



COUNTY *of* LUZERNE

**P E N N S Y L V A N I A
ESTABLISHED 1786**

OFFICE OF THE CONTROLLER

*Luzerne County
Employee Health Insurance Audit*

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Luzerne County Controller

Fieldwork Performed by:

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Background:

Luzerne County (County) offers health insurance to 1,258 individuals (enrollees). The enrollees include current employees, retirees, and individuals who are covered under the Consolidated Omnibus Budget Reconciliation Act (COBRA).

According to the Luzerne County Personnel Policy Handbook, Section 7.2, to qualify for the insurance employees must have been employed on a full-time basis for 30 days. Employees have a choice between Health Maintenance Organization Plan (HMO) through First Priority of NEPA or a health plan through Geisinger Health. However, that information is not up to date. Employees have no choice between plans; the County only offers the HMO plan. If an employee is currently covered by health insurance, that is not part of the County's coverage, and do not enroll in County health insurance, then the employee will be paid a \$1,500.00 opt-out bonus at the end of the year.

Once enrolled, coverage usually cannot be changed until a yearly open enrollment period, most often the first two weeks of November. During open enrollment, enrollees can add/remove/change the chosen insurances, such as health, disability, vision, dental, etc. However, an enrollee can change coverage before this period if a qualifying event occurs. A qualifying event is usually due to a change in family status (e.g., a change in coverage from individual to family, adding or removing dependents, or revocation of coverage). The change in coverage must occur within 30 days of the change in family status.

The insurance coverage is self-funded, meaning the County, as the employer, pays the bulk of the health insurance while the employees pay another set portion based on the chosen coverage. The amount paid by the employees is up to 15% of the yearly premium payment paid via automatic payroll deductions. The reason employees pay up to 15% is due to different negotiated contracts with County employees. All employees can view the County's portion of their health insurance cost by looking at the section on their paystub titled "Employer Paid Taxes and Benefits" and their personal contribution by looking in the section titled "Withholdings and Deductions". These sections will show the amount paid for that pay period, as well as the year-to-date total.

The employees have the choice between five (5) different health insurance coverage options:

- 1.) Single
- 2.) Husband & Wife
- 3.) Parent & Child
- 4.) Parent & Children
- 5.) Family

Objective:

The purpose of this audit is to ensure enrollees are paying the proper amount and have the type of insurance coverage chosen during the open enrollment period. Please note this audit does not include a review of the billing process from the insurance company. That audit will be performed later and will strictly focus on the billing cycle of the insurance.

Scope:

This audit encompasses enrollees and the payments they made for health insurance coverage.

Methodology:

The Controller's Office compiled the following records:

- A. The listing of enrollees of healthcare from County records. This includes the insurance type and the costs being deducted from the employees' pay.
- B. The listing of enrollees and the type of health insurance for said enrollee from the insurance provider.

Once the Controller's Office received the lists required, we compared the amounts paid by the enrollees and the type of coverage to the listed enrollees and insurance types from the insurance company.

General Findings:

During the audit, the Controller's Office used the Luzerne County Personnel Policy Handbook, located on the Human Resources section of the Luzerne County website. Section 7.2 "Health Insurance" contains information that is no longer up to date. Employees no longer have a choice between healthcare plans and the percentage of the premium is not a fixed 10% for all employees.

The Controller's Office found the following payment errors during the healthcare audit:

Number of Instances	Overpaying Per Pay Check	Number of Instances	Underpaying Per Pay Check
2	-\$23.01	1	\$6.08
1	-\$20.29	2	\$10.90
1	-\$15.15	1	\$11.17
1	-\$12.05	1	\$21.82
1	-\$11.17	1	\$21.84
5	-\$10.90	1	\$22.34
		1	\$25.13
		2	\$30.27
		1	\$36.30
		2	\$42.08

- 24 confirmed errors out of 1,258 enrollees
- One error was found by HR during the audit and that individual is on a repayment plan

Conclusion:

Overall, the Controller's Office has found an error in the employee handbook that needs to be updated, as well as 24 errors in the billings of enrollees. The audit returned an error rate of 1.99%. The errors found were that of incorrect insurance listing. For example, a person who switched coverage from "Family" to "Parent and Child" was still paying for "Family" coverage. Luzerne County is owed \$6,769.75 from enrollees that were undercharged and the County owes \$4,018.38 from the enrollees that were overcharged. This total is based on the 26 pay period for the year.

Recommendation(s):

The Controller's Office recommends a yearly review of all employee healthcare coverage, comparing enrollees and payments made by the enrollees to a corresponding list from the health insurance provider by Human Resources. In addition, we believe a notice should be generated after open enrollment ends for enrollees to double check their deductions to ensure no errors have occurred. This recommendation was also included on the Voluntary Short-Term Disability Insurance audit.

The Luzerne County Personnel Policy Handbook should be continually updated to ensure all County employees have access to the most current information. There cannot be a divide between written policies and how the policies are currently in place.

It is the Controller's Office's recommendation that the money the County owes to enrollees be paid and the billing error be fixed as soon as possible. The monies owed to the County is another issue. The dollar values for several enrollees is large and could pose a detriment to the financial safety of those enrollees. With this in mind, it is recommended to fix the payment errors and to set up a payback period to the County that is spaced over a time period that can be agreed upon by both the County and enrollee. This payback period will include all undercharged enrollees unless they choose to payback the funds in one lump sum amount. We have discussed this with the Budget and Finance Department and it is possible to allow monies to be collected over time. However, if the enrollee leaves the County service before the sum is paid, the remaining funds should be withheld from the final pay.

Please Note:

Luzerne County Home Rule Charter: Section 3.08 (C) 3


The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.


Fourteen Days from the Audit date is: January 12, 2018

Please attach any additional written responses to the audit.


**Signature Page
Healthcare Audit
2017**

Luzerne County Controller's Office:



Michelle A. Bednar Date
Luzerne County Controller



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Deputy Controller

County Manager's Office:


C. David Pedri, Esq Date
Luzerne County Manager

Administrative Services:


David Parsnik Date
Division Head-Administrative Services


Angela Gavlick Date
Director of Human Resources

Audit of the
Luzerne County Employee
Health Insurance
for 2017

This report was initially distributed to the following:

C. David Pedri, Esq.	Luzerne County Manager
Timothy McGinley	County Council Chair
David Parsnik	Div. Head, Admin. Services
Angela Gavlick	Head of Human Resources

This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audit Reports on the Luzerne County Controller's section of the website. A hardcopy is also available at the Luzerne County Controller's Office. Media questions about the report may be directed to the Luzerne County Controller's Office at 20 North Pennsylvania Blvd., Suite 213, Wilkes Barre, PA 18701 or via email to Controllers.Office@luzernecounty.org.