



Office of Human Resources
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Auditor Timothy M. O'Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Ave., Dept. 705
Denver, Colorado 80202

Dear Mr. O'Brien,

The Office of the Auditor has conducted a performance audit entitled "Self-funded Health Plan." This memorandum provides a written response for each reportable condition noted in the final draft of the Auditor's report, which was sent to us on December 12, 2023. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code.

Please see the subsequent pages for our responses to each recommendation and contact Heather Britton at heather.britton@denvergov.org with any questions.

Sincerely,

Carla Anthony
Deputy Director of the Office of Human Resources

cc: Valerie Walling, CPA, Deputy Auditor
Dawn Wiseman, CRMA, Audit Director
Patrick Schafer, CPA, CFE, CIA, MBA, Senior Audit Manager
Juliane Mann, MPAcc, Lead Auditor

AUDIT FINDING 1

The Office of Human Resources is not effectively overseeing the city's self-funded health plan

RECOMMENDATION 1.1

Comply with city ordinance

To ensure compliance with the city ordinance that requires an external audit of dependents' eligibility every five years, the Office of Human Resources should — as soon as possible — follow the city's procurement process and hire an external audit firm qualified to assess the eligibility of all dependents on the city's health plans. The office should then take the necessary steps to resolve any issues noted by the audit to ensure only eligible dependents receive benefits from the city's self-funded health plan.

Agency response

Agree

Target date to complete implementation activities (Generally expected within 60 to 90 days)

12/31/2024

Specific point of contact for implementation

Name:

Heather Britton

Phone:

720 337 6469

Provide a written response

As OHR did in 2011 and 2018, we will conduct a dependent audit in 2024 to ensure dependents maintained eligibility following their initial enrollment with verified documents. OHR will begin the competitive process to find an external vendor first quarter 2024, with a competition date of no later than 12/31/2024. In addition to the dependent audit, the benefits team will continue to verify dependent documents for each enrollment.

RECOMMENDATION 1.2

Develop, document, and implement procedures to review eligibility

The Office of Human Resources should develop, document, and implement procedures to regularly review the eligibility of employees' dependents — especially in instances where automated processes are limited in the city's system of record, Workday. The office's processes should, at a minimum:

- Ensure the city obtains all required documentation from employees about their dependents and keeps those records in Workday, including documentation to show the disability status of applicable dependents.
- Work with the city's Technology Services agency, or other agencies as necessary, to obtain data from Workday about the employees and dependents participating in the city's self-funded health plan.
- Use employee participant and dependent data in Workday to regularly check for instances of dual coverage where an individual is receiving benefits as both an employee and a dependent.
- Document the results of the review and the actions to resolve any ineligible dependents found.

Agency response		Agree
Target date to complete implementation activities (Generally expected within 60 to 90 days)		6/30/2024
Specific point of contact for implementation	Name:	Heather Britton
	Phone:	7203376469

Provide a written response

The OHR will work with our internal HRIS team to determine the appropriate Workday functionality to create a new work flow. This may mean employees will be required to submit all required dependent documents, including disability documents, prior to making benefit elections.

OHR will twice annually audit for employees or dependents with dual coverage. OHR will document the results of the audit and contact the impacted dependent/employee to determine which coverage should be terminated.

RECOMMENDATION 1.3

Obtain training on reading service provider reports

Before implementing Recommendation 1.4, the Office of Human Resources should obtain training on how to read and implement the contents and results of United Healthcare's service provider report. This training should enable the office to:

- Identify the processes and procedures that complement United Healthcare's claims administration process.
- Identify control deficiencies and gaps in United Healthcare's claims administration processes.
- Understand what processes the city needs to implement to accommodate and compensate for those deficiencies and gaps.

Agency response		Agree
Target date to complete implementation activities (Generally expected within 60 to 90 days)		6/28/2024
Specific point of contact for implementation	Name:	Heather Britton
	Phone:	7203376469

Provide a written response

OHR will determine if such training is available from our current partners, including any purchasing groups or benefit foundations. If such training is unavailable, OHR will conduct an RFP with our purchasing department.

RECOMMENDATION 1.4

Obtain and review United Healthcare's service provider report

The Office of Human Resources should annually obtain and review United Healthcare's service provider report. The office should develop a policy and procedure to ensure this task is completed every year, and it should identify the staff member who should perform this duty.

Agency response	Agree
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Target date to complete implementation activities (Generally expected within 60 to 90 days)		3/29/2024
Specific point of contact for implementation	Name:	Heather Britton
	Phone:	7203376469
Provide a written response		
<p>OHR will develop a policy and assign a staff member by March 29, 2024 for an annual review of the service provider report.</p>		

RECOMMENDATION 1.5		
Assess the need for a medical claims audit		
<p>The Office of Human Resources should design and complete a formal and documented needs assessment to evaluate whether it should pursue a medical claims audit — and if so, how often and for what scope of time, in compliance with its contract with United Healthcare. The assessment should include a risk assessment of third-party processes, and it should serve as the foundation for managers’ annual decision-making on whether to seek a medical claims audit.</p>		
Agency response		Agree
Target date to complete implementation activities (Generally expected within 60 to 90 days)		12/31/2024
Specific point of contact for implementation	Name:	Heather Britton
	Phone:	720337649
Provide a written response		

OHR has already agreed to a partnership with a purchaser organization we are a member of to both store our claims data and to audit claims data.

RECOMMENDATION 1.6

Create and implement policies and procedures for monitoring third parties

The Office of Human Resources should establish and implement policies and procedures for how it will monitor Lockton’s and United Healthcare’s procedures related to the self-funded health plan so the office can ensure health plan decisions are made using correct information.

Agency response	Agree
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Target date to complete implementation activities (Generally expected within 60 to 90 days)	4/30/2024
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Specific point of contact for implementation	Name:	Heather Britton
	Phone:	7203376469

Specific point of contact for implementation	Phone:	7203376469
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Provide a written response

To ensure that both companies are meeting their contractual obligations, OHR will assign a staff member no later than April 30, 2024 to annually review each contract to ensure both companies monitor and verify the work performed follows their contract terms.

AUDIT FINDING 2

The Office of Human Resources lacks documented guidance to effectively support the city's self-funded health plan

RECOMMENDATION 2.1

Develop, implement, and finalize policies and procedures

In addition to its existing documents, the Office of Human Resources should develop, implement, and finalize policies and procedures that provide the sufficient level of detail described in federal standards for internal controls and ensure:

- Funding requests are properly authorized and reviewed for completeness.
- Changes to benefits plan are implemented and communicated in a timely manner and with sufficient advanced notice before the changes take effect.
- A staff member is designated as being responsible for granting Human Resources staff access to United Healthcare's online portal and that only authorized Human Resources staff have access.
- Former employees are removed from the city's health insurance plans in a timely manner.

Agency response

Agree

Target date to complete implementation activities (Generally expected within 60 to 90 days)

4/30/2024

Specific point of contact for implementation

Name:

Heather Britton

Phone:

7203376469

Provide a written response

Since the workflow in Workday requires payment requests to be verified by DOF staff, the OHR will continue to work with our DOF partners to audit accuracy of weekly payments. OHR will implement and communicate plan changes implemented by the Employee Health Insurance Committee. A designated OHR staff member will manage access to the portal on a quarterly basis. There already is a process to monitor and terminate employee's coverage.