

## 15-302 Dependent Eligibility

### Overview and Background:

The State University Employees Uniform Insurance Benefits Act authorizes the University of Texas System Office of Employee Benefits (OEB) to provide employee group insurance for eligible employees, retirees, and dependents. At MD Anderson, the Benefits Office enrolls and verifies eligibility for classified employees. The Physicians Referral Service (PRS) Office administers the program for faculty, clinical fellows and executives at the Associate Vice President level and above.

There are three ways in which a dependent can be enrolled to receive health benefits; during the new hire process, annual enrollment, and a qualified change in status. Specific documentation is required based on the type of dependent being enrolled. Human Resources is responsible for reviewing the documentation and ensuring that the dependent qualifies for plan coverage. Documentation is also required if an employee wishes to drop plan coverage for a covered dependent during a change in status.

The objective of this engagement was to determine if employees' dependents are eligible to receive health benefits. Our review included the eligibility of dependents from September 2013 to February 2015.

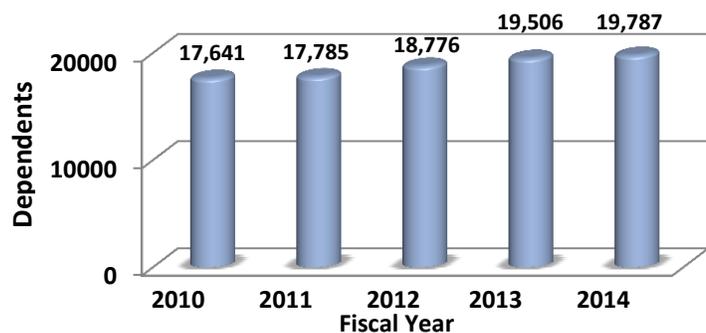
The number of dependents has increased by 12 percent in the last five years. Related claims increased by 30 percent during the same period.

### Audit Results:

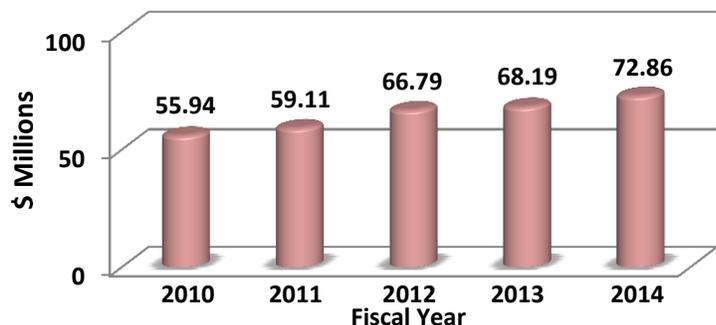
Based on test work performed, we noted there are processes in place to verify dependent eligibility. All employees with dependents meet minimum work hour requirements. All dependents meet age requirements set forth by OEB guidelines.

However, we noted tax documents were not consistently obtained for grandchildren included on the health plan and status changes were not reported to OEB when required. Due to Health Insurance Portability and Accountability Act (HIPAA) Privacy regulations, we were unable to obtain healthcare claims associated with the exceptions identified.

**MD Anderson Dependents by Fiscal Year**



**Dependent Healthcare Claims by Fiscal Year**



Source: Office of Employee Benefits (OEB)

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**Management Summary Response:**

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before August 31, 2015.

**Appendix A** outlines the methodology for this project.

The courtesy and cooperation extended by the personnel in Human Resources and PRS were sincerely appreciated.

*Sherri Magnus*

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Sherri Magnus, CPA, CIA, CFE, CRMA  
Vice President & Chief Audit Officer  
April 29, 2015

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Observation 1:

**Tax Form Verification for Grandchildren**

Office of Employee Benefits (OEB) policy requires the Subscriber to establish that the child is a dependent for federal income tax purposes by providing a copy of the most recent tax return. MD Anderson documentation guidelines require that, in addition to the initial enrollment period, tax documentation be collected for every subsequent year that the grandchild stays on the health plan.

Testing revealed that there is no process in place to ensure that tax documentation is obtained upon initial enrollment of the grandchild. In addition, there is no practice in place to collect tax documentation for subsequent years. There was no tax documentation on file for 13 out of 16 (81%) grandchildren tested. Lack of proper documentation could result in the inclusion of ineligible dependents on our health plan.

**Recommendation:**

Management should develop a process to track and collect tax documentation in accordance with OEB policy and MD Anderson guidelines. If tax documentation is not received by required deadlines, management should notify OEB and cancel coverage per guidelines.

**Management's Action Plan:**

Responsible EVP: Leon Leach, PhD

Owner: Paul Kattapong

Observer: Chris McKee and Brian Chiu

Due Date: August 31, 2015

*MD Anderson HR Benefits and HR Operations will implement a mechanism to consistently collect documentation that establishes financial dependency relationship for employee special dependent grandchildren beginning August 31, 2015. This mechanism will include a new process for requesting and reviewing documentation upon initial enrollment, annual enrollment, and family status changes. This process will also address notification of cancellation of coverage to members and to OEB when appropriate.*

Observation 2:

**Notification of Status Change**

Office of Employee Benefits policy requires that all status change requests made beyond 31 days of the event be forwarded to the OEB for review. The OEB will determine the effective date of any correction to errors in program coverage.

There were six instances identified (out of 31 reviewed) where employees did not inform MD Anderson of a divorce within the required time period. The time period ranged from several months to several years after the divorce. This prevented the spouse from being removed from the health plan timely. There was no documentation on file that indicated MD Anderson notified OEB that the status change was made beyond 31 days of the event.

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Failure to report instances of change in status when the event exceeds the 31 day time frame results in noncompliance with OEB guidelines. In addition, efforts by OEB to request reimbursement for ineligible dependents or impose sanctions for noncompliance are significantly delayed or never initiated.

Recommendation:

Management should develop procedures to include consultation with OEB on any status change events that are reported past the 31 day time frame. This should include documentation of the consultation as well as any possible sanctions or reimbursement of benefits as required by U. T. System policy.

Management's Action Plan:

Responsible EVP: Leon Leach PhD

Owner: Paul Kattapong

Observer: Chris McKee and Brian Chiu

Due Date: July 1, 2015

*MD Anderson HR Benefits and HR Operations will put in place a process to consistently notify OEB of any status change events that are submitted outside the 31 day time frame so that UT System OEB can make a determination as to whether additional action or remediation is required. This new process will be implemented by July 1, 2015.*

## Appendix A

**Strategic Area: Operational**

**Risk Type: Financial, Operational**

### Objective, Scope and Methodology:

The objective of this engagement was to determine if employees' dependents are eligible to receive health benefits. Our review included the eligibility of dependents from September 2013 to February 2015.

Our procedures included the following:

- Interviewed personnel from Human Resources and PRS to gain an understanding of the process for verifying dependent eligibility.
- Reviewed Office of Employee Health (OEB) and MD Anderson policies and procedures to gain an understanding of the requirements and processes for ensuring only qualified dependents are added to health plans.
- Reviewed controls in place to monitor and remove over age dependents.
- Using data analytics, tested 100 percent of all dependents to calculate and identify any that exceed the maximum age requirements.
- Reviewed supporting documentation to ensure appropriate documentation was maintained verifying eligibility.
- Reviewed divorce events to identify when the spouse and step-children were removed from the plan.
- Using data analytics, tested 100 percent of employees with dependents to ensure that employees meet the minimum work hour requirement.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

### Number of Priority Findings to be monitored by UT System: None

A Priority Finding is defined as "an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole."

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