

# Highlights

Internal Audit Report to the Board of Supervisors

## Why We Did This Review

As of FY 2008 the County self-insured its medical, pharmaceutical, and most of its other health care related benefits. In FY 2008, the County expended \$123 million for employee benefits.

Employee Health Initiatives (EHI) procures and manages the County's health benefit plans. EHI oversees the setting of premium rates to meet current and future health care liabilities by:

- 1) Creating the County's Benefit Plan
- 2) Establishing and maintaining adequate funding levels within the Employee Benefit Trust
- 3) Monitoring claims processing services administered by outsourced vendors

## What We Recommended

We recommended that EHI:

- Consider verifying dependent eligibility at open enrollment and during new employee hiring in order to reduce benefit costs. Research suggests that more than \$1.6 million could be saved in the first year.
- Continue to periodically review stop-loss coverage to identify savings.



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# Employee Health Initiatives (EHI) Medical premium rate and reserve setting processes are adequate

## What We Found

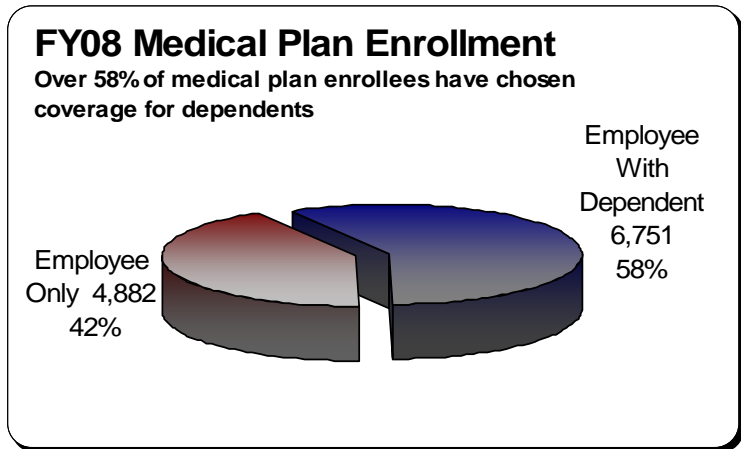
### EHI Rate Setting and Reserve Level Processes Are Adequate

EHI has adequate processes to establish premium rates and reserve levels for the self-insured trust fund. County management continues to monitor reserves and take action as needed.

An independent actuary, commissioned by Internal Audit, found that EHI had adequate processes to establish benefit plan premium rates and reserve levels. The County's decision to self-insure is consistent with other large employers. Based on the number of health plan participants and other factors, the consultant concluded that the County was a good candidate for self-insurance and its vendors for actuarial services, stop-loss, and health benefit administration are well respected and highly rated within their industries.

### EHI Could Reduce Costs by Verifying Dependent Eligibility

EHI could reduce benefit costs by verifying dependent eligibility at open enrollment and during new employee hiring. Currently EHI only requires dependent eligibility documentation from employees who report mid-year changes or who have a student dependent age 19 or older. Research shows the County could save between \$1.6 and \$3.3 million in the first year of verifying dependent eligibility. Other entities conduct dependent eligibility audits, including the County of Richmond, Virginia; Riverside, California; and the State of Arizona.



### EHI Reviews of Stop-Loss Insurance May Identify Savings

Internal Audit's independent actuarial consultant found that the County's specific stop-loss insurance coverage for catastrophic medical claims could be more costly than alternative forms of coverage. Periodic EHI reviews of stop-loss coverage may identify savings.