

Highlights

Why We Did This Audit

The city plans to spend nearly \$95 million on health-related benefits for fiscal year 2024 to cover about 9,500 employees and their dependents (excluding retirees). A total of 466 employee terminations were processed in fiscal year 2023.

Assessing processes to terminate separating employees' benefits and benefit payment data can help ensure the city pays benefits for only eligible employees.

Objective

Has the city paid benefits for ineligible employees after the employee separated from the city?

Background

Kansas City acts as a self-insured entity through the Healthcare System Board of Trustee. The Healthcare System funds health benefits directly for city employees. The city contracts BlueCross BlueShield to administer health and dental coverage provided by the Healthcare System to employees and process claim payments to providers.

The Human Resources Benefits Division coordinates benefits for eligible city employees. The Benefits Division also handles administration for benefits programs, preparing COBRA packets for terminated employees, processing all qualifying benefit change events, and updating and administering all benefits-related systems in the human resources management system.

Recently, the Benefits Division became responsible for preparing monthly billing audits and processing payments for all benefits-related vendors.

[Click here to view the full report.](#)

PERFORMANCE AUDIT – December 2023

City Paid Health Benefits of Ineligible Former Employees

What We Found

The city continued to pay administrative fees for former employees no longer eligible for city insurance. BlueCross BlueShield's (BCBS) monthly administrative fee invoice charges the city a set fee for each active employee enrolled in the city's health insurance program.

Between April 2021 and April 2023, 1,344 employees left city employment and 376 of those employees appeared on a BCBS administrative fee invoice 30 days or more after their last day with the city. The city paid at least \$516,317 in administrative fees for former employees who were ineligible for insurance coverage.

By April 2023, 236 former employees were still included on BCBS administrative fee invoices (140 former employees having been removed at some point). Some incorrectly appeared on monthly invoices for the entire 24 months we reviewed.

Months on Admin Invoice	Former Employees
1-3	52
4-6	26
7-12	83
13-18	13
18-24	62
Total	236

The city also paid about \$1,392,131 for health claims of 217 former employees after they were no longer eligible for the city's insurance.

The Human Resources Department and BlueCross BlueShield's established process did not always correctly remove all former employees from the city's insurance as intended. The city and BCBS use an automated information systems process to communicate changes in an employee's health insurance status. Of the 376 employees appearing on administrative fee invoices after the last day, the automated system did not send status updates for 341. The system communicated the remaining 35 employees' status change to BCBS sometime after their last day with the city.

The city did not establish a process to reconcile administrative fee invoices to city benefit enrollment data. This is important because nearly all individuals making insurance claims after they were eligible were those who appear on the administrative fee invoice after they left city employment. Establishing this process can help detect problems with the change file and prevent incorrect payments for former employee fees and claims.

What We Recommend (full list on back)

We make recommendations to seek recovery of incorrect payments for administrative fees and health claims for former employees no longer eligible for city insurance and implement processes to ensure the proper removal of employees no longer eligible for city insurance.

Management agreed with our recommendations.



**KANSAS CITY
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Recommendations	Management Agreement
1. The director of human resources should seek recovery of incorrect administrative fees and claims payments made to BlueCross BlueShield and report to the City Council when incorrect payments are reimbursed.	Agree
2. The director of human resources should fix the 'change file' process so that it accurately transmits data of employees leaving the city's insurance and results in accurate insurance changes.	Agree
3. The director of human resources should continue to reconcile BlueCross BlueShield administrative fee invoices against city employee insurance enrollment information prior to payment.	Agree

