Thomas P. DiNapoli
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OFFICE OF THE
NEW YORK STATE COMPTROLLER

DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY

ELIGIBILITY FOR HEALTH INSURANCE COVERAGE

Report 2008-S-54

AUDIT OBJECTIVE

The objective of our audit was to determine whether the Olympic Regional Development Authority (ORDA) 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 to active and retired State employees and their dependents. NYSHIP also provides coverage for other participating employers, including ORDA. We reviewed information from NYSHIP, as well as personnel folders and other documentation retained by ORDA, to determine whether individuals receiving health insurance coverage were eligible under Department and ORDA 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 ORDA enrolled into NYSHIP only eligible individuals. In addition, we found ORDA obtained sufficient documentation from its enrollees to demonstrate that individuals enrolled as their dependents qualify under Department rules. We also verified that there are no individuals, such as unpaid Board members or former employees, for whom ORDA is paying health insurance costs inappropriately.

This report, dated July 31, 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 a length-of-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.

ORDA was created by the State to manage the facilities used during the 1980 Olympic Winter Games at Lake Placid. ORDA operates ski areas at Whiteface Mountain and Gore Mountain, the Olympic Sports Complex at Mt. Van Hoevenberg, and the Olympic ice and jumping complexes in the Village of Lake Placid. It has hosted both national and international championships at these venues,

bringing millions of athletes and spectators to the region.

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

AUDIT FINDINGS

Primary Enrollees

According to Civil Service Law, public authorities such as ORDA are eligible to participate in NYSHIP to provide health insurance to qualified employees, retirees, and surviving dependents. A surviving dependent must be the spouse of a deceased employee who was enrolled in NYSHIP at the time of the spouse's death. The public authority is allowed to set eligibility requirements for enrolling in NYSHIP.

ORDA does not currently participate in NYSHIP. Instead, employees of ORDA and their dependents are provided health insurance coverage through private plans, based on terms negotiated between ORDA and its bargaining units. However, between April 2005 and November 2007, ORDA had three primary enrollees in NYSHIP: two retirees and one surviving dependent of a deceased employee. The two retirees and the surviving dependent's deceased spouse originally began their State service with other State agencies and continued to remain eligible for participation in NYSHIP after ORDA formally withdrew from NYSHIP on May 31, 1988.

For each of these three individuals, we reviewed the personnel folders maintained by ORDA to determine whether they had been eligible for enrollment in NYSHIP at the time of enrollment. For the two retirees, we found evidence in the personnel folders that the individuals had been employees. For the surviving dependent, we were able to determine that the deceased spouse had been an employee. The evidence included appointment letters, processing forms for salary actions, evaluations, and other documentation typically found for employees.

When an employee leaves ORDA's employment - even if the individual goes to another participating employer - ORDA's Health Benefits Administrator should update that information in the Department's New York Benefit Eligibility and Accountability System (NYBEAS), so that ORDA is no longer billed for that individual's health insurance premiums. We verified that ORDA is only paying NYSHIP premiums for eligible individuals who have retired and their dependents, not for individuals who have left for employment elsewhere.

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 stating that an uncompensated Board member of a public authority may enroll in NYSHIP, but the public authority may not pay any part of the health insurance premiums for such Board member, as that premium payment would be considered compensation. Therefore, ORDA should not be paying the health insurance premiums for any Board members who are enrolled in NYSHIP. We found ORDA has not enrolled any of its Board members in NYSHIP.

Eligible Dependents

The Department requires certain documentation as evidence that an individual is an eligible dependent 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 requiring 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.

Of the three primary enrollees, two had family coverage and one had individual coverage. The two primary enrollees with family coverage each had only one dependent covered: a spouse. We found evidence in ORDA's personnel folders to demonstrate that these dependents were eligible for enrollment as spouses at the time they were enrolled.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited ORDA'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 ORDA's guidelines regarding health insurance, including eligibility requirements for employees, retirees, and dependents. In addition, we interviewed ORDA officials and staff to identify the policies and procedures in place for processing initial enrollments and enrollment changes.

We obtained a list of all primary enrollees and their dependents who received NYSHIP health insurance coverage through ORDA during our audit period. We reviewed the personnel folders at ORDA 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 ORDA officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A.

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

OLYMPIC REGIONAL
NEW YORK
DEVELOPMENT AUTHORITY

July 14, 2008

Mr. Frank Huston, Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street, 21st Floor
New York, NY 10038

Dear Mr. Huston:

This is in response to your audit findings concerning the NYSHIP eligibility audit number 2008-S-54.

Olympic Authority management agrees with your audit findings.

We appreciate your guidance, and the time you spend here at the Olympic Authority.

Sincerely,

Ted T. Blazer
President and CEO

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
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