



November 2016

A Report to the Austin City Council

Why we did this audit

This audit was conducted due in part to concerns about the City's increasing healthcare costs.

Management Response

Human Resources management reviewed the audit results but did not have comments or concerns regarding the report. Therefore, they elected not to provide a written response to this audit.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

BACKGROUND

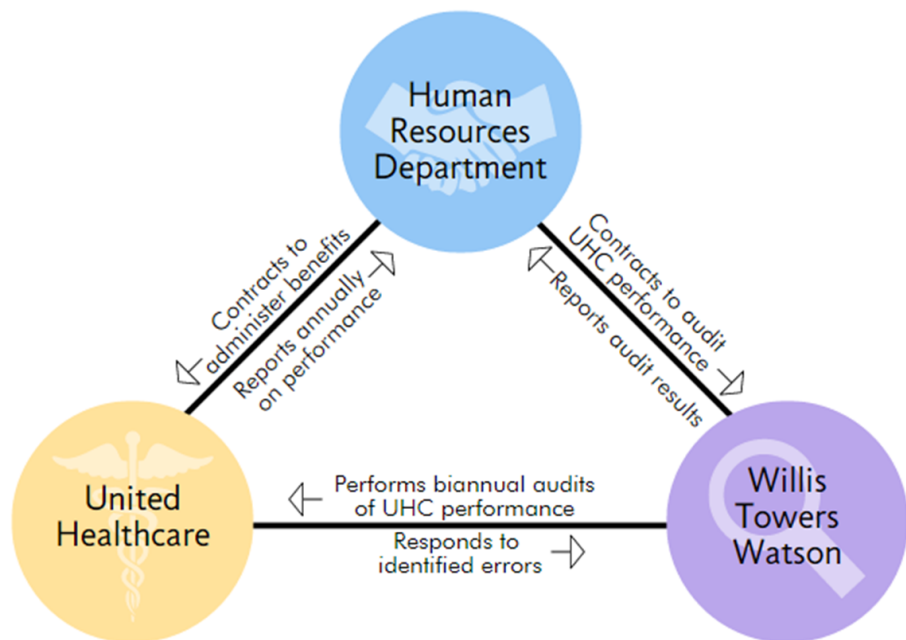
The City of Austin provides health insurance to employees, retirees, and their family members that qualify for coverage. The City has contracted with United Healthcare, Inc. (United Healthcare) to manage the City's insurance program and utilize the United Healthcare provider network. The Human Resources Department (Human Resources) manages the health insurance contract with United Healthcare. The contract with United Healthcare has various performance metrics relating to the timeliness and accuracy of claims processing.

WHAT WE FOUND

As required by the agreement with the City, health claims are reviewed by United Healthcare; they report an overall accuracy rate of 95%. In addition, the City also engages an external auditor, Willis Towers Watson, to review the accuracy of United Healthcare's claims processing (see graphic below). In their most recent audit, Willis Towers Watson reviewed a statistically valid sample of health claims processed within calendar year 2015 and found United Healthcare's overall accuracy rate to be 98.94%, which exceeds the industry standard of 95% accuracy.

Human Resources properly obtains documentation that supports the insured employees' relationship to covered dependents. Also, Human Resources properly removes employees and dependents no longer eligible for coverage and notifies them of options to continue coverage through benefits required by the federal government when City coverage is terminated.

We determined the controls currently in place provide assurance that the risks relating to the processing of health claims and eligibility for health coverage are effectively managed and oversight is sufficient. Therefore, we did not issue any recommendations for improvement in this audit.



OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of this audit was to determine how HRD monitors the processing of health claims and eligibility for health coverage.

Scope

The audit scope included calendar years 2014 and 2015.

Methodology

To accomplish our audit objectives, we performed the following steps:

- interviewed personnel in the Human Resources Department and at Willis Towers Watson;
- examined Human Resources Department policies;
- reviewed audit reports produced by Willis Towers Watson;
- reviewed reports produced by United Healthcare;
- evaluated claim errors identified in the 2016 Willis Towers Watson audit,
- reviewed training documentation to confirm compliance with the Health Insurance Portability and Accountability Act (HIPPA);
- interviewed City staff who have added or dropped dependents during the scope period;
- observed the process to add dependents; and
- reviewed documentation from the Human Resources Department showing the dropping of dependents who age out of eligibility.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT TEAM

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