



ARLINGTON COUNTY GOVERNMENT

INTERNAL AUDIT REPORT

HEALTH AND DENTAL BENEFIT DEPENDENT ELIGIBILITY

HUMAN RESOURCES DEPARTMENT

Report Date: March 20, 2024

Prepared by:
Internal Audit
Department of Management and Finance
Arlington County Government
2100 Clarendon Blvd. Suite 501
Arlington, VA 22201

Table of Contents

Transmittal Letter	3
Executive Summary	4
Detailed Findings, Recommendations and Management Actions	5
Audit Objectives, Process and Procedures.....	7



DEPARTMENT OF MANAGEMENT AND FINANCE INTERNAL AUDIT
2100 Clarendon Boulevard, Suite 501 Arlington, VA 22201

Marcy Foster
Director, Department of Human Resources
Arlington, VA 22201

Our FY 2023 Risk-Based Internal Audit Work Plan identified dependent eligibility for County health and dental benefits as an area for risk.

The objective of the audit was to verify the eligibility of dependents enrolled in the County’s health and dental plans.

The audit was performed for dependents enrolled in the County’s health and dental plans in FY 2023. The audit was conducted from November 2022 to December 2023. This audit incorporates the verification audit performed by Secova – a third party firm specializing in conducting Dependent Verification Audits.

This report is organized as follows:

Executive Summary	This section provides the background, scope, objective of the audit and a summary of the issues noted during this audit.
Details of Findings, Recommendations and Management Actions	This section gives a detailed description of the issues noted during this audit, recommended actions, and management’s corrective action plan, including the responsible party and estimated completion date.
Audit Procedures	This section provided the details of the audit procedures employed by our third party auditor, Secova, and the additional procedures performed by DMF Internal Audit after Secova completed their audit.

We would like to express our appreciation to the Department of Human Resources (HRD) staff involved with this review.

Respectfully Submitted,
Internal Audit
Department of Management and Finance

EXECUTIVE SUMMARY

In accordance with the FY 2023 Arlington County Annual Internal Audit Plan, with the assistance of a third-party vendor – Secova, we performed an audit of the employee and retiree dependents enrolled in the County’s health and dental plans to verify dependent eligibility in accordance with County requirements. Secova’s portfolio includes conducting reviews related to health care benefits and specializes in performing dependent eligibility verification audits.

A total of 2,906 employees and retirees with 5,476 dependents enrolled in medical and dental plans were initially subject to verification. During the audit verification period, 74 members and 142 dependents were removed from the audit due to termination or death during the audit, leaving the balance of 2,832 members with 5,334 dependents to be verified.

Background: The County’s health care insurance administrators identify the responsibility for verifying dependent eligibility as the County’s responsibility to ensure all member dependents properly qualify for benefits in accordance with the County’s policies and procedures. Ineligible dependents can represent significant costs to the County. Dependent eligibility audits are a best practice across major organizations to better monitor and control medical benefit costs.

In September 2022, the County and Secova initiated the process of verifying the eligibility of all dependents of employees and retirees enrolled in the County’s medical and dental insurance programs. In November 2022, verification packets were mailed to all participants with enrolled dependents to begin the dependent eligibility verification process. Members were originally requested to submit the required documentation by December 31, 2022. The submission deadline was subsequently extended to January 15, 2023. Dependent eligibility was verified by employees and retirees providing specific documentation (e.g., birth certificates, portion of tax returns showing filing status) for each enrolled dependent which was reviewed by Secova.

For those employees and retirees that provided the necessary documentation for their dependents, Secova reported these dependents as verified. For those that did not submit the required documentation, Secova reported these dependents as ineligible. (This includes those employees and retirees that submitted some documents, but not all that were required.)

Due to the significant number of employees and retirees that did not respond, County management decided to pursue further audit efforts in lieu of dropping the unverified dependents from the County’s health and dental plans. Internal audit performed additional follow-up effort with 279 employees and retirees with related dependents of 424. (We did not further pursue 169 retirees with 185 related dependents due to the lower risks (i.e., older retirees with fewer dependents) and the effort involved was not warranted.)

Objective of Audit: The primary objective of the audit was to ensure dependents covered under the County’s health and dental plans meet the dependent eligibility requirements and identify potential weaknesses in controls over dependent eligibility.

Scope of Audit: We initially performed a 100% review of all dependents enrolled in the County's health and dental plans during FY 2023. However, our additional effort for non-responders equated to covering 94% of the County employees and retirees participating in the County's health and dental plans.

HRD is responsible for ensuring all dependents enrolled in the County's health and dental plans meet the County requirements for eligibility.

Results: Due to the audit, 158 dependents were recommended for removal from the County's benefit programs. The root causes for the removal could be due to ineligibility and/or refusal to provide supporting documentation proving eligibility. We recognize that a portion of those removed represented dependent children (about 30) that would be aging out in CY2023 and therefore, the employee did not provide support.

Since 2019, the County's HRD Benefit program has included strong internal controls relating to verifying dependent eligibility for new employees or when an employee adds a dependent during open enrollment. However, HRD does not have an annual review process for verifying continued eligibility for employees and retirees. We recommend HRD develop an annual review process to test for dependent eligibility for existing employees and retirees. We understand the resources required for this effort and recommend HRD consider a risk-based sampling technique be employed.

Management Response

The management responses (with expected completion dates) to the reported recommendations can be found in the details of the report.

DETAILED FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

Detailed Findings

A total of 2,906 employees and retirees with 5,476 dependents enrolled in medical and dental plans were initially subject to verification. During the audit verification period, 74 members and 142 dependents were removed from the audit due to termination or death during the audit, leaving the balance of 2,832 members with 5,334 dependents to be verified.

As a result of the audit performed by Secova and additional procedures performed by Internal Audit, 5,149 dependents were reviewed. (We did not further pursue 169 retirees with 185 related dependents due to the lower risks and the effort involved not warranted.) The following are the summary results from the verification audit.

Out of the 5,149 dependents audited, we were able to verify 4,991 (97%) dependents as being eligible under the County's health and dental plans and 158 (3%) dependents as no longer being eligible as we did not receive the documentation supporting eligibility. In several cases, the employees requested that their dependents be dropped. There were approximately 30 of these cases where the employee's dependent was turning 26 and "aging out" of eligibility so they chose not to verify but instead drop. In other cases, the employee did not provide adequate supporting documentation after several requests and attempts in obtaining the data.

The County saved up to an estimated \$550 thousand as a result of the 158 dependents that were recommended to be dropped during the audit.

RECOMMENDATION

The County's HRD Benefit program currently includes strong internal controls relating to verifying dependent eligibility. Since 2019, HRD verifies dependent eligibility for any new employees or when an employee adds a dependent during open enrollment. However, HRD does not have an annual review process for verifying continued eligibility for employees and retirees. We recommend HRD develop an annual review process to test for dependent eligibility for existing employees and retirees. We understand the resources required for this effort and recommend HRD consider a risk-based sampling technique be employed.

It is noted that Secova recommended (as part of its post audit recommendations found on page 8), that Arlington County employ an annual certification process requiring each member to certify on an annual basis that their dependents are eligible. We assessed this recommendation and determined that the costs associated with implementing this recommendation outweigh the benefits the County will achieve. Since our current systems are not designed for soliciting and receiving certifications from every member, we would have to implement a new system or system modification. Additionally, we believe the costs associated with following-up on the "non-certifiers" would be significant with little benefit achieved. We believe that based on the actions already taken by HRD and the additional annual reviews recommended above, we are appropriately addressing the risks.

MANAGEMENT RESPONSE

HRD agrees with the approach of re-verifying a sample of employees/retirees each year in October. The verification would focus on spouses since that is the relationship most likely to change over time.

In addition to the annual sample, HRD Benefit also plans to update their process to require verification of dependent relationships when an employee on our health plan retires and moves onto our retiree health plan.

Responsible Party: Employee Services Division Chief

Target Date: October 2024

Audit Objectives, Process and Procedures

The Following 3 pages are extracted from the final Secova report provided to the County on April 13. 2023

Verification Methodology

The methodology behind dependent eligibility verification is to collect documentation in a fair, accurate, and speedy manner. For verification, documentation was requested for all dependents enrolled in medical and dental plans, to ensure equity among all participants.

Participants had sufficient notification, support, and time to submit the required documentation through various methods including uploading to a secure portal, fax, US mail, etc. Another important component to the success of this initiative was clearly communicating the value shared by both participants and Arlington County Government in ensuring that only eligible dependents are enrolled in medical and dental plans. By verifying eligibility, Arlington County Government clearly demonstrated its commitment to sound fiscal management of benefit plans for all participants.

Communications

To commence the Dependent Eligibility Verification project, communications were designed to achieve optimal response rates. Arlington County Government and the Secova project teams collaborated to develop concise and customized correspondence that communicated the importance of responding to the verification requirements, using simple instructions and a “shared value” message to all participants. Secova produced and distributed multiple communications through multiple channels to non-responsive participants and participants who provided incomplete document submissions.

The following notices were issued by Secova:

- ✓ A 7-Day Reminder e-mail / Letter – sent every 7 days after the member submitted the online Verification Cover Sheet until the member submitted the required documentation.
- ✓ An Incomplete Letter – detailed the documents received and general comments on why those documents were not sufficient to verify one or more dependents and referred the member to utilize the call center for assistance.
- ✓ A Confirmation Letter and email – Mailed and emailed upon the member’s completion of dependent verification and listing the status of all enrolled dependents.
- ✓ Secova also reprinted and mailed 224 cover sheets and verification packets to participants who indicated they did not receive the original one.

The Human Resources Department at Arlington County also sent out varying communications during the verification period to its members reminding them to submit the required documentation

by established deadlines.

Project Activity

The Arlington County Government Human Resources Department provided a file of employees/retirees and related dependents enrolled in the County's medical and dental benefit plans to Secova. The initial verification packets and reminder letters produced a high volume of inbound calls and document submissions. As expected, activity peaked towards the end of December as the submission deadline approached. Employee/retiree support and document processing remained active from 11/17/2022 through 1/15/2023. During this period of time, for the 2,906 participants audited, Secova:

- Processed **354 mailed document sets** sent by participants
- Processed **172 faxed document sets** sent by participants
- Processed **349 emailed document sets** sent by participants
- Processed **5,827 document sets uploaded online** by participants
- Received **2,113 customer service calls**
- Conducted **461 outbound telephone calls** throughout the project to participants in an incomplete or no- response status

Dependent Eligibility Management – Post Audit Recommendations

Based on the audit findings, Secova recommends that a comprehensive Dependent Eligibility Management (DEM) program be implemented by Arlington County Government to continuously control benefit plan access and ensure continued financial and fiduciary protection of benefits:

- ▶ Request all participants with dependents enrolled in Arlington County Government's medical and dental plans annually attest to the eligibility of every enrolled dependent.
- ▶ Request, collect, audit, and maintain the required eligibility verification documentation from all benefit participants making a dependent status change or enrolling a new dependent in Arlington County Government's medical and dental plans.
- ▶ Recertify on a scheduled basis the eligibility verification documentation for the following dependents enrolled in Arlington County Government medical and dental plans:
 - ✓ Spouses – every year to ensure all enrolled spousal relationships are still current

We understand the Arlington County Government has already implemented the second item above. We recommend that this practice continue to ensure continued financial protections over health benefits.

Additional Audit Effort After the Issuance of the Secova Report

For those employees and retirees that provided the necessary documentation, Secova classified these members and dependents as complete. For those that had not submitted the required documentation, Secova reported these members and dependents as incomplete. (This includes those employees and retirees that submitted some documents, but not all that are required.)

Due to the significant number of employees and retirees that did not respond, County management decided to pursue further audit efforts in lieu of dropping the unverified dependents from the County's health and dental plans. Internal audit performed additional follow effort which included personally reaching out to 279 employees and retirees that had 424 related dependents. (We did not further pursue 169 retirees with 185 related dependents due to the lower risks and the effort involved was not warranted.) This follow-up effort included numerous personal e-mails and phone calls to members in attempts to obtain the necessary supporting documentation to prove dependent eligibility. The Internal Audit Department was assisted by Departmental Human Resources staff in further explaining to members the necessity of providing the supporting documentation. The IA staff and HR staffs often reached out numerous times to the same member in attempting to obtain the necessary information.