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Correspondence Memorandum

Date: April 18, 2019
To: Group Insurance Board
From: Eileen Mallow, Director
Office of Strategic Health Policy
Subject: Update on LAB Audit

This item is for discussion.

The LAB Audit report 19-2, *Administration and Oversight of Group Insurance Programs* was issued in February 2019 and identified a number of opportunities for improving program oversight. In Section 2 of the attached workplan, key findings from the audit report related to Board oversight are identified, with a suggested approach from ETF staff. We are seeking Board guidance regarding information you would like to improve oversight of group health insurance, life insurance and disability programs consistent with recommendations from the audit.

ETF staff also continue to work evaluating potential changes to operations to address the remaining findings.

As of April 16, 2019, the 33 issues raised in the report are being addressed as follows:

- 8 – Completed
- 24 – In Progress
- 1 – Not yet started

ETF is on track to submit to the Joint Legislative Audit Committee by November 22 a written report showing our progress on implementing the audit recommendations. The Board will continue to receive updates on progress. The draft response to the Committee will be shared with you for comments at the November 15 meeting.

Staff will be available at the meeting to address any questions.

Attachment: Table of Audit Concerns

Reviewed and approved by John Voelker, Deputy Secretary

Electronically Signed 5/2/19

Board	Mtg Date	Item #
GIB	5.15.19	4

**ETF Report to Joint Legislative Audit Committee (JLAC)
Management Plan**

DRAFT - Not Final

Date: 4/16/2019

Audit Finding		Page #	Due Date	Status
1. 0.	Staff Time Tracking			In Progress
1. 1.	ETF Require Staff who work on individual group insurance programs to track on an ongoing basis the amount of time they used to complete work for each group insurance program	19	10/15/19	In Progress
2. 0.	Group Health Insurance Program (GHIP)			In Progress
	Administration			
2. 1.	ETF consistently prepare and provide the GIB with the results of its written analyses of recommendations from consultants for the Group Health Insurance program	29	8/21/19	In Progress
2. 2.	ETF work with the GIB to establish intended outcomes for changes to the GHIP	31	8/21/19	In Progress
2. 3.	ETF annually assess progress toward achieving these intended outcomes and provide the results of these assessments to the GIB	31	5/20/19	In Progress
2. 4.	ETF work with the GIB to ensure contracts sufficiently specify how to calculate performance measures	34	TBD	Not Started
2. 5.	ETF consistently determine whether firms achieved contractually specified performance measure goals and assess contractually specified financial penalties when firms do not achieve these goals	34	11/20/19	In Progress
2. 6.	Report to the GIB on the financial penalties it assesses	34	11/20/19	In Progress
	Reserves			
2. 7.	ETF require the program actuary to take investment income into account when it recommends the amount of Group Health Insurance program reserves to spend	42	8/21/19	In Progress
2. 8.	ETF require the program actuary to annually explain why the change in Group Health Insurance program reserves differed from the amount the GIB had voted to spend	42	8/21/19	In Progress
2. 9.	ETF require the program actuary to provide the GIB with calendar-year information on Group Health Insurance program reserves	42	N/A	Completed
2. 10.	ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for GHIP reserves and provide the results of these reviews to the GIB	43	8/21/19	In Progress
2. 11.	ETF consistently prepare and provide the GIB with the results of its written analyses of key information about program reserves that was provided to the actuary for the GHIP	45	N/A	Completed
2. 12.	ETF indicate in writing to the GIB if the program actuary makes a recommendation that is inconsistent with a prior GIB decision	46	8/21/19	In Progress
3. 0.	Income Continuation Insurance (ICI)			In Progress
	Administration			

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Management Plan**

DRAFT - Not Final

Date: 4/16/2019

	Audit Finding	Page #	Due Date	Status
3. 1.	ETF consistently provide the GIB with audit reports of the performance of the ICI program administrator and memoranda that accurately summarize these audit reports	66	N/A	Completed
Reserves				
3. 2.	ETF work with the GIB to establish target ranges for program reserves for the state and local components of the ICI program as well as a strategy and a timeline for achieving them	71	11/20/19	In Progress
3. 3.	ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for ICI program reserves and provide the results of these reviews to the GIB	71	11/20/19	In Progress
4. 0.	Group Health Insurance Program (GHIP)			In Progress
Administration				
4. 1.	ETF provide sufficiently detailed information in its memoranda to the GIB regarding the annual financial reports from the program administrator of the Group Life Insurance program	78	8/21/19	In Progress
Reserves				
4. 2.	ETF work with the GIB to establish target ranges for program reserves for the state and the local components of the Group Life Insurance program, as well as a strategy and a timeline for achieving them	81	8/21/19	In Progress
4. 3.	ETF work with the GIB to establish a policy requiring periodic reviews of the target ranges for Group Life Insurance program reserves and provide the results of these reviews to the GIB	81	8/21/19	In Progress
4. 4.	ETF assess whether the [Group Life Insurance] program administrator or the SWIB should invest program reserves and provide the results of this assessment to the GIB	81	8/21/19	In Progress
5. 0.	IT Security			In Progress
5. 1.	ETF work with the GIB to establish sufficient policies pertaining to audits of information technology controls	84	N/A	Completed
5. 2.	ETF collect all contractually required audits of information technology controls, review all submitted audits, and provide GIB with the results of the reviews	85	8/21/19	In Progress
5. 3.	ETF ensure that the security awareness training it provides its staff adequately addresses the appropriate ways to securely communicate confidential information	86	12/31/19	In Progress
6. 0.	GIB Oversight			In Progress
6. 1.	ETF consistently provide the GIB with programmatic information at least one week before meetings	90	N/A	Completed
6. 2.	ETF post on its website at least one day before a given meeting all nonconfidential information that the GIB will consider at that meeting	90	N/A	Completed

ETF Report to Joint Legislative Audit Committee (JLAC) Management Plan

DRAFT - Not Final

Date: 4/16/2019

	Audit Finding	Page #	Due Date	Status
6. 3.	ETF compile additional information about the performance of program administrators, program actuaries, and auditors and provide this information to the GIB and the ETF Board	92	8/21/19	In Progress
6. 4.	ETF work with the GIB and the ETF Board to determine the maximum durations of contracts with program administrators, program actuaries and auditors	92	N/A	Completed
6. 5.	ETF to seek approval and direction from the GIB or the ETF Board before executing contract amendments for actuarial services	92	5/15/19	In Progress
6. 6.	ETF establish a written plan to periodically contract for actuarial audits to assess the appropriateness of information provide by program actuaries and provide the GIB with the actuarial audit results	93	12/31/19	In Progress
6. 7.	ETF assess options to improve the oversight of group insurance programs and provide the results of its assessment to the GIB	95	N/A	Completed
7. 0.	Legislative Considerations			In Progress
7. 1.	Recommended Statutes Change: Require ETF to provide to the Legislature by June 30 of each year information about program reserves for the state and the local components, including the amounts of program reserves as of December 31 of the prior two years and the reasons why program reserves had changed over that period of time	47	On-going	In Progress
7. 2.	Recommended Statutes Change: Specify that the Administrator of DOA's Division of Personnel Management, or his or her designee, is a GIB member	95	On-going	In Progress
7. 3.	Recommended Statutes Change: Require the four insured employee/participants GIB members participate in at least one of the group insurance programs overseen by GIB	95	On-going	In Progress
8. 0.	JLAC Report			In Progress
8. 1.	Draft Task Management Plan and Plan Overview		3/22/19	Completed
8. 2.	Schedule and host Kick-off Meeting		3/26/19	Completed
8. 3.	Finalize Task Management Plan and Plan Overview		4/26/19	In Progress
8. 4.	JLAC Report Planning and Check-in		4/26/19	Not Started
8. 5.	Finding Owners approve Task Management Plan		5/10/19	Not Started
8. 6.	Initiate writing of JLAC Report		9/30/19	Not Started
8. 7.	Finding Owners draft sections for JLAC Report		10/4/19	Not Started
8. 8.	Final draft of JLAC Report		10/18/19	Not Started
8. 9.	SO review and approve JLAC Report		10/29/19	Not Started
8. 10.	GIB presentation dry run practice with peers		10/30/19	Not Started
8. 11.	ETF Executives presentation of report before GIB		11/4/19	Not Started
8. 12.	Presentations Due		11/5/19	Not Started
8. 13.	JLAC Report presented to GIB		11/13/19	Not Started
8. 14.	GIB input/adjustments to JLAC Report (finalize report)		11/18/19	Not Started
8. 15.	JLAC Report due		11/22/19	Not Started