

Office of the County Internal Auditor

Human Resources Health Benefits Audit

Original audit published
9/23/24



August 8, 2025

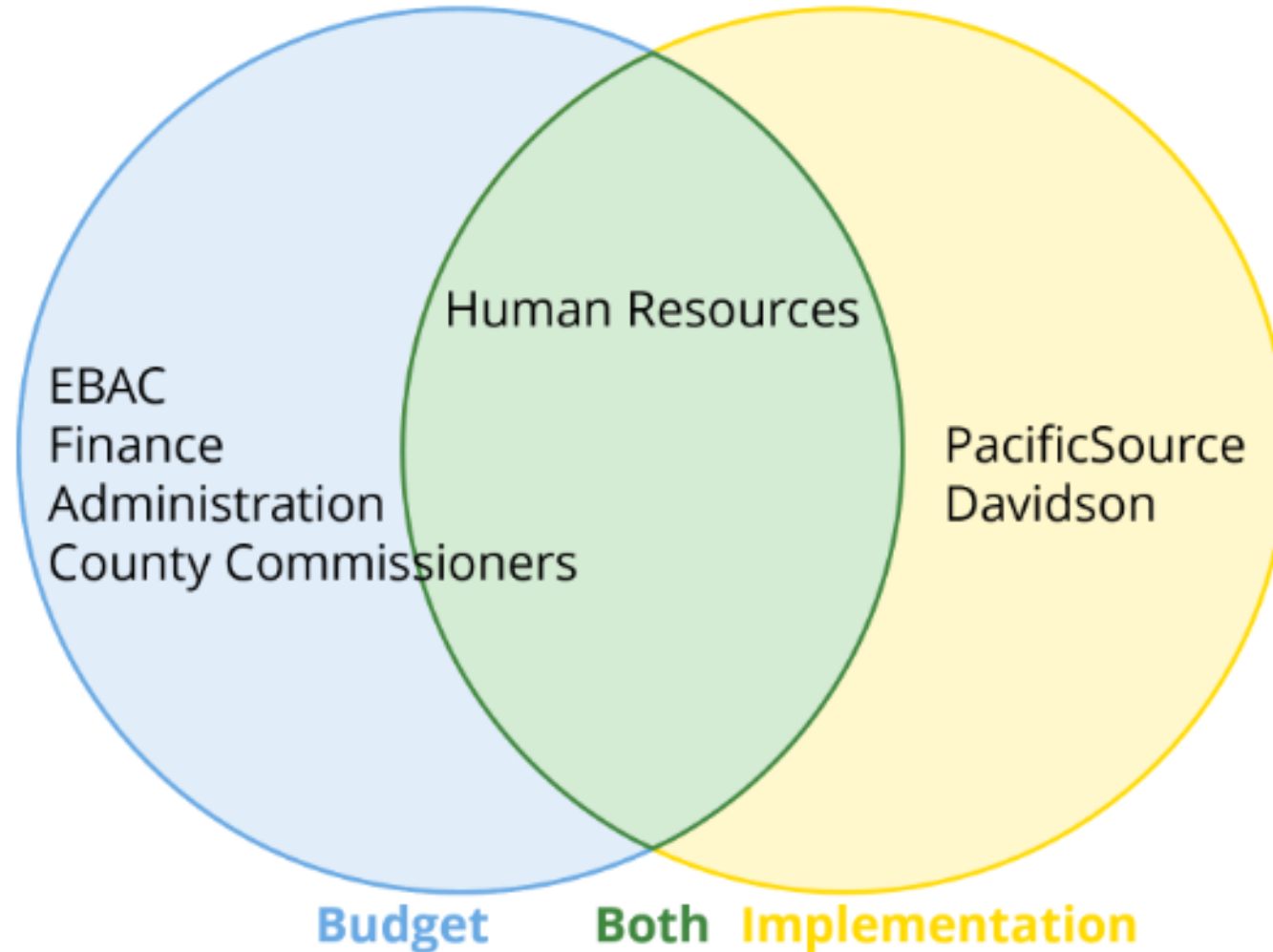
Background

Self-Insured Health Benefit Plan

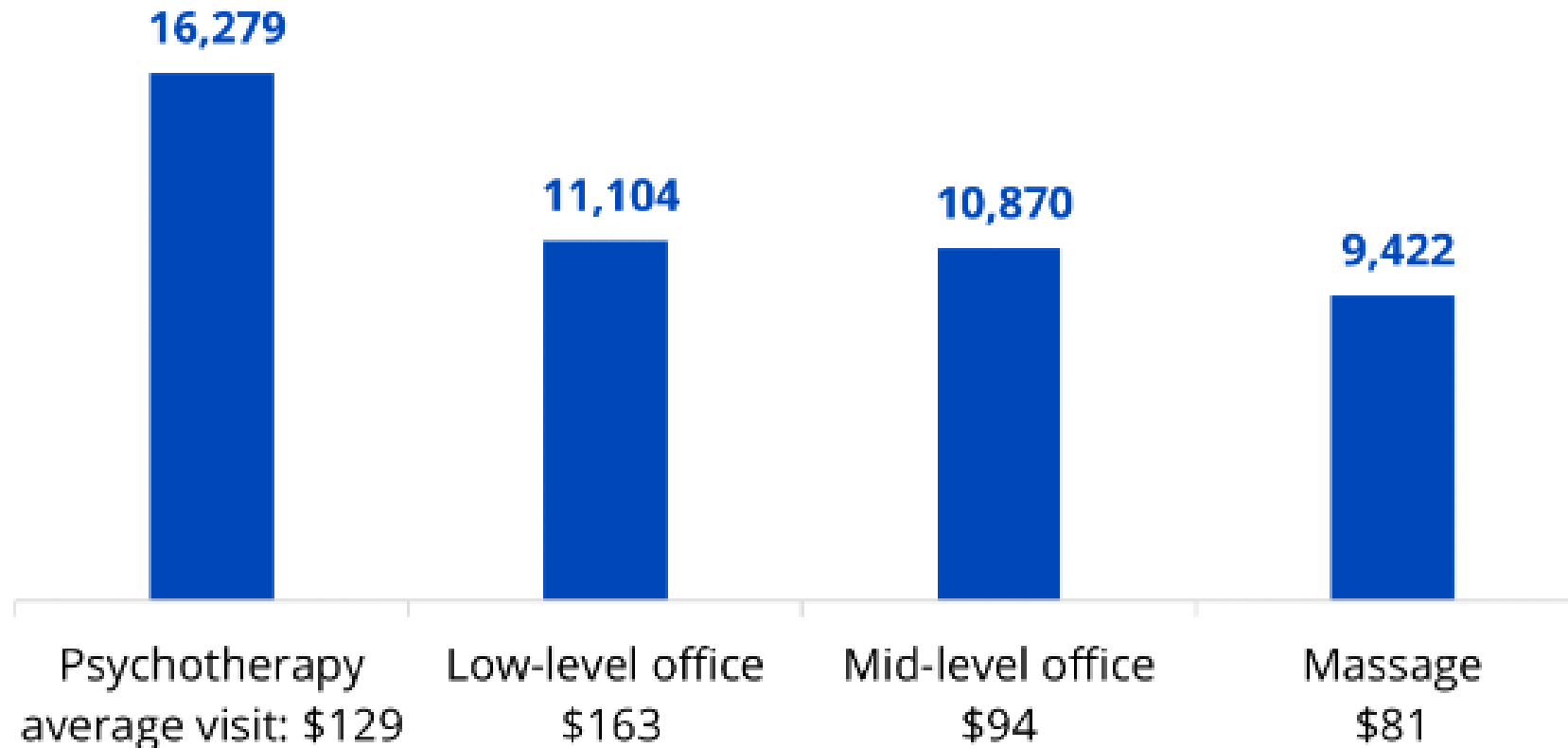
- Sets funds aside and pays for each medical procedure instead of paying premium rate per participant.
- County employees, dependents, and some retirees.
- Central Oregon Intergovernmental Council and Black Butte Ranch Service District.
- Fiscal Year 2024: \$19 million on 3,476 participants.



Roles Within the Health Benefits Program



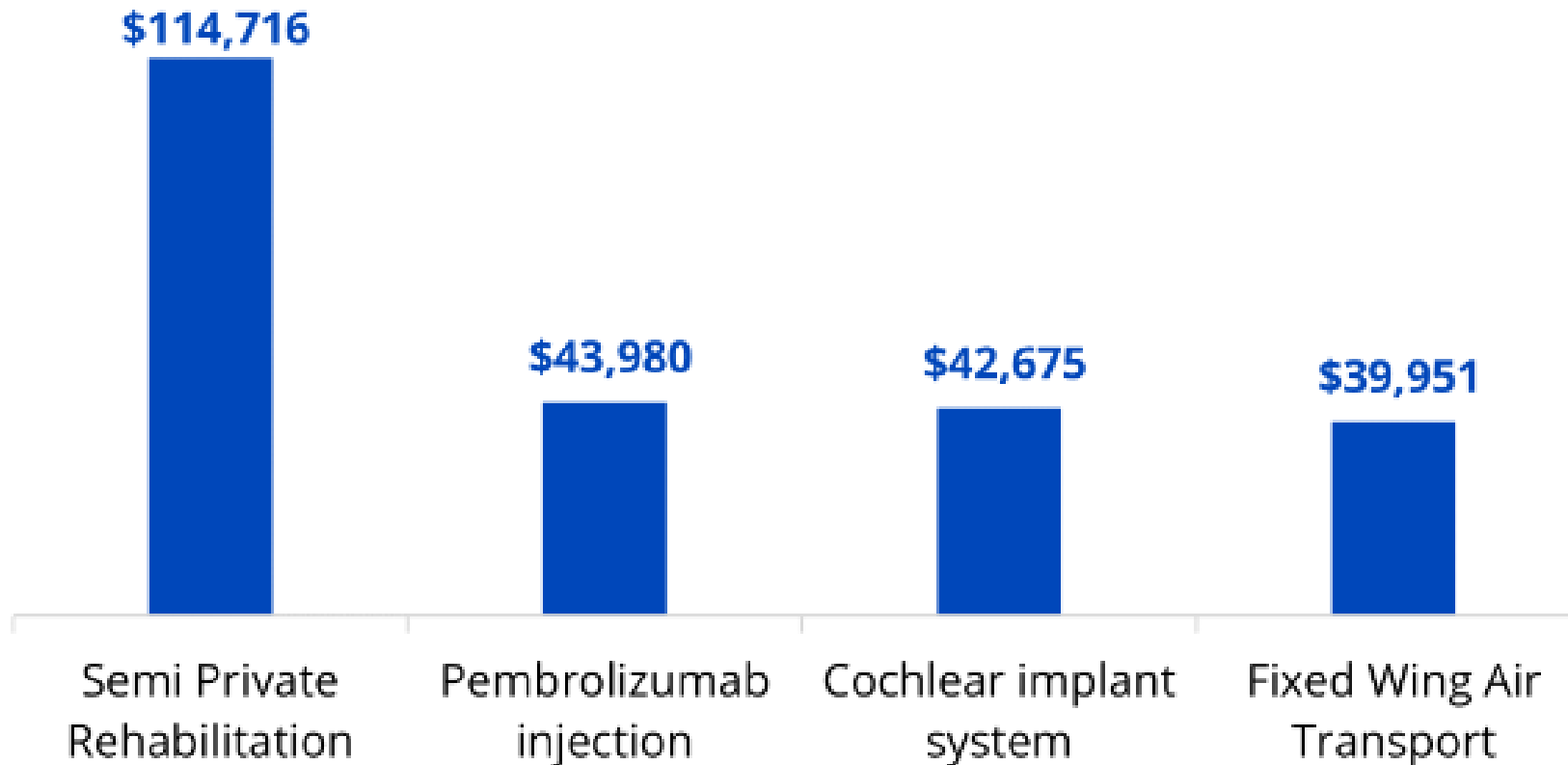
Most Common Procedures (2022 and 2023)



Source: PacificSource Claims Data



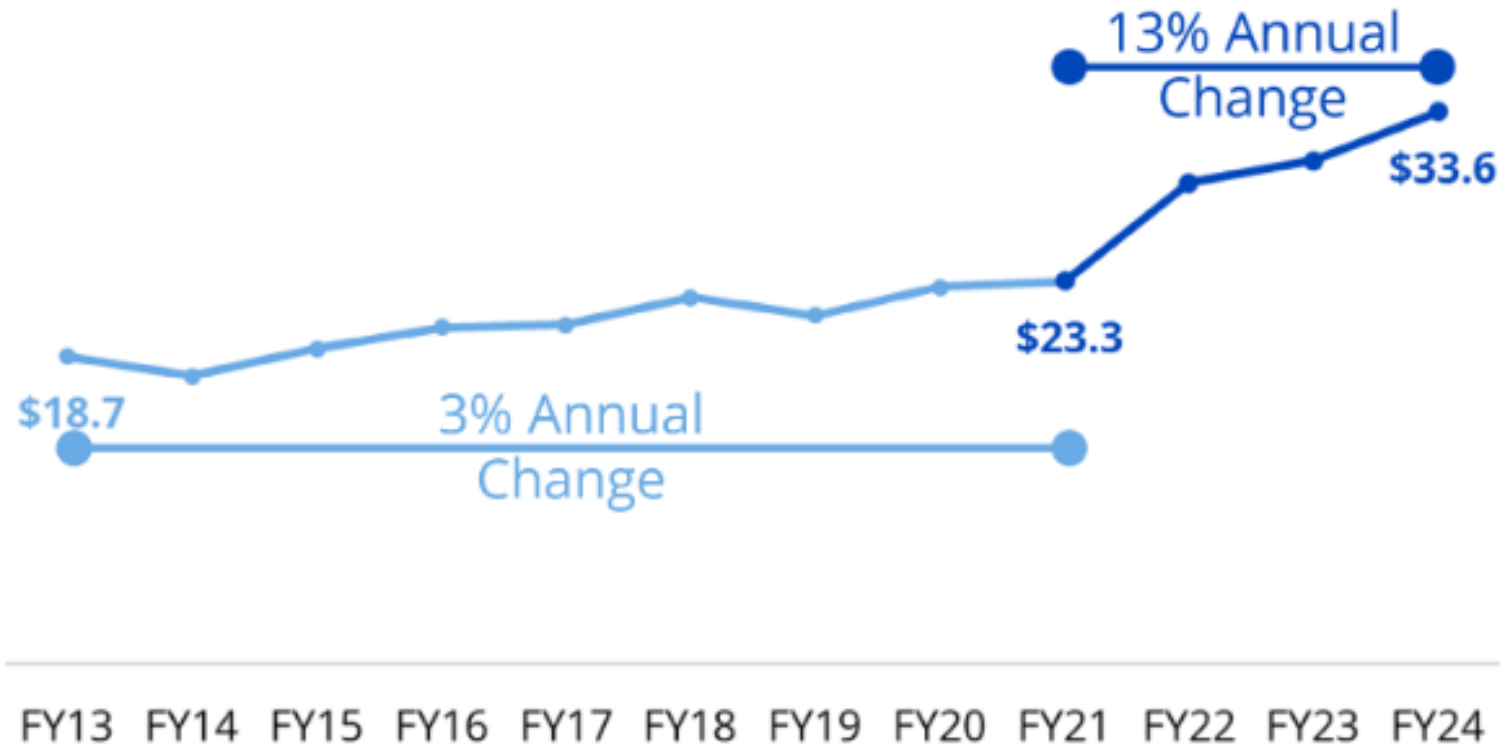
Most Expensive Procedures (2022 and 2023)



Source: PacificSource Claims Data



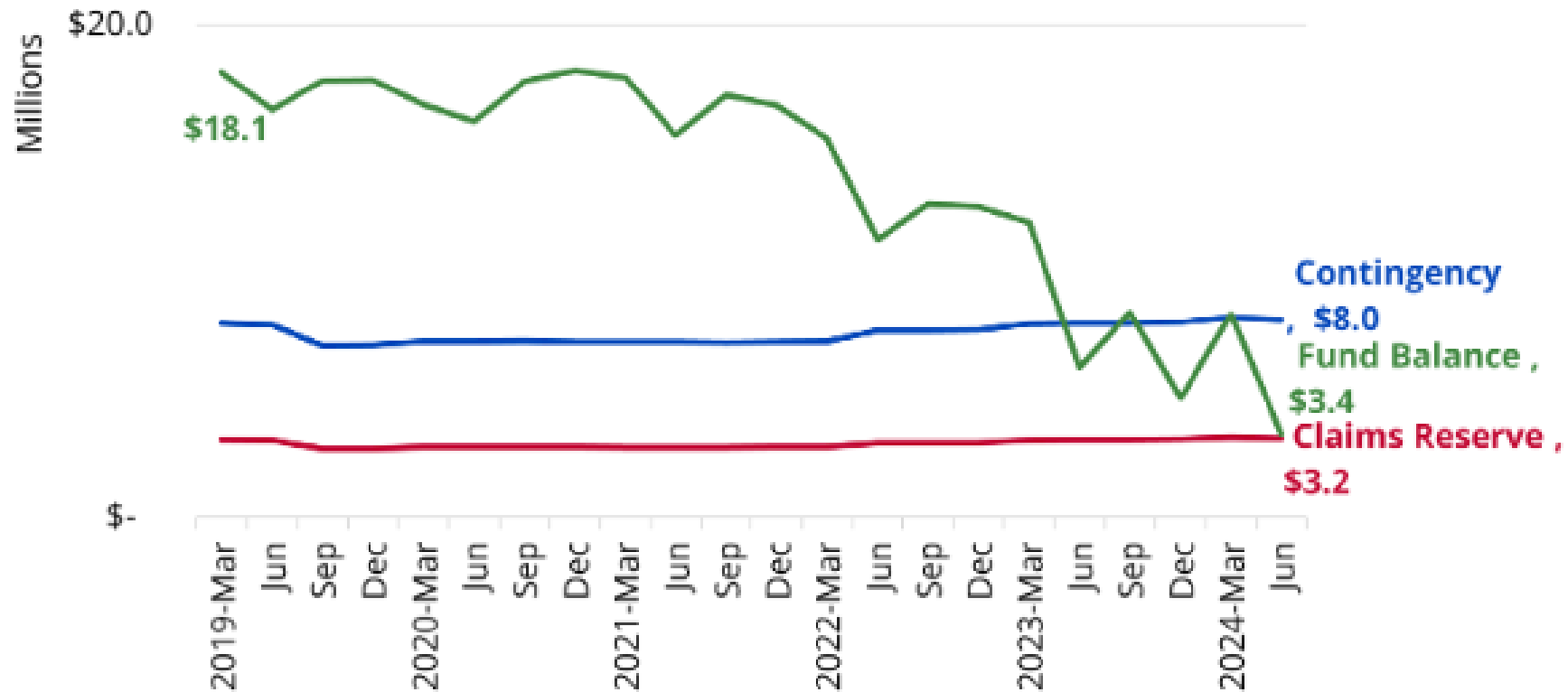
Costs Increased Faster After 2021



Source: County Financial Information System **FY 2024 is not final.



Fund Below Contingency and Neared Reserve



Source: County Financial Information System**June 2024 not final



Recommendation Updates

Improved financial model yet data security risks persist



1

Resolved

*Management addressed risk.
Auditors will no longer monitor.*



3

In Process

*Recommendations are in
progress. Auditors will continue
to monitor.*



2

Accept Risk

*Management accepted the risk of
not implementing the
recommendation.*



Health benefits financial model recalibrated.

Resolved



We Found

Health Benefits Fund reserves were below the level set by County policy.

We Recommended

Conduct an after-action review and root cause analysis to document why the Health Benefit Fund fell below the contingency level and steps they could take to prevent it from occurring in the future.

Update

Root cause analysis in audit report response. Revised and recalibrated the forecasting model.



No review of information security controls despite data sharing error.

Accept Risk 

We Found

Contractor shared sensitive medical data about other clients.

We Recommended

Add a requirement for service organization control reporting to the next health benefits third-party administrator contract.

Update

Decided to rely on the contractor's certification rather than requesting an audit.



Continued...

No review of information security controls despite data sharing error.

Accept Risk 

We Found

Contractor shared sensitive medical data about other clients.

**We
Recommended**

Create a policy for reviewing third-party administrator service organization controls reporting.

Update

Will not implement a policy for reviewing third-party administrator controls because they will not be requesting a report.



Working to gather reporting on payment accuracy and turnaround time.

In Process



We Found

The County relied on the administrator to process claims in a timely and accurate manner and to ensure that claim payments conformed with the plan.

We Recommended

Add requirements for reporting on payment accuracy, financial accuracy, and timeliness to the next contract.

Update

Agreed to work with the contractor to begin tracking data in the 2025 plan year and will ensure requirements are added to future contracts.



Continued...

Working to gather reporting on payment accuracy and turnaround time.

In Process



We Found

The County relied on the administrator to process claims in a timely and accurate manner and to ensure that claim payments conformed with the plan.

We Recommended

Share the report with the Employee Benefits Advisory Committee.

Update

Human Resources intends to share performance reporting with the Employee Benefits Advisory Committee at its July 2025 meeting.



Developing procedures to ensure third party administrator payments are correct.

In Process



We Found

Payments to the third-party administrator were accurate but documented procedures would increase confidence in future payments.

We Recommended

Follow through with plans to document procedures related to health benefits payment processing. Procedures should include back-up staff to fill in when primary staff are absent.

Update

Working to document procedures. Staff plan to coordinate with the new Human Resources Director to identify back-up staff when primary staff are absent.



Next Steps

We'll continue to follow-up on in process recommendations during annual global follow-ups.



Questions and Comments?

