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COMPTROLLER**



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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**ROSWELL PARK CANCER
INSTITUTE**

**ELIGIBILITY FOR HEALTH
INSURANCE COVERAGE**

Report 2008-S-53

AUDIT OBJECTIVE

The objective of our audit was to determine whether the Roswell Park Cancer Institute (Institute) is enrolling only eligible people in the New York State Health Insurance Program (NYSHIP), which is administered by the New York State Department of Civil Service (Department).

AUDIT RESULTS - SUMMARY

NYSHIP provides health insurance coverage to active and retired State employees and their dependents. NYSHIP also provides coverage for other participating employers, including the Institute. We reviewed information from NYSHIP, as well as personnel folders and other documentation retained by the Institute, to determine whether individuals receiving health insurance coverage through the Institute were eligible under Department and Institute guidelines.

Based on our review of the personnel folders for a judgmental sample of 66 primary enrollees, we concluded that the Institute is enrolling into NYSHIP only eligible employees, retirees, and surviving dependents. However, the Institute does not always obtain sufficient documentation from its employees to demonstrate that individuals being enrolled as their dependents qualify under Department rules.

We also found that the Institute does not always notify the Department in a timely fashion when employees leave the payroll. As a result, we identified nine individuals for whom the Institute continued to pay health insurance premiums totaling \$185,425 after their Institute employment ended.

Our report contains four recommendations to Institute officials to correct the problems we identified during our audit. Institute officials

agreed with our recommendations and are taking steps to implement them, including the recovery of the premium overpayments.

This report, dated September 11, 2008, is available on our website at: <http://www.osc.state.ny.us>.

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Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The Department administers NYSHIP on behalf of State agencies and other participating employers. Civil Service Law and Regulations specify the standards that participating employers must comply with regarding eligibility for their employees and retirees who wish to enroll in NYSHIP, as well as the requirements for covering dependents such as spouses, children, and other individuals. Participating employers also have the flexibility to establish their own policies within certain areas of NYSHIP, such as a length-of-service requirement to be eligible for health insurance coverage in retirement and the employer/employee/retiree contribution ratios.

Each participating employer has one or more Health Benefits Administrators, who are responsible for handling the actual enrollment process, as well as updates when an employee's circumstances change. The Department oversees the entire health insurance coverage process, including paying the insurance carriers for all covered individuals and billing the participating employers for these individuals. During State fiscal year 2007-08, NYSHIP covered more than 1 million primary enrollees and their dependents, including 232,000 employees and

retirees of participating employers. The yearly cost of the program is approximately \$6 billion.

The Institute is a public benefit corporation that investigates the cause, treatment, prevention, and cure for cancer and related diseases. The Institute, which operates a public hospital and medical research center in Buffalo, was founded in 1898 and is one of only 31 National Cancer Institute-designated Comprehensive Cancer Centers nationwide. During the 2007-08 fiscal year, the Institute provided health insurance coverage through NYSHIP to 1,845 employees, 253 retirees, 6 surviving dependents, and 3,116 dependents, for a total of 5,220 individuals.

We reviewed information from the Department, as well as personnel folders and other documentation retained by the Institute, to determine whether individuals receiving health insurance coverage were eligible under Department and Institute guidelines.

AUDIT FINDINGS AND RECOMMENDATIONS

Primary Enrollees

Primary enrollees in NYSHIP include Institute employees, retirees, Board members, and surviving dependents (spouses). To qualify for coverage through the Institute, an individual must be a part-time or full-time employee. Eligibility begins after the employee has been on the payroll for six weeks. Retirees are required to have at least five years experience working at an entity that participates in NYSHIP. A surviving dependent must be the spouse of a deceased Institute employee who was enrolled in NYSHIP at the time of the spouse's death and had at least five years of service. According to the Civil Service Law, the Institute may also provide health insurance to Board

members who have served at least six months in their position.

We selected for review a judgmental sample of 66 primary enrollees from the 2,288 primary Institute enrollees who had NYSHIP coverage between April 2005 and November 2007. These 66 primary enrollees included 60 employees and retirees and 6 surviving dependents. Some of these individuals were no longer enrolled in NYSHIP at the time of our site visit. However, all of them had been enrolled in NYSHIP at some point during our audit scope.

We requested the personnel folders for the 66 selected primary enrollees. The Institute was able to provide us with all but one folder. Institute officials were unable to locate one folder related to a deceased employee. For the 65 personnel folders we were able to review, we found a copy of one or more Board resolutions regarding personnel actions (hiring, promotion, retirement) for all 65 primary enrollees. Based on our testing, we conclude that the Institute is enrolling only employees, retirees, and their surviving dependents as primary enrollees.

According to the Civil Service Law, a public authority may provide health insurance coverage through NYSHIP to unpaid Board members who have served at least six months in their positions. In February 2007, the State Attorney General's Office issued a clarifying opinion stating that an uncompensated Board member of a public authority may enroll in NYSHIP, but the public authority may not pay any part of the health insurance premiums for such Board member, as that premium payment would be considered compensation. At the time of our audit, there was one Board member enrolled in NYSHIP through the Institute. However, since this person is compensated for the position he holds as the President and Chief Executive Officer of the

Institute, the Institute can and does pay part of his premiums.

The Department has issued guidance to the Health Benefits Administrators on the procedures for changes in coverage, transfers, and terminations. When an employee with NYSHIP coverage leaves Institute employment - even if the individual goes to another participating employer - the Institute's Health Benefits Administrator should update that information in the Department's New York Benefit Eligibility and Accounting System (NYBEAS), so that the Institute is no longer billed for that person's health insurance premiums.

The Institute currently has several employees within its Human Resources Department who share responsibility for ensuring that the information in NYBEAS is kept current. There is a high turnover among Human Resource Department staff and we found there are no procedures (written or otherwise) for reviewing and updating NYBEAS to ensure that changes in coverage, transfers, and terminations are reported properly on NYBEAS. As a result, we found NYBEAS is not updated timely when Institute employees are terminated or retire.

The Department provided us with a download of the 2,288 primary Institute enrollees who had NYSHIP coverage between April 2005 and November 2007. We matched this listing against the Institute's payroll and identified eight individuals for whom the Institute continued to pay health insurance premiums after their Institute employment ended. We also identified one individual for whom the Institute continued to pay the higher employee rate, rather than the retiree rate, after the person retired. We determined that, for these nine former employees, the Institute overpaid premiums totaling \$185,425.

The Department sends a quarterly NYSHIP Benefit Statement to each participating employer that lists all individuals who are receiving their health insurance coverage through that employer. The Department expects that the Health Benefits Administrators will review this report to guarantee the accurate processing of enrollments and disenrollments. However, no one at the Institute reviewed this report to ensure that changes in enrollment information had been processed properly. As a result, the above errors were not identified prior to our audit.

The Institute has since notified the Department of these errors, and officials are working with the Department to update the records and obtain a refund of the premiums paid. Department officials are also investigating whether any inappropriate medical claims may have been paid for the terminated individuals.

Recommendations

1. Work with the Department to recover the remaining health insurance premiums that were paid inappropriately.

(Institute officials agreed with our recommendation and have recovered \$150,100 of the premiums that were paid inappropriately. They are uncertain they will be able to recover the remaining \$35,325, because it existed for greater than one year.)

2. Review the NYSHIP Benefit Statement received each quarter from the Department to ensure that all changes affecting billings have been processed accurately.

(Institute officials agreed with our recommendation and have taken steps to implement it.)

3. Develop written policies and procedures for the Health Benefits Administrators and other staff responsible for administering NYSHIP.

(Institute officials agreed with our recommendation and have begun the process of developing written procedures.)

Eligible Dependents

The Department requires certain documentation as evidence that an individual is a dependent eligible for health insurance coverage. Required documentation can take the form of marriage certificates for spouses, birth certificates for children, and certain other required legal forms related to special situations like domestic partnerships and adoptions.

In August 1999, the Department issued a guidance memo requiring all Health Benefits Administrators to retain copies of these supporting documents on file for all dependents enrolled in NYSHIP on or after September 1, 1999, to ensure that only eligible individuals were enrolled as dependents. Prior to this time, Health Benefits Administrators were expected to obtain and retain only a completed enrollment form, not proof of eligibility.

The current NYSHIP enrollment form (revised in October 2006) includes a statement to be signed by the employee, authorizing salary deductions for health insurance premiums. The form also states that the information provided is accurate and that failure to provide the required proof of eligibility may result in a delay in the

availability of health benefits for the employee or any dependents.

Of the 65 primary enrollees we reviewed, 51 had family coverage. These 51 primary enrollees covered a total of 158 dependents, including 145 spouses, ex-spouses and children; 6 domestic partners; and 7 other dependents.

Of the 145 spouses, ex-spouses, and children enrolled in NYSHIP from our sample, 45 had been enrolled prior to September 1, 1999. We found signed and completed enrollment forms for 38 dependents. Signed and completed enrollment forms were not on file with the Institute for the remaining seven. For the 100 spouses and children enrolled on or after September 1, 1999, we found appropriate documentation for only 10. The remaining 90 had no documentation at all or had only an enrollment form signed by the employee. Since the Institute does not always ensure that enrollees provide sufficient proof when enrolling their dependents, it is possible that the Institute enrolls ineligible individuals.

We also found that, because of a data entry error, one dependent had been enrolled in NYSHIP with an effective start date of coverage five years prior to their date of birth. In addition, we found an ex-spouse who was still enrolled as a dependent, even though the primary enrollee had submitted a request to have this person removed from NYSHIP coverage after they were divorced. As of January 24, 2008, Institute officials have corrected NYBEAS for these two errors. We verified that the Institute had paid no additional health insurance premiums as a result of these errors and asked Institute officials to follow up with the insurance providers to ensure that no inappropriate claims were filed.

According to the *HBA [Health Benefits Administrator] Handbook for Participating State Employers* (HBA Handbook) issued by the Department in 1993, a participating employer is not required to offer coverage to domestic partners. If it does, however, the Department requires certain forms and other documentation as evidence that a domestic partnership exists. The Institute does offer health insurance coverage to domestic partners of its employees. For each of the six cases in our sample, we verified that the appropriate forms and supporting documentation to enroll domestic partners in NYSHIP were on file.

In addition to a spouse, domestic partner, or child, a primary enrollee may include as a dependent any individual for whom the employee provides more than half the support each year. According to the HBA Handbook, the employee must provide court documentation or other evidence that the individual qualifies as a dependent of that employee for health insurance purposes. Of the seven other dependents enrolled in NYSHIP that were in our sample, we found appropriate documentation for only four. The remaining three had only an enrollment form and/or a Statement of Dependence form signed by the employee.

Recommendation

4. Require employees to provide supporting documentation when enrolling dependents in NYSHIP, and maintain a copy in the personnel folders.

(Institute officials agreed with our recommendation and have taken steps to implement it.)

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited the Institute's enrollment of individuals and their dependents in NYSHIP for the period April 1, 2005, through January 25, 2008.

To accomplish our audit objective, we reviewed State laws and regulations regarding participation in NYSHIP, including requirements for enrollment of primary enrollees and their dependents. We also reviewed Institute guidelines regarding health insurance, including eligibility requirements for employees, retirees, and dependents. In addition, we interviewed Institute officials and staff to identify the policies and procedures in place for processing initial enrollments and enrollment changes.

We obtained a list of all 2,288 primary Institute enrollees and their dependents who received health insurance coverage between April 2005 and November 2007. From that list, we selected a judgmental sample of 66 primary enrollees and 158 dependents, for a total of 224 individuals. We reviewed the personnel folders at the Institute to determine how each individual in our sample initially qualified for coverage, whether the documentation supporting that qualification was sufficient, and whether the individual still appeared to be eligible or was no longer enrolled in NYSHIP.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members

to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5, of the State Constitution and Sections 2803 and 3568 of the Public Authorities Law.

REPORTING REQUIREMENTS

A draft copy of this report was provided to Institute officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the President of the Institute shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Frank Houston, John Buyce, Greg Petschke, Jennifer Paperman, Sharon Salembier, Ray Barnes, W Sage Hopmeier, Richard Podagrosi, Andre Spar, and Dana Newhouse.

APPENDIX A - AUDITEE RESPONSE



July 24, 2008

Mr. Frank Houston
Office of the State Comptroller
Division of State Government Accountability
123 William Street – 21st Floor
New York, NY 10038

Re: Response to Audit Findings and Recommendations 2008-S-53

Dear Mr. Houston:

Please find below the response to your recommendations concerning the NYSHIP Eligibility for Health Insurance Coverage audit.

Work with the Department to recover the remaining health insurance premiums that were paid inappropriately.

All nine individuals have been terminated off of NYBEAS retroactively back to their original termination date. According to Andrea Bankston, of the Department of Civil Service, as of 5/2/08 we have recovered \$150,099.58 of the overpaid premiums. Existing Civil Service Policy indicates that we are unlikely to be a position to recover the remaining \$35,325.42 because the overpayment existed for greater than one year. We are continuing to exhaust all possibilities with Department of Civil Service in an effort to retrieve the balance.

Review the NYSHIP Benefit Statement received each quarter from the Department to ensure that all changes affecting billings have been processed accurately.

Upon delivery of quarterly electronic files from NYBEAS, we will modify our internal procedure to include reviewing and verifying enrollment in our HRIS system against each quarterly statement to ensure all changes affecting billings have been processed accurately. This will allow us to evolve from a manual reconciliation process to an electronic one.

Develop written policies and procedures for the Health Benefits Administrators and other staff responsible for administering NYSHIP.

In the recent past, it has been the Institute's practice to abide by the guidance provided by the Department of Civil Service (i.e. HBA manual). In order to ensure that all changes in coverage, transfers, and terminations are reported properly on NYBEAS, we have begun the process of developing written procedures and checklists to insure consistency and accuracy. Please see attached procedure that was created regarding the NYBEAS termination process.

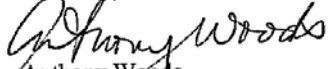
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Require employees to provide supporting documentation when enrolling dependents in NYSHIP, and maintain a copy in the personnel folders.

Since April 1, 2008, we implemented the use of an Enrollee and Dependent Documentation Checklist to ensure that enrollees are providing the proper proof to order to enroll their dependents. We also have been making copies of the supporting documentation, attaching it to the PS 404 and retaining it in the appropriate personnel files. We are in compliance with the recommendation regarding eligible dependents.

If you have further questions, please feel free to contact me at (716) 845-2321.

Sincerely,



Anthony Woods
Director, Employee Benefits and Services



NYBEAS Termination Procedure

1. Notification of termination process
 - a. Notice of Resignation form- Department sends to Employment/Benefits
 - i. Includes- name, title, department, & last day on payroll OR,
 - b. Nursing Personnel Action forms- from the Nursing Dept to Employment then to Employee Benefits OR,
 - c. Retirement notice letter from the NTS Retirement System OR,
 - d. Employee Relations- copy of termination letter or severance agreement sent to employee OR,
 - e. Change Sheets- employee is no longer in benefits eligible position
2. Pay Period Processing
 - a. HBA has folders labeled for each pay period for the entire year
 - b. Place notification in the corresponding pay period folder
 - c. Once previous pay period is closed, HBA has a 3 day window to enter the current pay period in Lawson
 - d. In case of the absence of the HBA, the senior level HBA is the back-up
 - e. For Severance agreements, HBA files notification in the pay period folder in which the employee's benefits were agreed to end
3. Lawson Entry
 - a. HBA enters "TD"s terminations, resignations, and retirement into Lawson
 - i. TD terms the employee but does not shut off payroll activity
 - ii. This action allows payroll to payout accruals
 - b. HBA enters the Change Sheets onto the JW52 screen
 - c. HBA completes the PS 404 form for each employee processed and attaches it to the notification documentation
 - d. For severance agreement, HBA stops deductions according to terms of the agreement
4. NYBEAS Entry
 - a. Following Lawson entry, HBA enters termination in the job data screen in NYBEAS
 - b. For terminations ,resignations, and change in benefit eligibility -HBA uses TER code and enters the day after last day on payroll as the effective date or the effective date of change in benefit eligibility
 - c. For retirement, the RET code is used and the date of retirement is entered as the effective date
 - i. HBA gives documentation to senior level HBA to enter the Sick Leave Credit information



5. **Completing the termination process**
 - a. HBA pulls personnel file or terminated or retired employee and stamps them inactive, files them with terminated employees
 - b. For those employees with change of benefits eligibility, HBA files change sheet in personnel file
 - c. Once HBA receives notification that current payroll period closed goes back into Lawson and "TE" or "RT" employees
 - i. TE or RT- finalizes the termination process; no payroll activity can be processed.