

**AmPlan Eligibility Review
Quick Reaction Audit Report**

Final Report





NATIONAL RAILROAD PASSENGER CORPORATION
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Memo

Date September 29, 2009 From Gary E. Glowacki, Deputy IG, Audits
To Paula Porter, Acting VP, Department Office of Inspector General - Audits
Human Resources
Subject AmPlan Eligibility Review
Quick Reaction Audit – Final Report
cc

Thank you for your cooperation with the AmPlan Eligibility Review. Enclosed is the **Final Audit Report** on the review of the AmPlan Eligibility Review Report. Our objectives were to determine whether only eligible dependents of Amtrak employees are receiving health and welfare benefits and if adequate internal controls are in place to ensure accuracy and to detect and prevent unnecessary expenditures by Amtrak for ineligible dependents. The results of our audit were discussed with Michael Duncan, Senior Director, Compensation and Benefits.

The International Standards for the Professional Practice of Internal Auditing (the auditing standards) established by the Institute of Internal Auditors, Section 2500 – *Monitoring Progress*, requires that we “must establish and maintain a system to monitor the disposition of results communicated to management,” and “must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”

Action Required

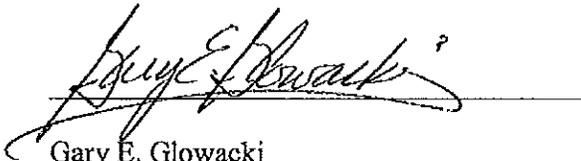
In order to comply with the auditing standards, **a written response is required within 30 days** regarding management’s planned corrective actions to address the audit recommendations in this report. In your response, please provide the following:

1. Indicate what specific actions will be taken by your department to address the finding or implement our recommendations;
2. Name and title of the individual responsible and held accountable for ensuring that corrective actions are taken, documented, and operating as intended by management; and
3. The timeframe when corrective actions will be taken and the date management expects corrective action will be completed.

If management believes that not taking action is appropriate and senior management accepts the risk of not taking action, please state the rationale for management's decision. Please note that we may communicate management's decision not to take action to those charged with governance (i.e., the Board of Directors).

Amtrak OIG is required to make this report available to the public under the Inspector General Reform Act of 2008, 110 P.L.409:122 Stat. 4302. To the extent that you believe that Report contains confidential or proprietary information that should be withheld from public release, you must take the following action **no later than October 13, 2009**: 1) highlight any words or phrases recommended for redaction; and 2) provide a written detailed justification for each of your recommendations. If you do not provide written recommendations by **October 13, 2009**, the report will be made publicly available without your redaction on the date specified on the Report.

Lastly, please sign the response. The individual signing the response should be the person to whom the cover letter is addressed even though the preparation of the actual response may have been delegated. If you have any questions, I can be reached at ATS 777-4560.

A handwritten signature in cursive script, appearing to read "Gary E. Glowacki", is written over a horizontal line.

Gary E. Glowacki
Deputy Inspector General - Audits

Attachments

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Report Addressed To:

**PAULA PORTER
ACTING VICE PRESIDENT, HUMAN RESOURCES**

**60 MASSACHUSETTS AVENUE, SUITE 2E
WASHINGTON, DC 20002**



Report Issued By:

**NATIONAL RAILROAD PASSENGER CORPORATION
OFFICE OF INSPECTOR GENERAL – AUDITS
10 G STREET, N.E.
WASHINGTON, DC 20002**

DATE OF REPORT: September 29, 2009

REPORT NUMBER: 103-2009

PUBLIC AVAILABILITY DATE: October 29, 2009

EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

This audit was conducted to determine whether only eligible dependents of Amtrak employees are receiving health and welfare benefits and if adequate internal controls are in place to ensure accuracy and to detect and prevent unnecessary expenditures by Amtrak for ineligible dependents.

Amtrak Office of Inspector General (OIG) examined the health and welfare benefits enrollment process for its agreement-covered employees. Our examination disclosed that Amtrak should implement a dependent verification process to ensure that employees' dependents are eligible to receive Amtrak's health and welfare benefits.

Amtrak contracts with Automatic Data Processing, Inc. (ADP) to administer and maintain all health and welfare plan data eligibility files. ADP transmits data updates via electronic interface to Amtrak health and welfare third party administrators (TPA).

Amtrak's employees' dependents are not verified to ensure eligibility for health and welfare benefits.

United Healthcare is Amtrak's largest TPA and provides administrative services for the group health program to approximately 17,604 employees and 39,496 dependents and is required to work with ADP for all eligibility reconciliation projects.

Amtrak employees select health benefits by going through Amtrak Benefits Service Center website, (www.amtrakbenefits.com), which is administered by ADP. The information entered into [amtrakbenefits.com](http://www.amtrakbenefits.com) is the basis for determining eligibility.

- The audit found that Amtrak is not verifying that employees' dependents are eligible to receive health and welfare benefits.

Additionally, our audit disclosed that United Healthcare does not require proof of student status for dependent children, identified as full-time college students between the ages of 19 and 25. United Healthcare only requires verbal acknowledgement from the employee rather than the submission of actual proof of student status. Amtrak's policy states "A dependent child that is a full-time student needs proof of student status and this must be provided to the TPA each semester to continue healthcare coverage." As a result of Amtrak not validating the family status change, there is a potential to pay healthcare cost for ineligible dependents.

Due to the deficiencies found in the verification of Amtrak's employees' dependents, we recommend that Human Resources: (1) provide clear policies and procedures to reflect Amtrak's ultimate responsibility for collecting documents and verifying dependent eligibility, (2) review all additions and deletions to the benefits system to ensure the accuracy and appropriateness of the changes, and (3) ensure all TPAs are validating dependents eligibility based on Amtrak's policies and procedures.

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BACKGROUND

Amtrak administers a self-insured health benefits plan (known as "AmPlan") for agreement-covered employees and their dependents, utilizing third party administrators (TPAs) to manage claims processing, provider networks, utilization review, and membership functions. In calendar year 2008, \$208 million dollars was paid in health expenditures for 17,604 employees and 39,496 dependents.

Amtrak uses the following TPAs: United Healthcare (UHC) and Tufts Health Plan (for the State of Massachusetts) processes and pays medical, mental health and substance abuse claims. Caremark provides prescription services. Vision Service Plan (VSP) provides vision services. Aetna National Railroad Dental Plan (Aetna Dental) and Delta Dental (for police only) provides dental services. Aetna Life Insurance provides life and accidental death and dismemberment insurance; and, Alere provides disease management.

Due to the number of TPAs involved under AmPlan and the large member population, Amtrak uses Automatic Data Processing, Inc. (ADP) National Account Services to administer and maintain all health and welfare plan data eligibility files. ADP transmits data updates via electronic interface to Amtrak health and welfare TPAs.

In August 2007, Aetna, who administers the Railroad National Dental Plan, conducted a Dependent Audit - Verification of Dependent Information of Amtrak dependents for agreement-employees. Aetna reviewed 10,912 employees and 23,317 dependents and requested verification of dependent eligibility. Aetna found that 44% (7,837) of the employees responded to the request of which 25% (1,977) returned information that resulted in termination of benefits. Of the 10,912 employees, 15% (1,658) of the employees were non-responders and 11% (1,239) were partial responders that provided incomplete or did not verify all dependents.

We had a discussion with the Service Delivery Manager at ADP regarding the Aetna audit and it was disclosed that as of April 2009, 7,042 ineligible dependents were terminated for benefits due to their failure to submit supporting documentation.

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RESULTS OF AUDIT

Finding: Documentation to Support Employees' Dependents Eligibility to Receive Health and Welfare Benefits

Amtrak's Human Resources has not established an effective verification review process to ensure its employees' dependents are eligible to receive health and welfare benefits.

Although Human Resources has policies and procedures that provides guidance about who is eligible for benefits, Human Resources does not have a system in place to verify that employees' dependents are eligible to receive health and welfare benefits

Enrollment Process

When a new employee is hired they complete new hire paperwork (W2, I-9, Form 2000 Employee Data Form), and a Flash Pass application. They provide proof of identification such as a driver's license and social security card or a passport. The employee is entered into Amtrak's SAP system by Human Resources and the data is electronically transferred to ADP. The employee is mailed a benefits election package within two weeks of their first day of work and has 31 days from their first day of employment to select benefits (health, dental, life insurance, etc.), for themselves and their dependents. Upon receipt of the benefits election packet, the employee logs into amtrakbenefits.com to select their health and welfare benefits.

The Amtrak Employee Benefits Union Handbook (handbook) provides guidance on dependant eligibility; to include; the definition of a dependent, life events that affect your benefits, the eligibility and participation process, details including what expenses are covered, how to file a claim, and overall information on how to use your benefits. If the employee has any dependents, the employee adds their dependents by entering the relevant information such as name, relationship of dependent, date of birth, etc., into amtrakbenefits.com. The data is subsequently transferred from ADP to the TPAs. At this point, the enrollment process is considered complete and the eligibility determination is automatically made without any documentation or verification of the employees' dependent.

In addition to adding dependents during the new hire process, an employee can add and/or update their dependents when they have an IRS-qualified family status change, (e.g. marriage or birth of a child).

The handbook states, "When adding a dependent due to getting married, proof of documentation; such as, a copy of the marriage certificate needs to be sent to the Amtrak Benefits Service Center." The handbook further states "All changes must be consistent with the family status change and that you may be asked to provide proof of the marriage."

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Amtrak's policy states, "All changes must be consistent with the family status change and that you will need to send written proof of the birth, adoption, legal guardianship, etc., to the Amtrak Benefits Service Center." Additionally, it states if you are adding stepchildren and they meet the definition of an eligible dependent, you need to provide proof of marriage, such as a copy of the marriage certificate to the Amtrak Benefits Service Center. However, Amtrak's policy is inconsistent with ADP's contract that states, "Amtrak will no longer require documentation from employees who add dependents within the 30-day window. Employees outside the 30-day window may need to provide documentation, and this will be treated as an exception. Documentation will be imaged by ADP and hard copies will not be retained."

As a result of Amtrak not having an effective dependent verification and validation process, there is a potential for Amtrak to pay higher healthcare cost for ineligible dependents.

Because of the inadequate controls found in the verification of Amtrak's employees' dependents eligibility process, Amtrak's Human Resources should provide clear policies and procedures to ensure there is an effective verification process in place for all dependents that receive health and welfare benefits

College Students

Amtrak employees are not providing documentation to UHC as required in Amtrak's policies and procedures for their dependent children, identified as college students between the ages of 19 and 25, that receive benefits.

Amtrak's policies and procedures state "When your dependent child reaches the maximum age for coverage (19th birthday unless full-time student, then 25th birthday), medical and dental coverage for that dependent will automatically end." Additionally, "If your dependent child is between the ages of 19 and 25 and is a full-time student, you will need to provide proof of student status to the insurance carrier each semester to continue coverage for that dependent child."

According to the Operations Account Manager at UHC (insurance carrier), the customer care call center is responsible for requesting and updating the dependent's student status. Student status information is requested twice a year, fall and spring semesters (December for January through August and August for September through December).

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Upon receipt of a medical claim for dependents between the ages of 19 and 25, UHC sends a letter of verification of student status. (See Appendix 3) After the letter is received, most of the employees will call UHC and provide a verbal response to the student verification letter. However, only a few employees have completed the form and mailed it back to UHC.

Amtrak's policies and procedures requires its' employees to submit proof of student status to UHC. However, UHC does not address or enforce the actual proof of student status. Instead, they document the phone conversation and accept the verbal information provided by the employee as valid and correct.

Additionally, Amtrak's dependent eligibility requirement states dependents must be registered students attending school full-time, (12 credits or more per semester or term) and are primarily dependent on the employee for care and their financial support. This requirement is not addressed in UHC's student verification letter and as a result UHC can make an erroneous determination in validating the student's full-time status.

As a result of employee's not providing proof of full-time status and UHC not requiring or validating the actual proof of student status, health and welfare benefits for college-aged dependents may inappropriately be provided and Amtrak may be incurring unnecessary costs for ineligible dependents.

Amtrak's Contracts with ADP and UHC

We reviewed the contract between Amtrak and ADP. The ADP contract consists of two parts, the general provisions and the Benefits Administration Manual (BAM). The BAM is composed of several sections that deal with specific areas of the health and welfare benefits plan and plan administration. The manual defines the specifics of the plan design from an administrative point of view and includes procedures for the enrollment process, ongoing record keeping, payroll, and accounting processes.

The contract states "in accordance with the Benefits Administration Manual (BAM), ADP is responsible for administering and maintaining all health and welfare plan data eligibility files for each plan, and transmitting current data updates via established, electronic interface to Amtrak's health and welfare vendors." Additionally, "the BAM provides a specific description of the services provided by ADP, and in the event of any conflict between the contract and the BAM, the BAM prevails."

Although, the contract between ADP and Amtrak states ADP is responsible for administering the plan and maintaining all health and welfare plan data eligibility, it is not clear as to who is responsible for collecting and verifying supporting documentation to verify eligibility.

The UHC contract, Amtrak's largest TPA, provides administrative services and deliverables in accordance with all terms and conditions of the contract for the Amtrak Union active, retiree, and COBRA participant's group health program. The contract provides for medical coverage for

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approximately 17,604 employees and 39,496 dependents. Although, Amtrak outsources the eligibility administration to ADP, UHC and is required to work with ADP for all eligibility reconciliation projects and other projects, as requested.

The UHC contract incorporates Amtrak's Union Benefits Handbook. Amtrak's handbook provides guidance on when your dependent child is no longer eligible to receive health and welfare benefits and the actions you must take to continue medical coverage. For college-aged dependents, Amtrak's policy requires their employees' to submit proof of student status to UHC each semester to continue coverage. Our audit noted UHC does not require Amtrak's employees to submit written proof of student status for continued coverage for their dependent(s). As a result, benefits for ineligible dependents may be inappropriately provided and Amtrak may be incurring increased healthcare costs.

RECOMMENDATIONS

We recommend that Human Resources:

- (1) Provide clear policies and procedures to reflect Amtrak's responsibility or the delegated responsibilities for collecting documents and verifying dependent eligibility.
- (2) Update the contracts with the TPAs to reflect the specific lines of responsibilities for dependent verification.
- (3) Review all additions and deletions to the benefits system to ensure the accuracy and appropriateness of the changes.
- (4) Ensure that all TPAs are validating dependents eligibility based on Amtrak's policies and procedures.
- (5) Require that UHC update their student verification letter. The letter should reflect the actual number of credit hours the student is enrolled in order to validate their full-time status. Also, the letter should request documentation supporting and validating the responses provided by the employee.

MANAGEMENT COMMENTS

Management agrees that verification of dependent eligibility is a process that needs to be implemented. Prior to the OIG audit, Amtrak's Human Resources Benefits unit had already explored several options to improve the dependents eligibility verification process. These options are under consideration include using an outside vendor to provide dependent eligibility

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verification services. Human Resources will implement a dependent verification process in FY 2010.

In addition, management agrees that the college-student verification process needs to be systematically reviewed and revised as appropriate.

United Healthcare is responsible for verifying student eligibility. United requires written or verbal confirmation from the employee concerning the dependent and does not require documentation from the college or university. In the past, United Healthcare performed research on the documentation issue and changed their requirements based on the following:

- a) The documentation was provided on almost all of the requests and therefore resulted in an unnecessary increase in administrative cost to the sponsor.
- b) The follow-ups to employees to obtain this information were sometimes out of their control (at the mercy of the school to provide this documentation).
- c) There were long delays in the providers being paid which caused a hardship on the employees (collections agencies etc).

AUDITOR'S RESPONSE

Based on human resources response, we acknowledge that Amtrak's Human Resources has faced challenges with dependent verification eligibility and recognizes the need to improve their process. Our position is, Amtrak Human Resources is ultimately responsible in ensuring all of its employees and their dependent(s) are verified and eligible to receive and maintain coverage. If Human Resources delegate any of its responsibilities to an outside vendor, there should be specific language in the contract requiring the vendor to obtain the specific original proof of documentation in order to validate the employee and/or their dependent(s) eligibility.

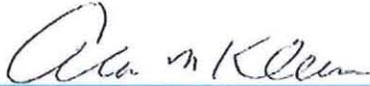
The Human Resources Department should also update its policies and procedures to include a specific process for verifying eligibility. This process should include effective communication to Amtrak's employees regarding their responsibility in the timely submission of original documentation supporting their dependent's eligibility, as well as verifying automated eligibility data. Accordingly, we believe our recommendations are appropriate.

We would like to express our appreciation for the cooperation provided to the audit team during the audit.

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Audit Staff:

Alan M. Klein, Senior Director – Audits
Denizejoice Hammond, Director – Audits
Renita Ellis, Manager – Healthcare Audits



Alan M. Klein
Senior Director – Audits

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Appendix A – Objective, Scope, and Methodology

Objective

The objective of the audit was to determine whether only eligible dependents of Amtrak employees are receiving health and welfare benefits and if adequate internal controls are in place to ensure accuracy and to detect and prevent unnecessary expenditures by Amtrak for ineligible dependents.

Scope and Methodology

The scope of the audit consisted of our review of Amtrak's Agreement-Covered Employee Benefits Handbook, ADP and UHC contracts, and the benefits enrollment/eligibility process. Although, all TPAs receive eligibility information from ADP, the scope of our review was limited to UHC, Amtrak's largest TPA. Specifically, we looked at the Human Resources verification review process in determining dependent eligibility.

We conducted our audit from September 2008 through June 2009 in accordance with the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives:

To accomplish our objective, we:

- Reviewed Amtrak human resources policies and procedures to gain an understanding of the eligibility process for new employees and their dependents.
- Conducted interviews with human resources personnel to obtain an understanding of their responsibilities regarding dependent processing with the various TPAs.
- Interviewed UHC key personnel to obtain an understanding of their eligibility process for dependents between the ages of 19 and 25.
- Interviewed ADP key personnel to obtain an understanding of the amtrakbenefits.com process, the eligibility data, and the transfer of information.
- Performed a test of amtrakbenefits.com to obtain an understanding the dependent enrollment process.

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**Appendix B - Special Circumstances Affecting this Audit,
Evaluation of Internal Controls, and Prior Audit Coverage**

Special Circumstances Affecting This Audit

Due to the severity of the deficiencies in this report with internal controls in the process of Amtrak dependent eligibility this quick reaction audit report is being issued to correct the deficiencies listed in this report immediately. The "AmPlan Eligibility Review Audit," will continue to assess the impact of Amtrak employee's dependents that may inappropriately be receiving benefits.

Evaluation of Internal Controls

This audit assessed the internal controls of Amtrak's processing of employees and their dependents for health and welfare benefits.

Prior Audit Coverage

None

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Appendix C - Other Information

UNITED HEALTHCARE STUDENT VERIFICATION LETTER

We received the above claim. Before we can process this claim, we need to know if the patient is a student at an accredited college or trade school and/or has other health coverage. Please mail this letter with your responses to the above return address:

Is the patient listed above a student at an accredited college or trade school?

() If yes, please provide the following information:

Name of school: _____

School Address: _____

Dates enrolled: ___ / ___ / ___ to ___ / ___ / ___

() If no, please provide the last date of attendance: ___ / ___ / ___

Does the patient have coverage under any other health benefit plan or insurance policy?

Yes ___ No ___

If yes, please provide the following information:

- Policyholder's name: _____ Date of birth: _____

- Name of insurance company: _____

- Phone number: _____

- Effective date of coverage: _____

- Date when coverage may stop if applicable: _____

Please be aware that you have 45 days from receiving this letter to respond. When we receive this information, we will make a decision within 15 days. Unfortunately, if you do not provide this information within 45 days, we may deny this claim because we do not have enough information to make a decision. If you have questions about this letter, please call Customer Care at the number listed on your member ID card. Thank you.

If the patient is no longer a student, please notify your employer as soon as possible. If the patient is disabled, ask your employer if the disability meets the guidelines within their contract. If the patient is not eligible to be part of your plan, he or she may be able to obtain individual coverage through one of United Healthcare's affiliated companies.