

CITY OF ALLENTOWN

Medical Eligibility Date of Report: November 04, 2022

The City of Allentown is self-funded. Although there are different plans available, all Medical Coverage is administrated by Capital Blue.

Active non-SEIU City of Allentown employees may elect Medical Coverage and their contributions are deducted directly from their payroll payments.

Civil Servant Retirees eligible for Medical Coverage under the individual Civil Servant contracts, may elect medical coverage and their contributions are deducted directly from their Pension payments.

SEIU and Non-Bargaining retirees eligible for Medical Coverage under their agreements with the City, may elect Medical Coverage and their contributions are billed by RISK and managed using the EDEN AR system.

For all retirees electing City Medical Coverage, the City Medical Coverage terminates the month prior to their 65th birthday when Medicare begins.

The Medical Eligibility Listing provides the names and pertinent coverage information for all persons enrolled for Medical Coverage with the City of Allentown.

OBJECTIVE

The objective of the review was to use data analytics to:

- Compare the Medical Eligibility Listing for the period ended 09/28/2022 to the EDEN records.
- Insure employees and Civil Service retirees listed as active on the Medical Eligibility File were having deductions from their payroll/pension checks for Medical coverage.
- Ensure Non-Bargaining/SEIU retirees listed as active on the Medical Eligibility File were being billed for Medical coverage.

Our review did not include a review of the rates charged or the claims paid.

PROCEDURES

This audit was conducted in accordance with generally accepted governmental auditing standards and utilized an approach that included staff interviews, reviews of documents and reports, and examinations of individual financial transactions.

Our process began by obtaining the Medical Eligibility listing and using data analytics, identifying, and researching any anomalies to the EDEN employee/Account Receivable records.

FINDINGS, RECOMMENDATIONS AND RESPONSES

INTERNAL CONTROL ISSUES

1. Age 65 Retirees Coverage

For all retirees electing City Medical Coverage, the City Medical Coverage should terminate the last day of the month prior to their 65th birthday when Medicare begins.

Using Benefit Focus, HUMAN RESOURCE (HR) is responsible for updating the change in Medical Coverage status for all participants. Benefit Focus will report the enrollment changes via data feed to Capital Blue (the Medical provider).

For Civil Servants, the Medical Coverage contributions are deducted from the retiree's Pension payments.

For SEIU and Non-Bargaining Medical Coverage contributions, RISK bills and manages the retiree's contribution using the EDEN AR system.

We reviewed the 09/2022 Medical Eligibility Listing and identified 8 retirees who turned 65 prior to 10/2022.

We verified current Medical Coverage and noted all 8 (eight) retirees identified were still listed as eligible participants for Medical Coverage. As of 10/2022, the City was continuing to pay for the retirees Medical Coverage.

As of 10/2022, the overpaid Medical Coverage totaled, **\$25,387.69**.

Recommendation

On a periodic basis (monthly or quarterly), Administration should produce an EDEN retiree aging report to identify those individuals who are turning age 65 and communicate that to Benefit Focus, RISK and PAYROLL for termination of Medical Coverage.

Administration's Response

The Administration agrees with this recommendation. As of January 2023, we will begin to run an aging report monthly for retirees turning 65 and dependents turning 26 and communicate the results with the appropriate departments and ensure coverage is terminated in a timely manner.

2. Incorrect Civil Servant Retiree Medical Coverage Contributions

HR is responsible for communicating any changes in medical coverage status for all participants to PAYROLL. Using this information, PAYROLL will update the participants Medical Coverage contributions.

We reviewed the Civil Servant retirees' Medical Coverage contributions and noted 5 (five) Civil Servant retirees who turned 65 prior to 10/2022 but who continue to be charged for Medical Coverage. 2 (two) of the 5 (five) Civil Servant retirees' Medical Coverage were properly terminated and they do not appear on the current Medical Eligibility Listing.

Per PAYROLL, no communication has been received for any changes to the medical coverage for these Civil Service retirees.

As of 09/30/2022, the overcharged Medical Contribution is **\$3,116.02**.

Recommendation

HR should communicate all Medical coverage changes to PAYROLL as required.

Administration's Response

The Administration agrees with this recommendation and will ensure that all medical coverage changes are communicated to Payroll in a timely manner.

3. Declined Medical Coverage Still Being Paid

We reviewed the 09/2022 Medical Eligibility Listing and identified 1 (one) retiree who was not being billed for Medical Coverage contribution. Further review revealed the retiree had declined retiree medical coverage in May 2022 and had requested deactivation of his billing for Medical Coverage contributions.

We verified the current coverage and noted the retiree continues to be listed as active in Benefit Focus.

As of 10/2022, the overpaid Medical Coverage totaled, **\$8,962.60**.

Recommendation

HR should deactivate the retiree in Benefit Focus. Going forward retirees who have declined Medical Coverage should be deactivated from Benefit Focus immediately.

Administration's Response

The Administration agrees with this and will ensure that the employee is deactivated if they have not already been and going forward a process will be developed and adhered to ensure retirees who decline medical coverage are deactivated immediately.

4. Deceased Retiree Listed as Eligible Participant for Medical Coverage

We reviewed the 09/2022 Medical Eligibility Listing and identified 1 (one) retiree who died prior to 10/2022. We verified the current coverage and noted the retiree is listed as active in Benefit Focus.

As of 10/2022, the overpaid Medical Coverage totaled, **\$1,792.52**.

Recommendation

HR should deactivate the retiree in Benefit Focus. Going forward employees who have died should be deactivated from Benefit Focus immediately.

Administration's Response

The Administration agrees with this and will ensure that the employee is deactivated if they have not already been and going forward a process will be developed and adhered to ensure employees are immediately deactivated upon notification of death.