

Audit Highlights



Highlights of Legislative Auditor report on the Public Employees' Benefits Program issued on December 13, 2012. Report # LA12-23.

Background

The Public Employees' Benefits Program (PEBP) was established in 1999 to manage the state's group health insurance program for its employees and retirees. The program provides health, dental, vision, and life insurance to state and local government employees, retirees, and their covered dependents. A nine-member Board appointed by the Governor oversees PEBP's operations. The Board appoints an Executive Officer to direct the day-to-day operations.

Purpose of Audit

The purpose of this audit was to determine whether: (1) PEBP can provide additional information on the costs of healthcare procedures to assist participants with healthcare decisions, (2) PEBP has adequate controls over contract management, (3) information technology controls are sufficient to protect the confidentiality, integrity, and availability of participant information, and (4) accounting policies and procedures are complete and up-to-date. Our audit focused on healthcare cost information available to participants and included a review of PPO claims paid from July 1, 2011, through April 30, 2012. The audit also focused on contract management practices in place from July 1, 2010, through July 1, 2012. Finally, we reviewed information security controls and accounting policies and procedures in place during fiscal year 2012.

Audit Recommendations

This audit report contains three recommendations to provide participants with additional cost information when making healthcare decisions. In addition, five recommendations were made to improve contract management, and five recommendations to strengthen information security controls. Finally, one recommendation was made to update accounting policies and procedures.

The Public Employees' Benefits Program accepted the 14 recommendations.

Recommendation Status

PEBP's 60-day plan for corrective action is due on March 13, 2013. In addition, the six-month report on the status of audit recommendations is due on September 13, 2013.

Public Employees' Benefits Program

Summary

Beginning in fiscal year 2012, PEBP changed its health plan to a consumer driven high deductible health plan. Because of the high deductible amounts, participants have an incentive to become informed consumers when making healthcare decisions. In addition, a wide range in costs exists for some medical services; therefore, participants could save themselves and the Plan money by comparing prices among providers when feasible. Although PEBP has provided some information on costs, additional tools are needed to help participants fully assess the cost and quality trade-offs of healthcare decisions. Finally, Explanation of Benefits statements should include clear descriptions of services provided and medical procedure codes. This would help participants verify that billings are correct.

PEBP can take steps to strengthen contract oversight. We found contracts did not always include required performance standards. In addition, certain vendors should report performance information more timely, and other vendors' required evaluations were not done. We also found weaknesses in some contract provisions and information reported to PEBP was not always reliable. Finally, contracting policies and procedures were out-of-date and need revision.

PEBP's information technology controls can be strengthened. Sensitive data including credit card numbers and other information could be better protected. In addition, background investigations were not conducted on staff with access to confidential information.

Key Findings

A wide range in costs can occur for the same healthcare procedures in Nevada. Costs can vary widely because providers charge different amounts and negotiate varying discounts with insurance providers. When planning nonemergency procedures participants should consider comparison-shopping. Comparing prices among providers could save the participant and the Plan money. (page 6)

PEBP is taking steps to provide participants with additional information to assist with comparing healthcare costs. These include providing participants with access to several on-line tools that provide information on healthcare and prescription drug costs. In addition, PEBP is working with its third party administrator (TPA) to provide participants with additional cost information for certain medical services. Although PEBP is taking steps to provide participants with additional tools to price healthcare and pharmacy costs, more work needs to be done. PEBP should periodically inform participants of the wide range in healthcare costs, tools available, and the best methods to compare prices. (page 8)

Participants do not receive adequate information to verify that billings are correct. Explanation of Benefits (EOB) statements, provided to participants after a claim is processed, do not always provide clear descriptions of services billed or medical billing codes. As a result, there is an increased risk that participants and the Plan could overpay for healthcare services. (page 9)

PEBP can strengthen its monitoring of vendor performance. We found 7 of 13 contracts did not include required performance standards. In addition, when standards were included in contracts, performance results were not always reported to PEBP. Finally, evaluations or audits of vendors were not always done as required by contract. (page 13)

Several weaknesses were found in PEBP's contract with the wellness vendor. First, the contract did not include deadlines to ensure performance results were provided timely. Second, program implementation dates were not included in the contract. Third, the contract did not specify how results should be presented to ensure consistent reporting. (page 16)

PEBP has good information technology controls over participant information. However, access to sensitive data including credit card numbers and other information could be further restricted. Five PEBP staff had access to credit card information whose job duties did not require access. In addition, PEBP and vendor staff can view sensitive participant information even though access is not needed to perform their job duties. (page 21)

Prior to 2012, PEBP did not conduct background investigations on staff with access to confidential information. During our audit, PEBP began conducting *Civil Name Check* background investigations on new hires; however, current practice does not follow state requirements to conduct fingerprint based investigations on new employees. Granting employees access to sensitive data without appropriate background investigations increases the risk that individuals could gain access to sensitive information and use it inappropriately. (page 23)

PEBP did not have up-to-date accounting policies and procedures. Policies and procedures have not been updated in more than 7 years despite changes to the Program's accounting function. For example, procedures refer to the prior Enrollment and Eligibility System that was replaced in 2007. (page 25)