
- *2021 Plan Year Employee Benefits Guide*
- Risk & Benefits Management Department's Dependent Verification Procedures
- Employees' Health Benefits Records in PeopleSoft System
- Dependents' Verification Documentation maintained in the ImageQuest System

Details of the audit conclusions were discussed with and provided to staff during the audit so that corrective actions could be implemented accordingly. The draft report was provided to management for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the audit. The final draft report was presented to the Audit Committee at its July 14, 2022, meeting.

BACKGROUND

The School District's Healthcare Programs are available to all eligible employees and their eligible dependents (qualifying child, grandchild, spouse, and registered domestic partner). The Healthcare Programs include medical health insurance, dental care insurance, and vision care insurance. The medical health insurance is a District's self-insured program subsidized by the District. Dental and vision care insurance programs are outsourced to third party insurance companies and the insurance premiums are fully paid by the participating employees.

In 1997, the District contracted UnitedHealthcare, as the Third Party Administrator (TPA) to administer the medical health insurance program. UnitedHealthcare's administration includes the maintenance of a medical service provider network and processing medical claims for the program.

Eligible Dependents. The District provides an option for employees to enroll their eligible dependents in the District's medical, dental, and vision plans. ***School Board Policy 3.78*** defines the terms "dependent" and specifies the documents for proof of their eligibility for enrolling in the District's medical, dental, and vision plans. Dependents include legal spouse, domestic partner, birth child, adopted child, stepchild, domestic partner's child, legal guardianship/custody child, grandchild, disabled adult child, and over-aged adult child. There is no age limit for enrolling legal spouse or domestic partner in the District's Healthcare Programs. However, a dependent child and grandchild are subject to certain age limits.

Consolidated Omnibus Reconciliation Act (COBRA). COBRA allows beneficiaries who would otherwise lose health coverage due to certain voluntary or involuntary circumstances to continue receiving group health insurance coverage offered by their employer for a certain time period. Employees who would lose coverage due to termination of employment or reduction in hours may extend coverage for a maximum of 18 months. If certain qualifying event such as the disability of a beneficiary or a second qualifying event (such as death of a spouse, divorce or separation) occurs during the initial period of coverage the employee may extend the coverage period up to a maximum of 36 months.

Affordable Care Act. The ***Affordable Care Act (ACA)***, ***Section 2714, Extension of Dependent Coverage*** requires "*A group health plan and a health insurance issuer offering group or individual health insurance coverage that provides dependent coverage of children shall continue to make such coverage available for an adult child until the child turns 26 years of age."*

Benefits Enrollment Windows. Employees may enroll or make changes to current elections of the healthcare plans during the following specific times:

- Newly Hired and Rehired Employees. For newly hired and rehired employees, the enrollment is completed during hiring. Supporting documents must be submitted to the

District for enrolling dependents in the District's Healthcare Programs. Coverage begins on the first day of the month following 30 days of continuous employment in a benefited position.

- Annual Open Enrollment. During the Annual Open Enrollment period, which usually occurs during October and November, existing employees may add, change or drop benefit plans or levels of coverage. Changes made during Annual Open Enrollment will be effective on January 1 of the next calendar year.

- Change in Status Event. The ***26 C.F.R. §1.125-4(c)(2)*** designated the following events as qualified life events (also called change in status events): marriage, divorce, death of spouse, legal separation, annulment, birth, death, adoption, placement for adoption, commencement or termination of adoption, change of residence, dependents satisfy or cease to satisfy eligibility requirements (e.g. age, student status, or similar circumstance) and loss of coverage from a previous source. According to the District's *Employee Benefits Guide*, the change will be effective the first day of the month after the Risk & Benefits Management Department received all the required documentation for proof of eligible status change. The only exception to this rule is for births and adoptions. For birth and adoption changes, the effective date will be the actual date of birth or adoption placement if all required documentation has been submitted within 60 calendar days of the birth or adoption placement.

Costs of Medical Insurance Program. The District subsidizes most of the cost of the medical insurance program, and employees are responsible for sharing part of the costs through regular payroll deductions (premiums), copayments, and coinsurance payments for medical services received. During Fiscal Year 2021, the District spent $175,996,761 providing medical insurance coverage for an average of 38,075 persons (active employees, retirees, and dependents). Table 1 shows the costs of the District's Medical Insurance Program for Fiscal Years 2019, 2020, and 2021.

Table 1
Costs of the Medical Insurance Program
For Fiscal Years 2019, 2020, and 2021

	2019	2020	2021
Medical Insurance Program Cost			
TPA's Administrative Fees	$9,141,615	$10,594,100	$11,556,968
Medical Claims	188,407,575	197,618,359	204,770,686
Total District's Payments *(A)*	**$197,549,190**	**$208,212,459**	**$216,327,654**
Participants' Contributions			
Employees' Payroll Deductions (Premium)	$31,672,073	$31,752,048	$34,103,618
Payments from Employees on Extended Unpaid Leave, Retirees, and COBRA Participants (Note 1)	8,416,807	7,817,163	6,227,275
Total Employee Contributions *(B)*	**$40,088,880**	**$39,569,211**	**$40,330,893**
Net Cost (*A – B*)	**$157,460,310**	**$168,643,248**	**$175,996,761**
Average number of covered persons (Note 2)	**38,414**	**38,967**	**38,075**
Average cost per covered person	**$4,099**	**$4,328**	**$4,622**

Sources: Risk & Benefits Management Department and Accounting Services Department.
Notes: (1) Payments from retirees and employees on extended unpaid leave include premiums for vision and dental plans for the participants and their dependents.
(2) Active employees, employees on leave of absence (LOA), COBRA, retirees and dependents.

CONCLUSIONS

The audit produced the following major conclusions:

1. Benefits Enrollment Procedures Appeared Adequate

The Risk & Benefits Management Department is responsible for managing the process for enrolling employees and their dependents in the District's Healthcare Programs (medical, dental, and vision). The *Employee Benefits Guide* outlines the dependent eligibility criteria and the enrollment process.

Dependent Verification. To ensure only eligible dependents can be enrolled in the District's Healthcare Programs, the District implemented a dependent verification process for enrolling dependents in the Fall of 2008 for benefits plans beginning in calendar year 2009. To enroll dependents in the District's Healthcare Programs, employees must complete "*The School District of Palm Beach County Dependent Verification Form"* (Exhibit 1), and provide documentation for proof of the dependents' eligibility to the Risk & Benefits Management Department for review and approval.

Exhibit 1
Dependent Verification Form

The School District of Palm Beach County Dependent Verification

My signature is my acknowledgment and I attest, that meeting with Benefits Staff in no way eliminates my responsibility to make my own enrollment elections, review, confirm and submit my elections using the online enrollment system prior to the close of my enrollment period.

I further understand that providing original documents does not enroll my dependent(s) in a plan. I must add my dependent(s) using the online benefit enrollment system to actually enroll my dependent(s) in any plan.

Employee Name (Print) _____ Employee Signature _____ Employee I.D. # _____

Information below to be completed by Benefits Staff Only

Showing documentation does not complete enrollment process for a dependent(s).

		Marriage Certificate		Birth Certificate		Adoption Records		Legal Guardianship		Domestic Partner				
Print Dependant's Name First MI Last	Rel Code *	Verified	Date	Verified	Date	Verified	Date	Verified	Date	Affidavit	DP Cert	Decree	Date	Comments (DOB, Marriage Date, etc.)

V - Verified D-Date *Select Code - SP-Spouse, BC-Birth Child, SC-Step-Child, AC-Adopted Child, LG-Legal Guardian, DP-Domestic Partner, OT-Define relationship

Benefits Staff (Print) _____ Benefits Staff Signature _____

Date _____

Risk & Benefits Management A-103

White-Benefits Yellow-Employee Rev 8/2019

Source: Risk & Benefits Management Department

The Dependent Verification Guide (Exhibit 2) contained in the District's *Employee Benefits Guide* provides examples of acceptable documentation for proof of eligibility for each type of covered dependent.

Exhibit 2
Dependent Verification Guide

Dependent Verification Guide

Email documents to benefits@palmbeachschools.org or fax: 561.434.8103

Documents must be provided by the close of the enrollment period.

We have listed the most commonly required supporting documentation for different types of dependent coverage. This list may not be all-inclusive. The proof must substantiate the relationship.* Contact Risk & Benefits Management for unusual circumstances. You **MUST** send documents to Risk & Benefits Management.

Covered Dependent	Verification Documents
Legal spouse	Government-issued marriage certificate
Domestic partner Palm Beach, Broward or Miami-Dade residents; non tri-county residents	• Proof of domestic partner registration (county) • Receipt for recording fee • Notarized domestic partner affidavit
Birth child Maximum age 25	• Government-issued birth certificate (birth registration cards not accepted)
Adopted child Maximum age 25	Legal adoption documents naming employee (subscriber) as parent. If a spouse (not employee) is the adoptive parent, an government-issued marriage certificate is also required
Stepchild Maximum age 25	• Government-issued marriage certificate • Government-issued birth certificate (birth registration cards not accepted)
Domestic partner's child Maximum age 25	• Government-issued birth certificate (birth registration cards not accepted) • Domestic partner must also be enrolled
Legal guardianship/ custody	• Government-issued birth certificate (birth registration cards not accepted) • Court documents naming employee (subscriber) as legal guardian/custodian if spouse (not employee) is guardian/custodian • Government-issued marriage certificate
Grandchild Birth to age 18 months maximum	• Government-issued birth certificate (birth registration cards not accepted) of grandchild • Government-issued birth certificate (birth registration cards not accepted) of covered dependent birth parent who is also enrolled in the plan
Disabled adult child Unmarried 26 years or older	• Government-issued birth certificate (birth registration cards not accepted) • Government issued Social Security documents deeming the child disabled prior to turning 25 years old
Over aged adult children Unmarried 26 - 30 years	• Government-issued birth certificate (birth registration cards not accepted) • Certificate of creditable coverage (request from prior insurance) • Application for over aged adult child • Copy of student schedule - if child does not reside in Florida To be eligible for enrollment the adult child must: • be unmarried • have no dependents • have no other major medical insurance coverage available • live in Florida OR live outside of Florida and be a student
Be sure to enroll your eligible dependent using the online system and add him or her to each plan. You will need to enter the following required information: • Dependent's legal name • Date of birth • Social Security number	

* Sometimes the documentation required to prove a dependent's eligibility for coverage can get complicated. EXAMPLE: Usually an original birth certificate is the only documentation needed for a biological child of an employee. This requirement applies when the employee is the biological mother and her maiden name at the time of the child's birth was Mary Jones and that is the name on the birth certificate. But if her name is now Mary Jackson because she changed it when she married Sam Jackson, we would need to see the child's original birth certificate to establish the relationship AND the employee's original marriage certificate to prove she is Mary Jones, the same person listed on the birth certificate.

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Source: 2021 Plan Year Employee Benefits Guide.

Enrollment of Dependents for Existing Employees. Existing employees with changes in status events[3] can enroll their eligible dependents in the District's Healthcare Programs by submitting a written request and supporting documentation to the Risk & Benefits Management Department within 60 days of the event. The Risk & Benefits Management Department reviews the documentation and creates an event in the PeopleSoft System which allows the employee to update their healthcare plans enrollment information in the system. Approved changes become effective on the first day of the month after the receipt of the requested changes and required supporting documentation.

Enrollment of Dependents for New Employees. New employees, who are eligible for the District's health insurance coverage, are able to enroll their dependents through the PeopleSoft System within 30 days upon their initial employment. The Risk & Benefits Management Department staff reviews the new employees' enrollment records in the PeopleSoft System to determine dependents eligibility. Upon confirmation of adequate supporting documentation, the Risk & Benefits Management Department then approves the enrollment for eligible dependents and removes those without adequate proof of eligibility. After the 30-day enrollment window closes, enrollment is not available until the next Annual Open Enrollment period.

Enrollment Procedures Appeared Adequate. Our review noted the Department's procedures for the initial enrollment of employees' dependents appeared adequate in ensuring only eligible dependents could be enrolled in the District's Healthcare Programs.

A total of 14 dependents were newly enrolled in the District's Healthcare Programs during March and April 2021. No exceptions were noted in our review of the enrollments for these 14 dependents.

Management's Response: *Management concurs.* *(See page 10.)*

2. Procedures for Removing Dependents Reaching Age-Limits from the District's Healthcare Programs Appeared Adequate

Pursuant to ***School Board Policy 3.78*** and the ***2021 Plan Year Employee Benefits Guide***, the health insurance coverage is subject to age limits for dependent children (up to 25 years old[4]), grandchildren (0-18 months), overage children (26 through 30 years old), and adult children with disabilities (disabled prior to turning 25 years old).

Our review of the Risk & Benefits Management Department's procedures for reviewing and removing dependents, who reached their age-limits, from the District's Healthcare Programs appeared adequate.

[3] *See 26 C.F.R. §1.125-4(c)(2)* for designated changes in status events under Federal law change in status event.

[4] The District's Healthcare Programs will cover a dependent child up to and including the entire month of the dependent child's 26th birthday.

No exceptions were noted during our review of 29 sample dependents who reached their age-limits for coverage in April 2021:

- Dependent Grandchildren. There were nine dependent grandchildren approaching 18 months old. All nine dependent grandchildren were timely removed from the District's Healthcare Programs.

- Dependent Children. Our review of 20 (15%) of the 137 dependent children approaching 26 years of age found that these dependents were either timely removed from the Healthcare Programs or the employees elected to enroll their dependents in the overage child option.[5]

Management's Response: *Management concurs.* *(See page 10.)*

3. 83% of Dependents With Disabilities Did Not Have Adequate Proof of Eligibility

School Board Policy 3.78 states that appropriate documentation to *"…substantiate that an individual meets the definitions of eligible dependents"* for Disabled Adult Child (Over the Age of 25) is, "[*a] copy of documentation from the Social Security Administration which indicates that the child has been disabled*." *Quoting, in part, Policy 3.78.4.iv*

There were 30 adult children (over the age of 25) with disabilities actively enrolled in the District's Healthcare Programs in April 2021. Although the Risk & Benefits Management Department performed monthly reviews, our review of the records found that 25 (83%) of them did not have all the required documentation for proof of eligibility for coverage:

- 13 did not have proof of disabilities from the Social Security Administration and proof of dependent status.

- Two did not have proof of disabilities from the Social Security Administration.

- 10 did not have proof of dependent status.

Of the 25 dependents without adequate proof of eligibility, nine of them enrolled in the medical plan; the remaining 16 enrolled only in the dental and vision plans. As a result, the District incurred an estimated annual cost of $41,598 ($4,622 x 9) for providing medical coverage[6] for the nine dependents without adequate proof of eligibility.

During the audit, we provided our review results to Risk & Benefits Management Department for review. Subsequently, the Department received the disabilities documentation for seven of the 15 dependents that were missing proof of disabilities, and removed the remaining eight dependents from the applicable medical, dental and vision plans effective September 1, 2021.

[5] The District does not subsidize the coverage for overaged dependent children. Instead, employees are required to pay the "fair market" premium for enrolling their overaged children.

[6] Dental and vision care insurance programs are outsourced to third party insurance companies and insurance premiums are fully paid by the participating employees.

According to the Risk & Benefits Management Department, prior to calendar year 2012, verification of dependent status was managed by a benefits management company (vendor). Dependent verification documents were not maintained by the District until the verification was performed by the Risk & Benefits Management Department beginning in 2012. All 25 dependents without adequate supporting documentation were initially enrolled in the District's Healthcare Programs prior to 2012 and their eligibility documents were verified by the vendor during enrollment.

Recommendation

To ensure compliance with ***School Board Policy 3.78*** and protect the best interest of the District, the Risk & Benefits Management Department should strengthen eligible dependent verification practices to ensure all dependents enrolled in the District's Healthcare Programs have provided adequate proof of eligibility as required by ***Policy 3.78***.

Management's Response: *To ensure dependents with disabilities enrolled on the health plan for multiple years still meet the disability requirements to remain eligible, staff will conduct a dependent eligibility verification audit (DEVA) prior to Plan Year 2023. Updated documentation will be required from employees as a condition for continued coverage. Subject employees will receive notification of the DEVA prior to the open enrollment period, anticipated to commence in November of 2022, and re-enrollment for the Plan Year 2023 will be subject to updated proof of eligibility.*

It is important to highlight the observation by the auditor that the dependents without proof of eligibility (25 out of 30) were enrolled on the plan prior to 2012, when benefits eligibility documentations were verified by a contracted vendor. Staff has subsequently transitioned this process in-house, and as a result, eligibility compliance in this category has markedly improved.

(See page 10.)

4. $679,434 in Estimated Annual Cost for Providing Medical Coverage to 147 Dependents Without Proof of Eligibility

School Board Policy 3.78.4 – Dependent Verification Documentation), states, in part,

> ***"****Documentation will be required upon enrollment for coverage, or for continued coverage, to substantiate that an individual meets the definition of eligible dependents ..."*

As of January 31, 2021, the District had 8,902 employees (8,793 active and 109 retired) with one or more dependents enrolled in the District's Healthcare Programs. We randomly selected 267 employees with 573 dependents for review of the proof of eligibility of the dependents. The 573 dependents included: 165 spouses, six domestic partners, and 402 children.

Our review disclosed that 177 (or 31%) of the 573 dependents did not have supporting documents of proof of eligibility. Moreover, 168 (95%) of the 177 dependents without supporting documentation were enrolled in the District's Healthcare Programs and verified by the vendor prior to 2012. The remaining nine dependents were enrolled in the Healthcare Programs and verified by District staff between 2012 and 2021.

Of the 177 dependents without proof of dependent status, 147 of them enrolled in the medical, dental and vision plans; and 30 of them enrolled only in the dental and vision plans. As a result, the District incurred an estimated annual cost of $679,434 ($4,622 x 147) for providing medical coverage for these 147 dependents without proof of eligibility.

Recommendation

To ensure compliance with ***School Board Policy 3.78*** and protect the best interest of the District, the Risk & Benefits Management Department should strengthen eligible dependent verification practices ensure all dependents enrolled in the District's Healthcare Programs have provided adequate proof of eligibility as required by ***Policy 3.78***.

Management's Response: *As noted above, there has been a significant improvement in procedures since taking the dependent eligibility verification process in-house, with 95% of the ineligible dependents identified having been enrolled in the District's benefits plans prior to 2012.*

Staff will conduct a DEVA to ensure dependents enrolled on the District's healthcare plans are still eligible. Updated eligibility documentation will be required from employees with covered dependents as a condition of continued coverage for the dependents. Due to the volume of employees with covered dependents on the plan, staff will complete the DEVA for employees with spouses or domestic partners on the plan prior to Plan Year 2023. Verification for employees with children on the plan will be conducted during Plan Year 2023.

Management will also review and update Board Policy 3.78, which was adopted September 30, 2009, as necessary to reflect compliance with state and federal laws affecting employer-sponsored health plan eligibility criteria.

(See page 11.)

– End of Report –

Management's Response

THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FL

NANCY BOLTON
DIRECTOR OF RISK & BENEFITS

HEATHER FREDERICK, CPA
CHIEF FINANCIAL OFFICER

RISK & BENEFITS MANAGEMENT OFFICE
3300 FOREST HILL BOULEVARD, A-103
WEST PALM BEACH, FL 33406

PHONE: 561-434-8414 / FAX: 561-434-8103
HYPERLINK "HTTP://WWW.PALMBEACHSCHOOLS.ORG
"WWW.PALMBEACHSCHOOLS.ORG

RECEIVED
APR 27 2022
INSPECTOR GENERAL

MEMORANDUM

TO: Teresa Michael, Inspector General

FROM: Nancy Bolton, Director of Risk & Benefits

VIA: Heather Frederick, Chief Financial Officer

SUBJECT: **Audit of Eligibility of Dependents for District's Healthcare Programs**

Date: April 27, 2022

Management reviewed the Audit Report of Eligibility of Dependents for District's Healthcare Programs and has the following responses to recommendations.

1. **Benefits Enrollment Procedures Appeared Adequate** – Management concurs.

2. **Procedures for Removal of Dependents Approaching Age-Limits from the District's Healthcare Programs Appeared Adequate** – Management concurs.

3. **83% of Dependents with Disabilities Did Not Have Adequate Proof of Eligibility.**

   Recommendation: To ensure compliance with School Board Policy 3.78 and protect the best interest of the District, the Risk & Benefits Management Department should strengthen eligible dependent verification practices to ensure all dependents enrolled in the District's healthcare plans have provided adequate proof of eligibility as required by Policy 3.78.

   Management's Response: To ensure dependents with disabilities enrolled on the health plan for multiple years still meet the disability requirements to remain eligible, staff will conduct a dependent eligibility verification audit (DEVA) prior to Plan Year 2023. Updated documentation will be required from employees as a condition for continued coverage. Subject employees will receive notification of the DEVA prior to the open enrollment period, anticipated to commence in November of 2022, and re-enrollment for the Plan Year 2023 will be subject to updated proof of eligibility.

   It is important to highlight the observation by the auditor that the dependents without proof of eligibility (25 out of 30) were enrolled on the plan prior to 2012, when benefits eligibility documents were verified by a contracted vendor. Staff has subsequently transitioned this process in-house, and as a result, eligibility compliance in this category has markedly improved.

Management's Response

4. **$679,434 in Estimated Annual Costs for Providing Medical Coverage to 147 Dependents without Proof of Eligibility.**

Recommendation: To ensure compliance with School Board Policy 3.78 and protect the best interest of the District, the Risk & Benefits Management Department should strengthen eligible dependent verification practices to ensure all dependents enrolled in the District's Healthcare Programs have provided adequate proof of eligibility as required by Policy 3.78.

Management's Response: As noted above there has been a significant improvement in procedures since taking the dependent eligibility verification process in-house, with 95% of the ineligible dependents identified having been enrolled in the District's benefits plans prior to 2012.

Staff will conduct a DEVA to ensure dependents enrolled on the District's healthcare plans are still eligible. Updated eligibility documentation will be required from employees with covered dependents as a condition of continued coverage for the dependents. Due to the volume of employees with covered dependents on the plan, staff will complete the DEVA for employees with spouses or domestic partners on the plan prior to Plan Year 2023. Verification for employees with children on the plan will be conducted during Plan Year 2023.

Management will also review and update Board Policy 3.78, which was adopted September 30, 2009, as necessary to reflect compliance with state and federal laws affecting employer-sponsored health plan eligibility criteria.