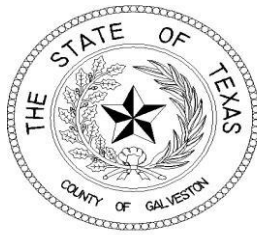


GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Madeline Walker CPA CFE, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

May 1, 2023

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

Honorable Mark A. Henry and Members of the Court:

Attached to be received and filed is the internal audit report of Galveston County Healthcare that covered the period January 1, 2022 through December 31, 2022. Also attached is the response letter from Arnel R. Wetzel, Director of Human Resources.

Sincerely,

Randall Rice CPA

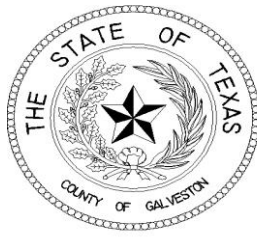
Digitally signed by Rice, Randall
Date: 2023.04.24 08:38:53 -05'00'

Randall Rice CPA
County Auditor

cc: Arnel R. Wetzel

Attachment: Galveston County Healthcare
Response Letter, Arnel R. Wetzel

GALVESTON COUNTY



Office of County Auditor

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P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

February 23, 2023

To: Honorable Mark A. Henry
County Judge

From: Randall Rice CPA
County Auditor

Re: Galveston County Healthcare Internal Audit Report

The Internal Audit Division conducted an internal audit of the healthcare invoices submitted by the healthcare administrators. The purpose of the audit was to ensure all charges were for active employees/retirees and their dependents. The internal audit covered the period January 1, 2022 through December 31, 2022.

Introduction

After open enrollment is complete, First Financial Group of America provides a data file from their FF Enroll Benefit Admin system to Galveston County's Information Technology (IT) department. The data file is uploaded into OneSolution to populate the Benefit Assignments Module.

Medical Administration Fees

The Texas Association of Counties Health and Employee Benefits Pool (TAC) provides administration and billing services associated with managing employee medical and prescription benefits. A \$94.11 monthly medical administration fee is charged to the county for each employee and retiree under 65 years old with active healthcare coverage. The medical administration fee is comprised the following fees:

OneSolution Account	Amount	Allocation
Medical Admin Fee	\$32.52	34.56%
Wellbeing Management Fee	4.05	4.30
MD Live	0.53	0.56
Stop Loss	55.14	58.59
Stop Loss – Aggregate	<u>1.87</u>	<u>1.99</u>
Total Medical Admin Fee	\$94.11	100.00%

Medical Administration Fees (cont.)

TAC submits monthly invoices to the county for medical administration fees. Internal Audit reviewed each invoice to ensure the fees were for employees and retirees under 65 years old with active healthcare coverage. Galveston County paid \$1,285,542.60 in medical administration fees during the audit period.

Month	Count	Total
January	1136	\$ 106,908.96
February	1142	107,748.86
March	1148	107,944.17
April	1147	106,257.28
May	1158	108,226.50
June	1154	106,908.96
July	1151	107,003.07
August	1139	105,873.75
September	1141	106,908.96
October	1153	107,191.29
November	1155	107,850.06
December	1147	106,720.74
Total	13,771	\$ 1,285,542.60

Finding: Galveston County paid \$752.88 in medical administration fees for individuals whose healthcare coverage had ended. Human Resources has been notified of the discrepancies.

Recommendation HC22-01: Human Resources should continue to work with TAC and request a refund of the medical administration fees paid for individuals whose healthcare coverage had ended.

Prescription Administration Fees

A \$1.67 monthly prescription administration fee is charged to the county for every individual (employee, employee dependent(s), retiree under 65 years old and their dependent(s)) with active healthcare coverage. Internal Audit reviewed each invoice to ensure the prescription administration fees were for individuals with active healthcare coverage. Galveston County paid \$43,832.49 in prescription administration fees during the audit period.

Month	Count	Total
January	2169	\$ 3,622.23
February	2192	3,660.64
March	2189	3,655.63
April	2199	3,672.33
May	2199	3,672.33
June	2201	3,675.67
July	2182	3,643.94
August	2177	3,635.59
September	2178	3,637.26
October	2190	3,657.30
November	2185	3,648.95
December	2186	3,650.62
Total	26,247	\$ 43,832.49

Prescription Administration Fees (cont.)

Finding: Galveston County paid \$26.72 in prescription administration fees for individuals whose healthcare coverage had ended. Human Resources has been notified of the discrepancies.

Recommendation HC22-02: Human Resources should continue to work with TAC and request a refund of the prescription administration fees paid for individuals whose healthcare coverage had ended.

Medical Claims Paid

Healthcare providers invoice TAC for medical services provided. TAC sends the county weekly invoice details for the medical claims that were paid. Internal Audit reviewed each invoice to ensure the recipient of the services had active healthcare coverage. Galveston County paid \$13,797,847.74 in medical claims during the audit period.

Month	Count	Total
January	753	\$ 890,004.14
February	716	1,258,555.08
March	724	1,154,791.96
April	682	1,073,628.62
May	818	956,363.56
June	709	1,069,526.71
July	724	997,285.29
August	724	1,172,310.19
September	690	2,038,571.44
October	719	986,601.81
November	740	1,220,233.50
December	724	979,975.44
Total	8,723	\$ 13,797,847.74

Finding: There were 910 medical claims paid totaling \$326,514.57 for which the healthcare provider was not on the invoice details. The 'Provider Name' field merely stated "PROVIDER NAME NOT AVAILABLE". Human Resources has been notified of the discrepancies.

Month	Count	Total
January	81	\$ 22,562.70
February	74	11,193.83
March	86	125,627.94
April	79	19,103.21
May	107	29,607.27
June	89	42,599.93
July	71	7,622.95
August	67	20,273.86
September	54	5,650.35
October	70	11,246.62
November	69	16,546.20
December	63	14,479.71
Total	910	\$ 326,514.57

Medical Claims Paid (cont.)

Recommendation HC22-03: The Human Resources Department should continue to work with TAC to obtain the missing information on the medical claims invoice details.

Lag Time Test

Lag Time refers to the number of days between when services are provided and when the claim is paid. An analysis was performed to determine the lag time for medical claims submitted for payment during the audit period. 86.04% (40,569) of all medical claims were paid within 30 days of when the services were provided. 8.19% (3,863) of all medical claims were paid between 31 and 120 days after services were provided. The remaining medical claims (2,722) were paid 121 days or more after services were provided.

Value Based Care Program

The Value Based Care Program is for individuals with chronic conditions. Instead of going to several institutes to get care, they work with one integrated team to treat their condition. Although it is not a traditional claim, a value based care fee (VBC) is charged for treatment received. Internal Audit reviewed each invoice to ensure the recipient of the services had active healthcare coverage. No material exceptions were noted. Galveston County paid \$30,788.50 in value based care fees during the audit period.

Month	Count	Total
January	408	\$ 2,293.12
February	424	2,488.24
March	441	2,423.10
April	425	2,181.76
May	437	2,273.09
June	428	2,231.19
July	450	2,714.72
August	452	2,713.75
September	464	2,801.21
October	472	2,858.77
November	480	2,870.37
December	481	2,939.18
Total	5,362	\$ 30,788.50

Prescription Claims Paid

Prescription providers invoice TAC for prescription claims paid. TAC sends the county weekly invoice details for the prescription claims that were paid. Internal Audit reviewed each invoice submitted for payment during the audit period to ensure the recipient of the services had active healthcare coverage. Galveston County paid \$2,699,774.55 in prescription claims during the audit period.

Month	Count	Total
January	785	\$ 179,310.96
February	730	199,386.16
March	852	252,977.59
April	779	209,134.27
May	811	219,815.82
June	876	239,238.36
July	902	198,996.31
August	942	272,311.61
September	937	257,204.65
October	932	217,666.03
November	1032	215,916.71
December	952	237,816.08
Total	10,530	\$ 2,699,774.55

Finding: From July 2022 through December 2022, there were 21 prescription claims paid totaling \$1,266.22 for which the individual did not have active healthcare coverage at the time the service was provided. Human Resources has been notified of the discrepancies.

Recommendation HC22-04: The Human Resources Department should continue to work with TAC to request a refund of the prescription claims paid for individuals whose healthcare coverage had ended.

Guardian

Guardian provides administration and billing services associated with managing dental and vision benefits. A monthly premium is charged for each covered employee and retiree who are enrolled for coverage. Guardian submits monthly invoices to the county for dental and vision premiums due. Internal Audit reviewed each invoice to ensure the premiums were for individuals with active dental and/or vision coverage. No material exceptions were noted.

Galveston County paid \$790,142.86 in dental/vision premiums during the audit period.

Month	Dental	Vision	Total
January	\$ 49,463.32	\$ 12,734.74	\$ 62,198.06
February	56,692.32	14,096.19	70,788.51
March	52,033.44	13,175.57	65,209.01
April	53,094.30	13,712.76	66,807.06
May	52,749.57	13,491.11	66,240.68
June	52,788.14	13,422.49	66,210.63
July	52,737.99	13,593.65	66,331.64
August	52,516.64	13,435.52	65,952.16
September	52,442.44	13,562.84	66,005.28
October	50,192.26	12,997.11	63,189.37
November	52,408.47	13,628.54	66,037.01
December	51,753.70	13,419.75	65,173.45
	\$ 628,872.59	\$ 161,270.27	\$ 790,142.86

AMERIFLEX

AMERIFLEX provides administration services to Galveston County related to the following optional healthcare plans:

- **Consolidated Omnibus Budget Reconciliation Act (COBRA)** - COBRA participants pay a monthly premium to the county. They are no longer employed by the county but are offered the same coverage they had when they were active employees, or they are on unpaid leave but wish to continue healthcare coverage.
- **Health Flexible Spending Account (FSA)** - An FSA is a special account an employee deposits money into for certain out-of-pocket health care costs.
- **Dependent Care Flexible Spending Accounts (DCFSA)** - A DCFSA is a benefit account used to pay for eligible dependent care services, such as preschool, summer day camp, before or after school programs, and child or adult daycare.
- **Health Savings Account (HSA)** - An HSA is offered by employers in conjunction with a High-Deductible Health Plan (HDHP). The employer deposits all or a portion of the deductible into an HSA to cover costs until the deductible is met and the health insurance policy takes over the financial burden. Once the account is set up, an employee can contribute money to the HSA via a payroll deduction from gross income.

AMERIFLEX (cont.)

Galveston County pays a monthly administration fee for each employee who selects one of the following healthcare plans:

- Health Flexible Spending Account (FSA) - \$2.95
- Dependent Care Flexible Spending Accounts (DCFSA) - \$2.95
- Health Savings Account (HSA) - \$2.00
- COBRA - Galveston County provided a census of healthcare participants to AMERIFLEX at the initial setup. It was agreed AMERIFLEX would charge the county \$0.50 for 1190 active participants each month (\$595.00).

AMERIFLEX submits invoices to the county each month. Internal Audit reviewed each invoice to ensure all individuals had active healthcare coverage. No material exceptions were noted. Galveston County paid \$14,320.53 to AMERIFLEX during the audit period.

Month	COUNT	FSA/HSA	COBRA	TOTAL
January	266	\$ 740.05	\$ 595.00	\$ 1,335.05
February	257	649.75	595.00	1,244.75
March*	257	282.28	282.27	564.55
April	256	689.65	595.00	1,284.65
May*	256	288.53	595.00	883.53
June	254	682.80	595.00	1,277.80
July	252	676.90	595.00	1,271.90
August	257	689.75	595.00	1,284.75
September	256	684.90	595.00	1,279.90
October	258	691.75	595.00	1,286.75
November	264	709.45	595.00	1,304.45
December	263	707.45	595.00	1,302.45
Total	3,096	\$ 7,493.26	\$ 6,827.27	\$ 14,320.53

*The March and May totals are considerably lower than the rest of the months. A \$724.95 credit was issued on the March 2022 invoice for an overcharge in FSA/HSA administration fees in January and February 2022. A \$399.22 credit was issued on the May 2022 invoice for AMERIFLEX failing to meet performance expectations during the previous months.

AETNA

AETNA provides administration services associated with managing healthcare benefits for retirees who are 65 years and older. The county pays AETNA monthly premiums in the amount of \$207.41 for each retiree and spouse (when applicable). For retirees who receive subsidies, the monthly premiums were \$174.01. AETNA submits monthly invoices to the county for the total amount of premiums due. Internal Audit reviewed each invoice to ensure all individuals had active AETNA coverage. There were no material exceptions noted. The county paid \$1,031,548.07 in AETNA premiums for the audit period.

Month	Count	Total
January	414	\$ 85,601.54
February	420	86,638.59
March	417	84,249.87
April	413	82,934.61
May	416	85,633.94
June	412	85,219.12
July	415	86,463.58
August	422	86,878.40
September	421	86,463.58
October	419	86,670.99
November	424	87,708.04
December	423	87,085.81
Total	5,016	\$ 1,031,548.07

Statistical Analysis

A statistical analysis was performed on the total healthcare costs for calendar years 2021 and 2022. Total healthcare costs increased from \$16,843,736.02 in 2021 to \$19,693,797.34 in 2022, a total increase of 17%.

Description	2021	2022
Medical Administration Fees	\$ 1,216,452.58	\$ 1,285,542.60
Prescription Administration Fees	23,605.45	43,832.49
Medical Claims Paid	11,380,147.05	13,797,847.74
Value Based Care Fees	-	30,788.50
Prescription Claims Paid	2,435,074.69	2,699,774.55
Guardian (Vision/Dental Premiums)	769,991.86	790,142.86
AMERIFLEX (FSA/HSA Admin Fees)	15,823.15	14,320.53
AETNA (Retiree Premiums)	1,002,641.24	1,031,548.07
Total	\$ 16,843,736.02	\$ 19,693,797.34

Statistical Analysis (cont.)

There are several contributing factors to the increase in healthcare costs:

- Medical administration fees increased from \$87.02 in 2021 to \$94.11 in 2022. Total medical administration fees paid increased from \$1,216,452.58 in 2021 to \$1,285,542.60 in 2022, a 5.7% increase.
- Prescription administration fees did not change, however in 2021 a fee was charged per the contract for every covered employee or retiree under 65 years of age. In 2022, the fee expanded per the contract to include all covered dependents. Prescription administration fees increased from \$23,605.45 in 2021 to \$43,832.49 in 2022, an 85.7% increase.
- Medical claims increased from \$11,380,147.05 in 2021 to \$13,797,847.74 in 2022, a 21.2% increase. The number of medical claims increased from 7,019 in 2021 to 8,723 in 2022.
- During 2021, the county paid \$11,613.15 in VBC fees, however all fees were refunded because the VBC fee was not included in the 2021 contract. During 2022, the county paid \$30,788.50 in VBC fees.
- Prescription claims increased from \$2,367,780.67 in 2021 to \$2,699,774.55 in 2022, a 14.0% increase. The number of prescription claims increased from 10,211 in 2021 to 10,530 in 2022.
- Guardian dental and vision premiums increased from \$769,991.86 in 2021 to \$790,142.86 in 2022, a 2.6% increase.
- AMERIFLEX administration fees paid decreased from \$15,823.15 in 2021 to \$14,320.53 in 2022, a 9.5% decrease. The number of participants enrolled in FSA/HSA decreased from 3,184 in 2021 to 3,096 in 2022. In addition, 2 credits were issued during 2022 totaling \$1,124.17.
- AETNA premiums increased from \$1,002,641.24 in 2021 to \$1,031,548.07 in 2022, a 2.9% increase. The AETNA monthly premium increased from \$202.27 in 2021 to \$207.41 in 2022. The monthly premiums for retirees who receive subsidies increased from \$169.17 in 2021 to \$174.01 in 2022. The total number of retirees and spouses increased slightly from 4,935 in 2021 to 5,016 in 2022.

We wish to thank Human Resources for their cooperation and assistance.

cc: Randall Rice CPA, County Auditor
Madeline Walker CPA CFE, First Assistant County Auditor
Arnie Wetzel, Human Resources Director



County of Galveston

Human Resources

Arnel R. Wetzel, Jr.
Director, Human Resources

Katherine Branch
Assistant Human Resources Director

Rebecca Gilliam
Benefits Manager

Angela Bleyle
Compensation Specialist

Crystal Hernandez
HR Recruiter

April 20, 2023

Mr. Randall Rice,
County Auditor-Galveston County
722 Moody Avenue, 4th Floor
Galveston, Texas 77550

RE: Human Resources Response to the Galveston County Healthcare Audit Report

Dear Mr. Rice:

The Human Resources Department has reviewed the Internal Audit Report of the Galveston County Healthcare audit. We accept and concur with the Auditor's Office recommendations and findings.

Human Resources was aware of many of these findings, and has continued working with our providers and carriers to remedy many of the issues and findings within the report. Human Resources and the Auditor's Office work diligently each month reviewing the various benefit claims and billing transactions for all of our healthcare plans. Potential discrepancies are noted and investigated at length by the respective departments. It must be noted there are a significant number of claims and billing transactions received each month by the County. Human Resources takes every step possible to limit errors and discrepancies. However, the sheer volume of claims; the timing of employee eligibility actions and reliance on data transmission to our carriers from an underperforming benefits platform has prevented us from 100% accuracy at times.

Human Resources respects the effort and work provided by the Auditor's Office to complete this report. We will utilize the findings and recommendations to continue working towards full compliance in the future.

Respectfully,

A handwritten signature in blue ink, appearing to read "Arnel R. Wetzel, Jr.", written over a white background.

Arnel R. Wetzel, Jr.
Director, Human Resources

cc: Ms. Madeline Walker, First Assistant County Auditor
Ms. Lori McWhirter, Internal Audit Manager