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To: Elizabeth Botwin,
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From: Lisa S. Tsikouras
Deputy Director of Field Audit

Date: December 31, 2009

Subject: Limited Review of Nassau County Health Insurance Unit – NYSHIP Medicare Billing and Enrollee Dependent Verification

We performed a limited review of the Nassau County Health Insurance Unit (“Unit”). This review focused on two areas:

- New York State Health Insurance Program (“NYSHIP”) billings to Nassau County for Medicare-eligible individuals; and
- the Unit’s retention of evidentiary documentation, verifying the eligibility of dependents covered by Nassau County Health Insurance providers¹

Nassau County (“County”) provides health insurance to active employees, retirees and their eligible dependents based upon either collective bargaining agreements or County ordinances. The County is billed by NYSHIP at various rates, depending upon the type of policy carried, such as:

- individual;
- family;
- individual, with Medicare primary;

¹ County Health Insurance providers include: NYSHIP (96% of enrollees), Blue Cross HMO, Aetna, HIP and HIP/Vytra.

- family, with one Medicare primary enrollee; and
- family, with two Medicare primary enrollees.

When a retiree or his/her spouse becomes eligible to receive Medicare benefits, Medicare becomes the primary health benefit provider of the enrollee and/or his/her spouse. The County is charged a lower monthly premium by NYSHIP for these individuals because NYSHIP is only responsible for paying those costs not covered by Medicare for these enrollees.

The Unit instituted procedures requiring enrollees provide evidentiary documentation that individuals are actually dependents prior to adding them to the enrollee's insurance policy.

- Beginning July 1, 1996 the Unit required employees and retirees to submit a marriage certificate to enroll a spouse as a dependent.
- As of May 25, 1999, the Unit required an employee or retiree to submit a birth certificate, or other legal documentation, to enroll a dependent child.

As of September 1, 1999, the New York State Department of Civil Service, which oversees the administration of NYSHIP, instituted a requirement that documentation of dependency be provided for all dependents added to NYSHIP policies.

Audit Finding (1):

NYSHIP Overbilled the County for Medicare-Eligible Individuals

During an examination of the individuals enrolled in NYSHIP, we reviewed the November 2008 NYSHIP invoice and noted that there were a total of 37 policies for which the County was paying NYSHIP a higher rate than it should. The County was either billed:

- for a non-Medicare individual or family policy when either the enrollee or his/her spouse was eligible for a reduced Medicare premium; or
- for a family policy with one Medicare primary individual, when the enrollee and his/her spouse were both eligible for Medicare.

Included in these 37 policies was one which the NYSHIP database reported the individual as eligible for Medicare; however, NYSHIP continued to bill the County at the higher non-Medicare rate due to NYSHIP's incorrect policy coverage code.

As a result of the inaccurate billings, the County overpaid NYSHIP approximately \$386,000 for the period of April 1999² through December 2008.

Based on our review, the Unit informed NYSHIP of the billing errors and NYSHIP provided the County with credits totaling \$121,692 for these 37 policies (\$105,894 for the period December 2007 through December 2008, and \$15,798 for January and February 2009).

Although NYSHIP credited the County for a portion of the overcharges, it failed to credit the County for overcharges made from April 1999 through November 2007. In addition, there were two policies for which the County did not receive any credits due and one policy for which credits were not received for the entire period of December 2007 through December 2008. As a

² The County returned to NYSHIP in April 1999 after being self-insured.

result, the County is still owed approximately \$280,000 for overcharges that occurred during the period of April 1999 through December 2008.

One of the 37 policies identified as having been over-billed was for an enrollee who was the surviving spouse of a County retiree. Surviving spouses³ are required to reimburse the County for the cost of their monthly policy premiums. Based upon our review, the enrollee became Medicare-eligible as of October 2007; however, she continued to reimburse the County at the higher individual premium rate because the County did not notify her of the change in the premium until the NYSHIP 2008 premiums were established. The enrollee paid the higher non-Medicare rate to the County for four months. As a result, the enrollee over-reimbursed the County \$926.95. We examined the credits received by the County from NYSHIP and determined that the County was credited for the excess premium paid for this enrollee's policy for only two of the four months.

NYSHIP provides the Unit with a Quarterly Reconciliation Statement (the "report"). This report shows policy information in the NYSHIP database for all enrollees and their dependents, as of the date that the report was created. The Unit used this report to ensure that the addition and deletion of policies in the NYSHIP database agreed with the Unit's enrollment database. It was not used by the Unit to verify the coverage coding of enrollees who may be Medicare eligible.

Audit Recommendations:

The County should formally request all outstanding credits from NYSHIP dating back to April 1999.

Additionally, the Unit should review the NYSHIP Quarterly Reconciliation Statement to ensure the County is charged the correct rates for enrollees and/or spouses who are eligible for Medicare.

The County should reimburse the surviving spouse of the retiree the \$926.95 over-paid, representing the difference between the non-Medicare rate paid by the enrollee and the individual Medicare rate for the four months.

Audit Finding (2):

Evidentiary Documentation for Dependents

In accordance with the Unit's policy, beginning July 1, 1996, an enrollee is required to submit a marriage license to add a spouse to his/her health insurance coverage. Effective May 25, 1999, the Unit required an enrollee to submit a birth certificate or other legal documentation to add a dependent child to his/her health insurance coverage.

On a test basis, we examined the Unit's files to determine if evidentiary documentation was retained to support the enrollment of dependents for health insurance coverage. From the County's Health Insurance database, we randomly selected 91 policies that were in effect for the month of September 2008, and examined the documentation maintained in the Unit's files supporting the eligibility of the dependents.

³ Other than survivors of police officers.

There were 187 dependents enrolled in these 91 policies, of which 84 dependents were required to submit documentation⁴. We noted three instances where evidentiary documentation was required, but the information was either not in the Unit's files or did not adequately prove that the individual was a dependent of the enrollee. Two of the three did not result in any additional premiums to the County because the enrollee had other properly documented dependents enrolled under his/her policy.

Audit Recommendations:

The Unit should ensure all documentation verifying the dependency of individuals to the enrollee are obtained and retained on file, and adequately meets the requirements for dependency.

Audit Finding (3):

Inadequate Audit Trail

During our examination of the verification of dependency, we determined that the Unit does not maintain audit evidence in the current files for full-time students who are age 19 or over but under age 25.

In order to maintain health insurance, a dependent child, age 19 or over but under age 25, must be enrolled full-time in school⁵. If the only dependent(s) on a policy is a child age 19 or over but under age 25, the Unit will verify that s/he is enrolled full-time in school; however, it does not retain in the files, the current documentation issued by the school evidencing the dependent's enrollment. As such, we could not verify that dependent children, age 19 or over but under age 25, were eligible for health insurance under County employee or retiree policies.

Audit Recommendation:

The Unit should maintain within its files, the school documentation evidencing that dependent children, age 19 or over but under age 25, are currently enrolled full time in school (as defined by NYSHIP) thereby verifying their health insurance eligibility.

Audit Finding (4)

No Verification of Marital Status for Police Survivors

In accordance with collective bargaining agreements, the surviving spouse of a police officer is entitled to lifetime health insurance benefits fully paid by the County, as long as s/he does not remarry. There does not appear to be a process in place for the Unit to verify that the surviving spouse continues to be entitled to the lifetime benefit.

⁴ The 84 dependents were added to the health insurance policies after the Unit implemented its policies requiring supporting documentation for dependents.

⁵The County uses the NYSHIP definition of "school" for all health insurance providers. NYSHIP defines school as "an accredited secondary or preparatory school, college or other educational institution". NYSHIP 2007 *General Information Book & Empire Plan Certificate*, Who is Eligible?, § C.

Annually, the Unit sends a letter reminding all non-active health benefit enrollees that they must communicate any change in address, marital status, and/or dependent eligibility to the Unit. The letter is accompanied by an “Enrollee Annual Attestation Letter”, which includes information taken from the enrollee’s Nassau County health insurance enrollment record, as of a specific date. The enrollee is required to review the information and write down any corrections. The attestation is to be signed and dated by the enrollee confirming that the personal information submitted, is true and correct, regardless of whether or not any corrections are noted.

The data detailed in the attestation letter, and to which each enrollee must confirm, are as follows: his/her address, birth date, the last four digits of his/her Social Security number, coverage type, provider and the name(s) of his/her dependent(s) as recorded in the Unit’s enrollment records. However, there is no attestation to the enrollee’s marital status. Without the inclusion of the marital status in the attestation letter, the risk exists that the County may not be notified when a police survivor remarries and consequently, provide a lifetime fully paid health insurance benefit to which they are not entitled.

Audit Recommendation:

The Unit should revise its Annual Attestation Letter to include the marital status as stated in the Unit’s enrollment records.

The matters covered in this report have been discussed with the Unit during this audit.

cc: Howard Weitzman, Nassau County Comptroller
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