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**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

Audit Objective..... 2

Audit Results - Summary..... 2

Background..... 2

**Audit Findings and
Recommendation 3**

Primary Enrollees 3

Eligible Dependents..... 4

Recommendation 5

Audit Scope and Methodology..... 5

Authority 5

Reporting Requirements..... 5

Contributors to the Report 6

Appendix A - Auditee Response.... 7

**HUDSON RIVER-BLACK
RIVER REGULATING
DISTRICT**

**ELIGIBILITY FOR HEALTH
INSURANCE COVERAGE**

Report 2008-S-51

AUDIT OBJECTIVE

The objective of our audit was to determine whether the Hudson River-Black River Regulating District (District) is enrolling only eligible people in the New York State Health Insurance Program (NYSHIP), which is administered by the New York State Department of Civil Service (Department).

AUDIT RESULTS - SUMMARY

NYSHIP provides health insurance coverage for active and retired State employees and their dependents. NYSHIP also provides coverage for other participating employers, including the District. We reviewed information from NYSHIP, as well as personnel folders and other documentation retained by the District, to determine whether individuals receiving health insurance coverage through the District were eligible under Department and District guidelines.

Based on our review of the personnel folders for all primary enrollees who had coverage between April 2005 and November 2007, we concluded that the District enrolled into NYSHIP only eligible employees. However, we also found that the District does not always obtain sufficient documentation from its employees to demonstrate that individuals enrolled as dependents qualify under Department rules. Since the District does not always ensure that enrollees provide sufficient proof when enrolling dependents, it is possible that the District could enroll ineligible individuals.

Our audit report contains one recommendation to improve controls over the enrollment of dependents. District officials agreed with our recommendation and are taking steps to implement it.

This report, dated July 17, 2008, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The Department administers NYSHIP on behalf of State agencies and other participating employers. Civil Service Law and Regulations specify the standards that participating employers must comply with regarding eligibility for their employees and retirees who wish to enroll in NYSHIP, as well as the requirements for covering dependents, such as spouses, children, and other individuals. Participating employers also have the flexibility to establish their own policies within certain areas of NYSHIP, such as the service requirement to be eligible for health insurance coverage in retirement and the employer/employee/retiree contribution ratios.

Each participating employer has one or more Health Benefits Administrators, who are responsible for handling the actual enrollment process, as well as updates when an employee's circumstances change. The Department oversees the entire health insurance coverage process, including paying the insurance carriers for all covered individuals and billing the participating employers for these individuals. During State fiscal year 2007-08, NYSHIP covered more than 1 million primary enrollees and their dependents, including 232,000 employees and retirees of participating employers. The yearly cost of the program is approximately \$6 billion.

The District is a New York State public benefit corporation that regulates the flow of waters in two watersheds in the Adirondack Region - the Upper Hudson River and the Black River - for purposes of flood protection and flow augmentation. The District is committed to improving the safety, health, and quality of life for New Yorkers who live, work, and enjoy leisure time in or near the Hudson River-Black River Area watersheds. During 2007, the District provided health insurance coverage through NYSHIP to 27 employees, 27 retirees, 5 surviving dependents, and 65 dependents, for a total of 124 individuals.

We reviewed information from the Department, as well as personnel folders and other documentation retained by the District, to determine whether individuals receiving health insurance coverage through the District were eligible under Department and District guidelines.

AUDIT FINDINGS AND RECOMMENDATION

Primary Enrollees

Primary enrollees in NYSHIP include District employees, retirees, and surviving dependents. According to District policy, new hires are eligible to enroll in NYSHIP on the day they start, with coverage effective immediately. Employees who have at least ten years of service credit with the New York State Employee Retirement System and at least three years of service with the District (only one year if hired before July 1, 2005) are eligible to have coverage continue after they retire. If an employee dies while enrolled in NYSHIP with family coverage, any dependents are eligible to continue health insurance coverage as if the employee was still alive for a period of six months at no cost

and then by paying the premium directly to the Department for continuing coverage.

We reviewed personnel records and related Board resolutions for all 68 primary District enrollees who had coverage between April 2005 and November 2007, including 61 employees and retirees and 7 surviving dependents. Some of these individuals were no longer enrolled in NYSHIP at the time of our site visit. However, all of them had been enrolled in NYSHIP at some point during our audit scope. Our review found that the District is only enrolling eligible individuals for health insurance coverage.

When an individual leaves District employment - even if the individual goes to another participating employer - the District's Health Benefits Administrator should update that information in the Department's New York Benefit Eligibility and Accountability System (NYBEAS), so that the District is no longer billed for that individual's health insurance premiums. One Health Benefits Administrator is responsible for updating NYBEAS for the District and reviewing quarterly reports from the Department to verify that the District is paying health insurance only for its employees. Our tests showed this person had updated NYBEAS timely when District employees left the payroll.

According to the Civil Service Law, a public authority may provide health insurance coverage through NYSHIP to unpaid Board members who have served at least six months in their positions. In February 2007, the State Attorney General's Office issued a clarifying opinion that stated that an uncompensated Board member of a public authority that participates in NYSHIP may enroll in NYSHIP, but the public authority may not pay any part of the premium, as that premium payment would be considered compensation.

The enabling legislation for river-regulating districts (Environmental Conservation Law, §15-2105) provides that Board members shall not receive a salary or other compensation. Therefore, the District should not pay the health insurance premiums for any Board members who are enrolled in NYSHIP.

In 2005, the District issued two resolutions stating that Board members would no longer be enrolled in NYSHIP. One resolution covered active Board members and the other covered retired members. We found the District does not currently enroll Board members in NYSHIP, and is not paying health insurance premiums on behalf of previous Board members or their dependents.

Eligible Dependents

The Department requires certain documentation as evidence that an individual is a dependent eligible for health insurance coverage. Required documentation can take the form of marriage certificates for spouses, birth certificates for children, and certain other required legal forms related to special situations like domestic partnerships and adoptions.

In August 1999, the Department issued a guidance memo directing all Health Benefits Administrators to retain copies of these supporting documents on file for all dependents enrolled in NYSHIP on or after September 1, 1999, to ensure that only eligible individuals were enrolled as dependents. Prior to this time, Health Benefits Administrators were expected to obtain and retain only a completed enrollment form, not proof of eligibility.

The current NYSHIP enrollment form (revised in October 2006) includes a statement to be signed by the employee, authorizing salary deductions for health

insurance premiums. The form also states that the information provided is accurate and that failure to provide the required proof of eligibility may result in a delay in the availability of health benefits for themselves or any dependents.

Of the 68 primary District enrollees we reviewed, 43 had family coverage. These 43 primary enrollees covered a total of 80 dependents, including 41 spouses, 38 children, and 1 other dependent.

Of the 79 spouses and children enrolled in NYSHIP during our audit period, 43 had been enrolled prior to September 1, 1999. We found that the District did not retain the signed NYSHIP enrollment form for 16 of these dependents. In addition, the District did not have the required supporting documentation for 31 of the 36 dependents enrolled on or after September 1, 1999. Seven of these dependents also did not appear on the signed enrollment form in the enrollee's personnel folder. The District was able to obtain some of the proofs of eligibility from the employees, but did not have the documentation in its files at the time of our audit. Since the District does not always ensure that enrollees provide sufficient proof when enrolling dependents, it is possible that the District could enroll ineligible individuals.

According to the *HBA [Health Benefits Administrator] Handbook for Participating State Employers* (HBA Handbook) issued by the Department in 1993, a primary enrollee may include as a dependent any individual for whom the employee provides more than half the support each year. According to the HBA Handbook, the employee must provide court documentation or other evidence that the individual qualifies as a dependent of that employee for health insurance purposes.

Of the 43 primary enrollees in our sample who had family coverage, 1 had a dependent that was coded as “other,” an employee who had enrolled a grandchild. The personnel folder contained the required forms and documentation demonstrating that the individual qualified as a dependent for health insurance purposes.

Recommendation

1. Require employees to provide supporting documentation when enrolling dependents in NYSHIP and maintain a copy in the personnel folders.

(In responding to our draft report, District officials indicated that they have verified eligibility for all currently enrolled dependents.)

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited the District’s enrollment of individuals and their dependents in NYSHIP for the period April 1, 2005, through February 8, 2008.

To accomplish our audit objective, we reviewed State laws and regulations regarding participation in NYSHIP, including requirements for enrollment of primary enrollees and their dependents. We also reviewed the District’s guidelines regarding health insurance, including eligibility requirements for employees, retirees, and dependents. In addition, we interviewed District officials and staff to identify the policies and procedures in place for processing initial enrollments and enrollment changes.

We obtained a list of all 68 primary enrollees and their dependents who received health

insurance coverage between April 2005 and November 2007, and reviewed all 68 primary enrollees and their 80 dependents, for a total of 148 individuals. We reviewed the personnel folders at the District to determine how each individual initially qualified for coverage, whether the documentation supporting that qualification was sufficient, and whether the individual still appeared to be eligible or was no longer enrolled in NYSHIP.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State’s accounting system; preparing the State’s financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

This audit was performed pursuant to the State Comptroller’s authority under Article X, Section 5, of the State Constitution and Section 2803 of the Public Authorities Law.

REPORTING REQUIREMENTS

A draft copy of this report was provided to District officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Hudson River-Black River Regulating District shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendation contained herein, and if the recommendation was not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Frank Houston, John Buyce, Greg Petschke, Jennifer Paperman, Sharon Salembier, Ray Barnes, W Sage Hopmeier, Richard Podagrosi, Andre Spar, and Dana Newhouse.

APPENDIX A - AUDITEE RESPONSE

STATE OF NEW YORK



Board of Hudson River-Black River Regulating District
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June 27, 2008

Greg Petschke
Audit Supervisor
Office of the State Comptroller
Division of State Government Accountability
110 State Street
Albany, N.Y. 12236

Dear Mr. Petschke:

The Regulating District has completed its review of the Draft Report 2008-S-51, Eligibility for Health Insurance Coverage.

Per your email response, I request that the following be included in the report.

In the Section; "Audit Results – Summary": - Would it be appropriate to add after..... it is possible that the District could enroll ineligible individuals, the following:

- i. However, the District has verified that all of its currently enrolled dependents are eligible individuals.

Please feel free to contact me should you have any questions or need additional information.

Sincerely,
Richard J. Ferrara
Chief Fiscal Officer

*
Comment

* State Comptroller's Comment: See statement added after recommendation number one on page five of this report.