

# **AUDITOR'S REPORT**

## **CONTINUOUS AUDITING ANALYTICS HEALTH INSURANCE ANALYSIS FOR THE THREE MONTH PERIOD ENDED AUGUST 31, 2015**



**September 18, 2015**

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**BARBARA J. SCHOTT, C.P.A.**  
**HARRIS COUNTY AUDITOR**

September 18, 2015

Mr. Mike Post  
Chief Assistant County Auditor – Accounting Division  
1001 Preston, 8<sup>th</sup> Floor  
Houston, Texas 77002

RE: Health Insurance Analysis for the three month period ended August 31<sup>st</sup>, 2015

The purpose of this letter is to present the results of the Continuous Auditing Department Health Insurance Analysis for the three month period ended August 31<sup>st</sup>, 2015. Continuous Auditing provides a near real-time capability to review financial related information by automating the identification of exceptions to the Auditor's Office policies and procedures. Prior to every Commissioner's Court (every 2 – 3 weeks), an analysis verifies coverage for 100% of claims submitted. If insurance coverage cannot be verified, they are referred to the Human Resources and Risk Management Department (HRRM).

The enclosed Auditor's Report presents information concerning these analytics performed during the period. While a few minor items were identified, none were significant. We appreciate the time and attention provided by you and your staff during this ongoing engagement.

Sincerely,

A handwritten signature in blue ink that reads "Barbara J. Schott".

Barbara J. Schott  
County Auditor

cc: District Judges  
County Judge Ed Emmett  
Commissioners:  
R. Jack Cagle  
El Franco Lee  
Jack Morman  
Steve Radack  
Devon Anderson  
Vince Ryan  
William J. Jackson

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# OVERVIEW

## BACKGROUND

Continuous Auditing performs the Health Insurance Claims Analysis to determine if claims submitted to the County are for eligible subscribers and within insurance coverage effective periods. A subscriber is a person who pays the premium or whose employment makes them eligible for membership in the insurance plan. Subscribers include:

- Employees or retirees whose eligibility to the Harris County's Group Health Insurance Plan is a benefit (i.e., coverage for spouses and dependent children is a part of the employee or retiree's benefit).
- Individuals who have elected coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA). COBRA requires group health plans to provide an option for temporary continuation of coverage to individuals after their group eligibility ends (i.e., former employees and their dependents, adult children, divorcees, etc.).

Harris County's health insurance is self-funded and administered by Aetna. Local Government Code §113.064 requires that the County Auditor review and approve all claims before payment is made.

§113.064. APPROVAL OF CLAIMS BY COUNTY AUDITOR. (a) In a county that has the office of county auditor, each claim, bill, and account against the county must be filed in sufficient time for the auditor to examine and approve it before the meeting of the commissioners court. A claim, bill, or account may not be allowed or paid until it has been examined and approved by the auditor.

Aetna provides the County with daily files of claims submitted for reimbursement and Continuous Auditing performs a 100% review of the claims to verify coverage. Reviewing the claims submitted for reimbursement, includes the following procedures:

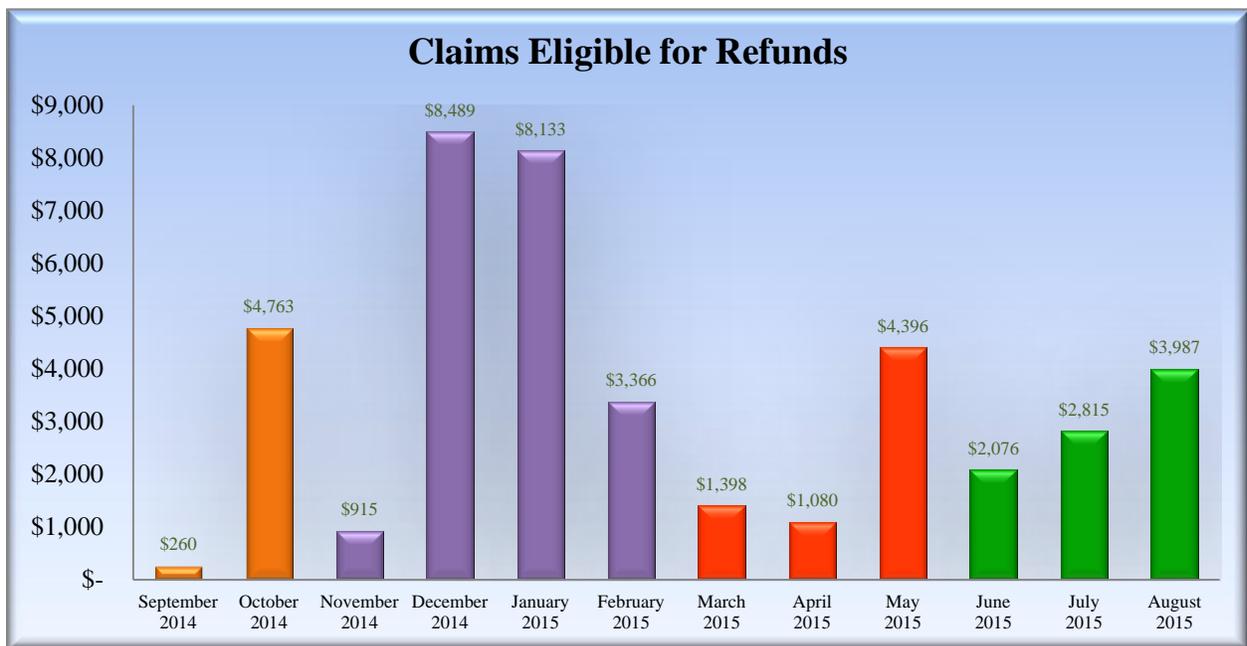
- Verifying the claim submitted is for an eligible employee, retiree, or individual covered under COBRA.
- Determining if the date of the claim falls within an effective insurance coverage period.

If Continuous Auditing cannot verify insurance coverage, then those claims are referred to the Human Resources and Risk Management Department (HRRM) for further investigation and possible refund to the County.

The following chart displays the claims eligible for refund for the past twelve months, from September 2014 to August 2015. Each month has been categorized according to the Health Insurance Analysis Report<sup>1</sup> it was reported in:

- September to October 2014 (Orange bars)
- November 2014 to February 2015 (Purple bars)
- March to May 2015 (Red bars)
- June to August 2015 (Green bars)

The total amount of claims eligible for refund for the months of September 2014 to August 2015 is \$41, 677.



<sup>1</sup> The Health Insurance Analysis Report was previously included in the Continuous Auditing Analytics Report.

# RESULTS

## HEALTH INSURANCE CLAIMS ANALYSIS

On a monthly basis, Aetna submits over 75,000 claims requesting the County pay between twelve to fifteen million dollars. The Health Insurance Claims Analysis identifies claims where eligibility cannot be verified.

The exceptions identified are turned over to HRRM for further investigation and possible refund to the County. HRRM investigates the potential exceptions and identifies the claims they are requesting for refund from Aetna. For the months of June 2015 through August 2015, the HRRM department has requested refund amounts, as illustrated in green on the chart below.



While HRRM has requested \$8,878 in refunds for this period, no specific procedural issues were identified relative to the claims processing this quarter.

## CONCLUSION

Other than the overpayments noted in the chart above, after reviewing 100% of the claims submitted by Aetna, Continuous Auditing identified no reportable procedural issues relative to the claims processing this quarter.