COUNTY OF EL PASO

OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA, CIO
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

09-06

September 17, 2010

HealthSCOPE Benefits
ATTN: Mr. Todd Johnson
Account Management Director
7430 Remcon, Bldg. C
El Paso, TX 79912

Dear Mr. Johnson:

A copy of a memorandum from Ms. Gaby Paredes-Ferro, internal auditor, dated September 17, 2010 is attached. This memorandum is a report on a review of HealthScope Benefits, as it relates to the County's health fund through May 2010. I concur with the recommendations made by Ms. Paredes-Ferro.

If we can be of any assistance in this regard, please let us know.

Very truly yours,

Edward A. Dion
County Auditor

EAD:GPF:ya

Attachment

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09-08

MEMORANDUM

TO: EDWARD A DION, COUNTY AUDITOR

THRU: TERESA MOLINAR, OPERATIONS MANAGER

THRU: IMELDA GAYTAN, PAYROLL SUPERVISOR

THRU: SYLVIA PACHECO, INTERNAL AUDIT SUPERVISOR

FROM: GABY PAREDES-FERRO, INTERNAL AUDITOR

DATE: SEPTEMBER 17, 2010

SUBJECT: REVIEW OF HEALTHSCOPE BENEFITS RECORDS THROUGH MAY 2010

An on-site review of HealthScope Benefits, as third party administrator of the County's health fund, has been completed through May 2010. The objective of this review was to verify the eligibility of plan members and the existence of proper supporting documentation for paid claims.

Scope and Purpose

The scope and purpose of the review consisted of the following:

1. A total of 222, or one percent out of 20,014 disbursements to health providers from June 2009 through May 2010 was reviewed to verify the legitimacy of the claims. The sample of claims was cross-referenced to the active employee, retiree, and cobra list to verify that the claims pertain to active County employees, former employees, and dependents that are receiving health benefits. No discrepancies were noted.
2. A sample of 199 different names in November 2009, 101 names in February 2010, and 113 in May 2010 listed on HealthScope Benefits billing was reviewed to verify that they were active County employees. No discrepancies were noted.
3. Re-insurance (Stop-Loss) and subrogation claims were reviewed to verify that the reimbursement funds were received at the County Auditor's Office.

General

1. *Observation*: Upon review of HealthScope records, it was noted that around July 30, 2010, a subrogation case was closed with a reimbursement of $1,200.25 and was submitted to the County Attorney's Office. However, the reimbursement was not received at the County Auditor's Treasury Department until August 24, 2010. The following are reimbursements, including date of injury (DOI), that remain pending:
   - Mr. Anthony Vasquez – 2/24/2009
   - Ms. Yolanda Barragan – 4/7/2009
   - Mr. Enrique Marquez – 4/9/2009
   - Mr. Gerardo Pina – 9/19/2008
   - Mr. Joseph Rodriguez – 3/25/2009
   - Mr. John Stout (Doyle) – 6/29/2009
   - Mr. Charles Daly – 4/20/2009
   - Ms. Teresa Valdez – 1/14/2009

   Corrective Action/Recommendation: As discussed with Ms. Sande Lasher, Subrogation Analyst, it is recommended that in addition to HealthSCOPE Benefits notifying the County Auditor's Office upon receipt of a reimbursement on a subrogation case, HealthSCOPE should request an acknowledgement receipt when they deliver the checks to the County Attorney's Office. This will help the County Auditor's Office track these cases and ensure that the reimbursement funds are accounted for.

2. *Observation*: While reviewing the open subrogation cases, HealthScope Benefits reported seven open cases, two from 2009, and five from 2010.
   Corrective Action/Recommendation: A follow up will be conducted on the next audit to verify that cases pending were reimbursed and properly closed.

Review of Past Memoranda

3. *Observation*: It was previously noted that the HealthScope Benefits was including charges for the administration fee for 24 terminated employees, one terminated employee since December 1996. It was previously recommended that the 24 terminated employees that were still being charged for the administration of their insurance be removed from the billing statement and credit be given.
   Corrective Action/Recommendation. This measure was implemented by May 2010; HealthScope gave credit on the majority of the terminated employees.

4. *Observation*: A follow up was conducted on the 18 open subrogation cases reported by HealthScope Benefits on the previous audit. A reimbursement was submitted to County Attorney's Office on six cases; four cases were referred to County Attorney's Office; two cases were recently closed and reimbursement is pending; one case remains open; three cases were perceived as first party; one case, no response was obtained from the insured; and on one case no claims were filed.

Summary

This review was designed to provide reasonable assurance that the internal control structure, as established by HealthScope Benefits, is adequate to safeguard the County's Health funds from loss, theft, or misuse. Based on this review, the internal control structure as it relates to the County's Health Funds appears to be adequate, and should be further strengthened with the implementation of the above mentioned recommendations.

GPF:ya