

**Performance Audit:  
Employee Benefits**

**October 2022**

**City Auditor's Office  
City of Atlanta**

File #22.08





**CITY OF ATLANTA**  
City Auditor's Office  
Amanda Noble, City Auditor  
404.330.6750

October 2022

## **Performance Audit:**

### **Employee Benefits**

#### **What We Found**

Errors in benefits payroll deductions led to employees underpaying for their benefits and the city overpaying to cover the difference. Our review of benefits payroll deductions for a random sample of active employees in October 2021 found that all employees in two plan tiers were charged a lower rate than the rate in the enrollment guide, and some employees were paying the 2020 rate for their chosen plan due to a processing error in Oracle.

The city is likely short hundreds of thousands of dollars in unreimbursed retiree insurance costs. The city pays insurers for health insurance benefits and receives reimbursement for retiree contributions through pension payroll deduction for retirees enrolled in the city's defined benefit plan; retirees enrolled in the defined contribution plan are responsible for providing a check or money order to cover outstanding amounts. Employee Benefits Division staff logs payments received but has no list of retirees who must make payments and no process to reconcile retiree payments with what the city is owed. We estimate the shortfall in reimbursements to be \$276,000 in 2021. Lack of tracking has also led to the city continuing coverage for retirees after they've passed away.

The Employee Benefits Division lacks a strategic approach for administering the city's health and wellness programs. Neither the division nor any other city authority is currently responsible for evaluating the effectiveness of the city's wellness programs, and the Employee Benefits Division cannot accurately assess whether these programs have an impact on health outcomes for city employees.

The City of Atlanta's medical plans are affordable under the ACA (Affordable Care Act). The ACA's employer-shared responsibility provisions require applicable large employers to offer minimum essential coverage that is affordable.

#### **Why We Did This Audit**

We undertook this audit because previous audits identified employee benefit errors that resulted in inaccurate payroll deductions, inaccurate pension and beneficiary payments, delayed enrollment in benefit plans, and overpayments to healthcare providers.

#### **What We Recommended**

To improve accuracy, the Human Resources Commissioner should:

- develop processes to review new plan rate amounts before uploading them into Oracle and ensure that open enrollment selections are processed correctly
- implement a monthly discrepancy report to detect incorrect deductions or anomalies
- develop processes to invoice retirees whose benefits contributions can't be withheld from payroll and to track and reconcile payments received

To more effectively administer benefit programs, the Human Resources Commissioner should:

- implement best practices for wellness programs, including setting goals, establishing a wellness committee, evaluating participation, and conducting organizational assessments
- use available data to better manage healthcare costs
- assemble a task force to consider alternative ways to provide retiree health benefits

For more information regarding this report, please use the "contact" link on our website at [www.atlaudit.org](http://www.atlaudit.org).

## Management Responses to Audit Recommendations

Summary of Management Responses		
<p><b>Recommendation #1:</b></p> <p>In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner develop a review process for new plan rate amounts before the Oracle plan configuration upload.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> January 2023</p>
<p><b>Recommendation #2:</b></p> <p>In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner implement controls to ensure that selections made during open enrollment are processed correctly.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> January 2023</p>
<p><b>Recommendation #3:</b></p> <p>In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner implement a monthly discrepancy report to detect incorrect deductions or anomalies.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Not Started</p>	<p><b>Estimated Completion Date (M/Y):</b> January 2023</p>
<p><b>Recommendation #4:</b></p> <p>In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner create an invoicing process and generate an invoice to be mailed in with retiree benefits payments and consider electronic payments through a billing module in Oracle.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> January 2023</p>
<p><b>Recommendation #5:</b></p> <p>In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner develop a process for reconciling retiree payments to the city.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> January 2023</p>

<p><b>Recommendation #6:</b></p> <p>In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner develop written policies and procedures for correcting common Oracle data entry mistakes and Human Resources discrepancies.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> <b>December 2022</b></p>
<p><b>Recommendation #7:</b></p> <p>To effectively administer the wellness programs, we recommend that the Human Resources Commissioner establish and post goals and objectives for wellness programs to the Benefits website, consistently collect attendance data, and evaluate participation in wellness programs at least annually.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> <b>October 2022 (to roll out in January 2023)</b></p>
<p><b>Recommendation #8:</b></p> <p>To effectively administer the wellness programs, we recommend that the Human Resources Commissioner establish a wellness committee to help build organizational support and to improve the effectiveness of wellness programs.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Partly Implemented</p>	<p><b>Estimated Completion Date (M/Y):</b> <b>November 2022</b></p>
<p><b>Recommendation #9:</b></p> <p>To effectively administer the wellness programs, we recommend that the Human Resources Commissioner direct the Employee Benefits Division to use available data, including surveys to measure program success consistent with best practices.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Started</p>	<p><b>Estimated Completion Date (M/Y):</b> <b>April 2023</b></p>
<p><b>Recommendation #10:</b></p> <p>To effectively administer the wellness programs, we recommend that the Human Resources Commissioner develop and implement a system for evaluating health and wellness programs to determine whether initiatives are improving employees' health outcomes.</p>		
<p><b>Response:</b> Agree</p>	<p><b>Status:</b> Not Started</p>	<p><b>Estimated Completion Date (M/Y):</b> <b>April 2023</b></p>

**Recommendation #11:**

To effectively administer the wellness programs, we recommend that the Human Resources Commissioner assemble a task force to consider the possibility of offering a retiree stipend instead of health benefits, which could eliminate the need to reconcile retiree contribution payments.

**Response:**

Agree

**Status:**

Implemented

**Estimated Completion Date (M/Y):**

N/A

**Recommendation #12:**

To effectively administer the wellness programs, we recommend that the Human Resources Commissioner implement best practices for establishing and designing a wellness program by evaluating the City of Atlanta workplace culture, including conducting organizational assessments and environmental audits and evaluating available data to better manage healthcare costs.

**Response:**

Agree

**Status:**

Started

**Estimated Completion Date (M/Y):**

January 2023



## CITY OF ATLANTA

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October 6, 2022

Honorable Mayor and Members of the City Council:

We undertook this audit because previous performance and financial audits identified employee benefit errors that resulted in inaccurate employee payroll deductions, inaccurate pension and beneficiary payments, delayed enrollment in benefit plans, and overpayments to healthcare providers.

Management agreed with our recommendations, which focus on strengthening controls to ensure accuracy, tracking retiree contributions for health benefits, and implementing best practices to more effectively administer benefits programs and manage health care costs.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on September 8, 2022, and received their response on September 29, 2022. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Myra Hagley, Ijgayehu Jones, and Anijarae Dade.

Amanda Noble  
City Auditor

Danielle Hampton  
Chair, Audit Committee



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# Employee Benefits

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# Introduction

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We undertook this audit because previous performance and financial audits identified employee benefit errors that resulted in inaccurate employee payroll deductions, inaccurate pension and beneficiary payments, delayed enrollment in benefit plans, and overpayments to healthcare providers. Stakeholders expressed concerns with the city's current \$120 million group health fund deficit, the process for converting from an active to a retired employee, and the reconciliation of employee data in Oracle. In this audit of the Employee Benefits Division, we assessed processes and systems in place to administer benefit programs, including retiree health benefits. We did not examine pension benefits due to ongoing efforts of city staff to work with the third-party administrator to improve data reliability.

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## Background

The Department of Human Resources consists of eight divisions and offices (see Exhibit 1). The Employee Benefits Division:

- administers the city's employee and retiree insurance benefit and pension programs
- manages benefit provider contracts
- coordinates health and financial wellness initiatives, which include a fitness facility, health fairs, on-site health screenings, blood drives, and monthly wellness related lunch-and-learn sessions

Additionally, the Employee Benefits Division includes the administration of pension benefits, although health insurance benefits and the pension program operate separately. The division also operates alongside the Psychological Services/Employee Assistance Program, which provides crisis management, consultation, confidential counseling services, and wellness programming to city employees.

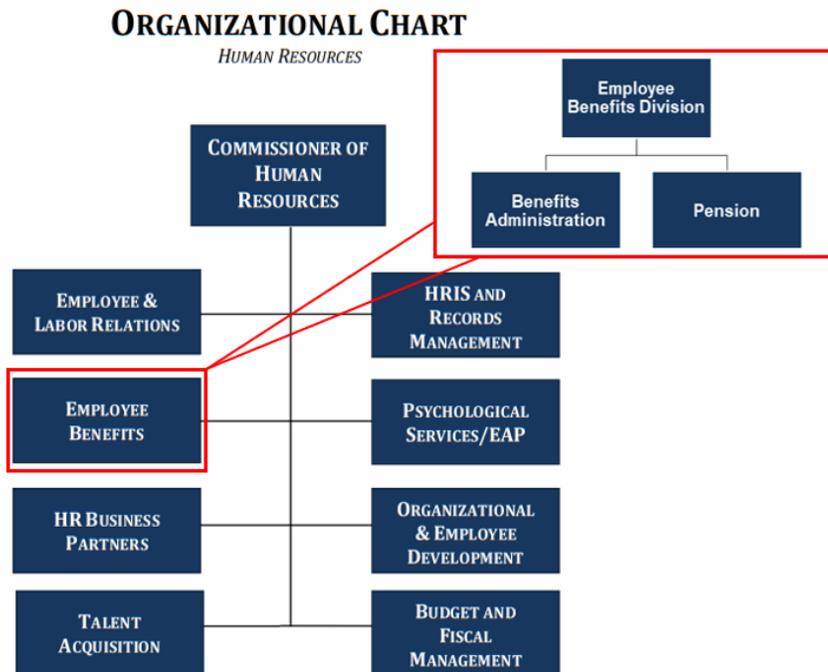
### **Employee Benefits Division Administers Health Benefit and Wellness Programs for City Employees and Retirees**

Eleven Employee Benefits employees handle insurance benefits—a benefits manager, project manager, administrative assistant, leave

administrator, wellness coordinator, three benefits analysts, and three benefits representatives.

Three additional staff members handle pension benefits—a pension administrator, a pension analyst, and a contractor, although pension administration is outsourced to two third-party administrators. Prior to June 2021, the Benefits Division also included a director position to lead both the pension program and insurance benefits; however, after the previous director departed the city, the Human Resources commissioner determined the position to be unnecessary.

**Exhibit 1: The Employee Benefits Division Manages Insurance and Pension Programs**



**Source:** Developed by auditors, using the City of Atlanta Fiscal Year 2022 Proposed Budget, page 316 of 621

The city provides medical, dental, vision, and life insurance to employees and retirees. The city offers two high-deductible options and two traditional medical plan options for active employees: the Anthem BCBS High-Deductible Health Plan (HDHP), the Kaiser HMO HDHP, the Anthem BCBS POS plan, and the Kaiser Permanente HMO (see Exhibit 2). High-deductible health plans have higher deductibles than traditional health plans but charge a lower monthly premium. Current employees who choose a High-Deductible Health Plan are eligible for health savings accounts (HSAs) that can be used to pay for eligible healthcare expenses. Current employees may also choose to participate

in healthcare flexible spending accounts (FSAs), which can be used to pay for eligible health expenses, with pre-tax salary deductions. Employees may also enroll in a dependent care FSA to cover dependent daycare expenses, regardless of medical plan enrollment.

**Exhibit 2: The City Offers Several Health Plan Types for Employees and Retirees**

Plan Type	Characteristics
<b>Health Maintenance Organization (HMO)</b>	<ul style="list-style-type: none"> <li>• Usually limits coverage to care from doctors who work for or with the HMO</li> <li>• Typically does not cover out-of-network care</li> </ul>
<b>Point of Service (POS)</b>	<ul style="list-style-type: none"> <li>• In-network care costs less than outside providers</li> <li>• Referral from primary care doctor is required to see specialist</li> </ul>
<b>Preferred Provider Organization (PPO)</b>	<ul style="list-style-type: none"> <li>• In-network care costs less than outside providers</li> <li>• Out-of-network care is permitted without a referral for an additional cost</li> </ul>

**Source:** Developed by auditor based on Healthcare.Gov

For retirees who are ineligible for Medicare, the city offers the same traditional non-Medicare medical plans, an Anthem BCBS POS plan and a Kaiser Permanente HMO plan. Retirees eligible for Medicare can enroll in one of four supplemental plans, depending on their Medicare eligibility status. Those eligible for Medicare Parts A and B can enroll in an Anthem BCBS Medicare Advantage PPO plan, Kaiser Senior Advantage HMO plan, or UnitedHealthcare Medicare Advantage Group PPO plans, and retirees eligible for Medicare Part B only can enroll in the UnitedHealthcare Group Medicare Advantage PPO Plan. Retirees and their survivors are not eligible for HSAs or FSAs through the city.

The city also offers both active employees and retirees dental plans through Anthem BCBS and Aetna, vision plans through UnitedHealthcare, and life insurance plans through Anthem. For active employees, in addition to an employee’s selected coverage, the city provides \$40,000 in basic life and accidental death and dismemberment (AD&D) coverage at no cost to the employee. The city authorized \$165 million for group health insurance benefits in 2021.

The city makes two permanent health facilities available to active employees free of charge—the fitness center and the wellness clinic. The fitness center offers gym equipment, shower and restroom

facilities, fitness classes and assessments, and a juice bar. Beginning in March 2020 until May 2022, the fitness center was closed due to COVID-19; however, the city offered virtual services through Zoom, which included:

- fitness classes
- fitness consultations with a certified fitness specialist
- access to over 100 fitness and tutorial videos
- weekly newsletters with workout plans and healthy recipes
- a Facebook page to help employees stay connected
- monthly challenges such as step and weight loss challenges
- 15-minute stretch breaks with fitness specialists throughout the week
- webinars which focused on topics such as stress management and staying fit while working from home

With a contract valued at \$380,000, the City of Atlanta utilizes Aquila for the management of the fitness center, which employs six staff members: a program manager, one part-time and full-time fitness specialist. It also includes a manager, one part-time and one full-time employee to operate the juice bar. The fitness center operates 6:00 AM until 7:00 PM, Monday through Friday.

The wellness clinic serves active employees enrolled in Kaiser and Anthem BCBS plans, as well as new employees whose benefits have not yet begun. By appointment only, the clinic provides acute care, preventative care, and disease management services (see Exhibit 3), and employees can be seen in one of six exam rooms: three general facility rooms and three Kaiser insurance exam rooms.

**Exhibit 3: The Wellness Clinic Provides Health-Related Services to Active Employees**

	Acute Care	Preventative Care	Disease Management
<b>Services</b>	<ul style="list-style-type: none"> <li>• Cold/flu</li> <li>• Conjunctivitis</li> <li>• Cuts</li> <li>• Headache/migraine</li> <li>• Infections</li> <li>• Muscle and joint pains</li> <li>• Nausea/vomiting</li> <li>• Rashes</li> <li>• Sinus infections</li> <li>• Sore and strep throat</li> </ul>	<ul style="list-style-type: none"> <li>• Screenings</li> <li>• Vaccinations</li> <li>• Women’s Health</li> <li>• COVID testing</li> </ul>	<ul style="list-style-type: none"> <li>• Allergies</li> <li>• Asthma</li> <li>• Depression</li> <li>• Diabetes</li> <li>• Emphysema</li> <li>• High blood pressure</li> <li>• High cholesterol</li> <li>• Thyroid conditions</li> <li>• Weight management</li> </ul>

**Source:** Developed by auditors based on wellness center brochure

The city contracts with Everside Health to operate the wellness center, with the contract valued at \$1,834,487 for the initial 1-year term. Clinic staff includes a nurse practitioner, three medical assistants, a practice manager, and a vacant medical doctor position under Everside. The clinic also includes a nurse practitioner, licensed practical nurse, and a manager employed by Kaiser. Hours of operation for the clinic are 8:00 AM to 5:00 PM, weekdays only.

In addition to the permanent health facilities, the city also offers health and wellness programs free of charge to active employees. Human Resources coordinates with various medical providers for services which include:

- Kaiser Wellness Incentive Program
- Anthem BCBS Wellness Incentive Program
- Lunch & Learns
- health fairs
- on-site health screenings
- blood drives
- an annual calendar of events

Through the city's partnership with Kaiser, employees can participate in a wellness incentive program for up to a \$350 reward. Participants must complete a health assessment, biometric screening, receive up to date diagnostics such as breast, cervical, and colorectal screenings, and complete one Healthy Lifestyle Program or partner with a wellness coach over the telephone to receive \$300. Since COVID-19 began, the program was updated to include an additional \$50 incentive for employees who receive the COVID-19 vaccine. The program deadline is December 31 of the respective year; therefore, employees have the entire calendar year to complete the incentive program and can participate each year for the same reward. All incentives are paid out in the form of an HSA contribution or a reward card.

Anthem BCBS' wellness incentive program offers up to \$300 for participation. Unlike Kaiser's program, participants can earn rewards for each step completed. Employees receive \$50 for completing an online health assessment, \$150 for completing an annual wellness exam, \$50 for either completing a biometric screening or receiving a flu shot, and an additional \$50 for receiving the COVID-19 vaccine. Similar to Kaiser's program, Anthem's program deadline is December 31 of the respective plan year and employees can complete the program throughout the entirety of the calendar year. Rewards are distributed as Amazon.com electronic gift cards.

Human Resources holds health and wellness events periodically throughout the year. Conducted during business hours, typically during the lunch hour, Lunch & Learns cover various topics but are usually

chosen based on the nationally designated health topic for the corresponding week or month. Industry specialists are invited to speak with employees and answer questions about the selected topic. According to Benefits staff, boxed lunches are provided on a first come, first served basis for the first 80 to 120 people.

Health fairs involve inviting outside vendors to City Hall to share health and wellness related products, services, and information. Businesses often offer services at a discounted rate to city employees. Events are typically held in the City Hall Atrium or the city's Public Safety Building. On-site health screenings, sometimes held in conjunction with health fairs, allow employees to receive a flu shot or complete a biometric screening. The Department of Human Resources also partners with other departments to conduct these events. According to Benefits staff, the city has not held a health fair since COVID-19 began.

After a hiatus for COVID-19, the city has resumed holding blood drives every three months. In partnership with the American Red Cross, employees can donate blood to help the city meet a quota predetermined by the American Red Cross. Blood drives are often facilitated in the Old Council Chambers or the City Hall Atrium.

The City of Atlanta's annual calendar of health and wellness events includes several events for each month of the year except January and correspond with nationally designated health topics. For example, October is breast cancer awareness month, and the city offers services such as mammogram and other preventative screenings to eligible employees.

### **City Contracts with Benefits Providers to Provide Services**

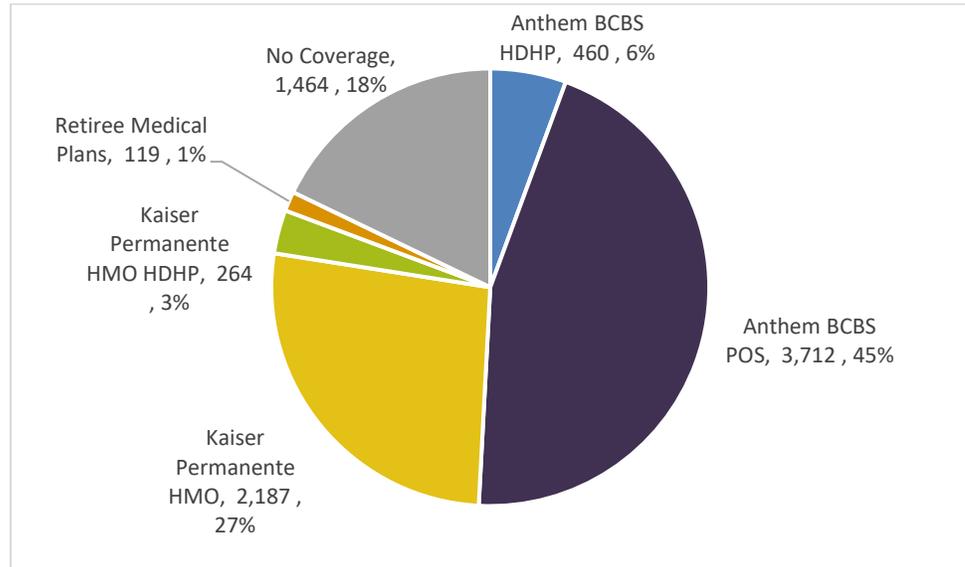
The City of Atlanta selects benefits providers through the city's procurement process. The city currently has a two-year contract with each provider with three one-year options to renew. This year, the city will transition to three-year contracts with two one-year options to renew. Every five years, the city releases a (RFP) Request for Proposal for all benefit plans—medical, dental, vision, life and AD&D, voluntary products, flexible spending account, and COBRA coverage. Vendors submit proposals for the RFP, and evaluators from departments across the city review the proposals using a scoring matrix. The top three proponents are selected to submit their best and final offers, and the city chooses a final proposal for each plan. The contracts for the fitness facility and wellness clinic are also solicited by RFP and selected through the procurement process.

The City of Atlanta currently contracts with two providers for health insurance and non-Medicare retiree health insurance—Kaiser Permanente and Anthem Blue Cross Blue Shield (BCBS). The city’s Kaiser plans are fully insured plans in which the city pays an access fee while Kaiser takes full liability for all claims. The Anthem BCBS plans are self-insured plans in which the city pays for all claims up to a stop-loss amount, at which point Anthem covers the remaining claims. The city’s stop-loss amount is currently \$400,000, so any claims over \$400,000 are covered by Anthem. The city also contracts with Anthem BCBS, Kaiser, and UnitedHealthcare for Medicare Advantage plans that supplement coverage for Medicare-eligible retirees. The UnitedHealthcare plan is also a fully insured plan.

### **Over 7,000 Active Employees Were Enrolled in At Least One Benefit Plan as of October 2021**

Our review of benefits enrollment data as of October 2021 found that 7,296 of 8,206 active employees were enrolled in at least one of the city’s medical, dental, vision, life and AD&D (accidental death and dismemberment), or dependent life insurance plans (see Exhibit 5). About 82% of active employees participated in medical coverage as of October 2021. This includes some retirees that returned to work with the city and are enrolled in retiree benefits plans; about 1% of the active employees as of October 2021 were enrolled in retiree medical plans. Of those enrolled in active employee medical plans, the majority enrolled in Anthem BCBS plans, specifically the POS plan (see Exhibit 4). Most employees enrolled in benefits selected traditional medical plans; of all employees enrolled in medical coverage, only 6% chose the Anthem BCBS HDHP plan and 3% chose the Kaiser HMO HDHP plan. Of the 6,623 employees enrolled in employee medical coverage, 49% were enrolled in Participant Only coverage, 20% enrolled in Participant and Child(ren) coverage, and another 20% enrolled in Participant and Family coverage; the remaining 11% were enrolled in Participant and Spouse/Domestic Partner or Participant, Child(ren), and Domestic Partner coverage.

**Exhibit 4: About 82% of Active Employees Were Enrolled in a City Medical Plan as of October 2021**



**Source:** Developed by Auditor based on Oracle Census Report Data as of October 2021

As of October 2021, about 85% of city employees were enrolled in dental coverage and 72% enrolled in vision coverage. Less than half of all active city employees were enrolled in the basic life and AD&D coverage or supplemental life insurance. About 24% of employees were enrolled in life insurance for their spouse or domestic partner, and 28% were enrolled in life insurance for their dependent child. Only 7% of city employees enrolled in healthcare FSAs, and 1% were enrolled in dependent care FSAs. Of the 724 employees participating in one of the city’s HDHPs, 26% also enrolled in an HSA.

**Exhibit 5: City Employees Can Also Participate in Dental Plans, Vision Plans, Life Insurance Plans, FSAs, and HSAs**

Type of City Benefit	Employees Enrolled
Dental Coverage	6,947
Vision Coverage	5,903
Basic Life and AD&D	3,617
Supplemental Life Insurance	2,883
Dependent (Spouse/Domestic Partner) Life Insurance	1,933
Dependent (Child) Life Insurance	2,258
Healthcare FSA	611
Dependent Care FSA	58
Health Savings Account	190

**Source:** Developed by Auditor based on Oracle Census Report Data as of October 2021

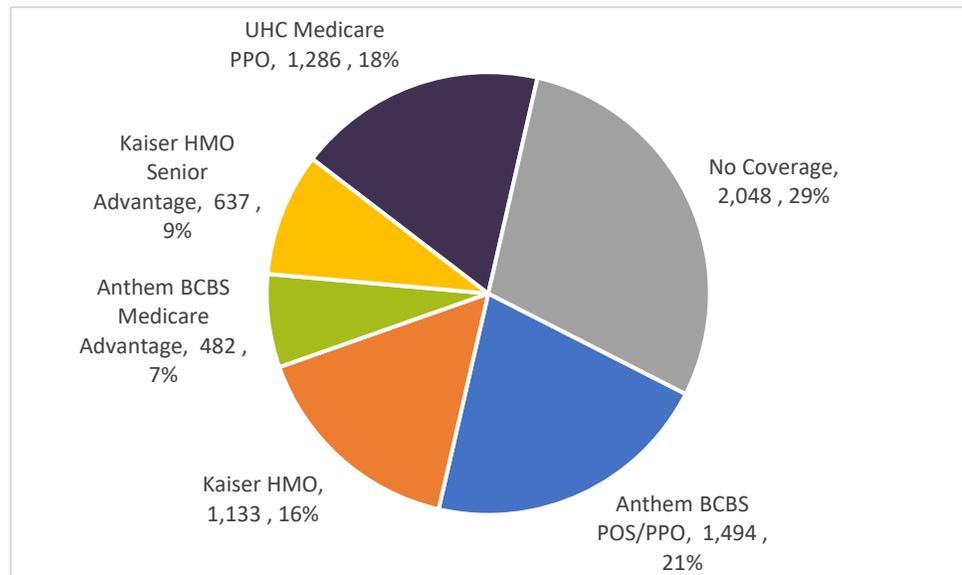
## **Most Retirees and Survivors Participate in City Benefits**

The city offers benefits to retirees and their families, as well as survivors of retirees in the city's defined benefit pension plans. The city manages two retirement plans, a defined benefit plan and a defined contribution plan, as well as a defined benefit hybrid plan, which includes both a defined benefit and a defined contribution component. Retirees in the defined benefit and hybrid plans receive monthly pension benefits and insurance benefits for life. Retirees in the defined contribution plan do not receive monthly pension benefits; in retirement, defined contribution plan retirees can choose to withdraw a lump sum amount, receive payments, or move funds to another retirement account, until the funds are exhausted. To be eligible for retiree medical benefits, defined contribution participants must retire from the city, be at least 60 years of age, and have ten years of service with the city.

Surviving spouses, domestic partners, and children of defined benefit plan retirees are also eligible for coverage if they are eligible to receive monthly pension benefits after the retiree's passing. Unmarried beneficiary children of defined benefit retirees are eligible for pension and insurance benefits until age 18 or age 23 if a full-time student. A 1986 amendment allows surviving spouses and domestic partners to remain eligible for monthly pension benefits after remarriage. Surviving spouses and domestic partners of defined benefit retirees hired before 1986 who elected to join the 1986 amendment or retirees hired after 1986 can maintain insurance benefits for life. Surviving spouses and domestic partners of those who did not elect to join the 1986 amendment are eligible for monthly pension and insurance benefits until remarriage. Survivors of defined contribution plan retirees are not eligible for city retiree insurance benefits.

As of October 2021, 6,042 of the city's 7,080 retirees and survivors were enrolled in at least one of the retiree medical, dental, vision, or life insurance plans. About 71% of the city's retirees or their survivors participated in a city medical plan, with 52% of those enrolled in non-Medicare plans, and 48% enrolled in Medicare Advantage plans (see Exhibit 6). Of the 5,032 retirees enrolled in a medical plan, 47% were enrolled in Retiree Only plans, and 29% were enrolled in Retiree and Spouse/Domestic Partner plans. Only 6% were enrolled in Retiree and Family plans covering the retiree, spouse or domestic partner, and children, and 4% enrolled in Retiree and Child(ren) plans. Thirteen percent were surviving spouses enrolled in self-only coverage, and only 1% were surviving spouses or partners enrolled in coverage for themselves and children. Less than one percent were surviving children enrolled in coverage.

**Exhibit 6: About 71% of City Retirees or Survivors Participated in City Medical Plans as of October 2021**



**Source:** Developed by Auditor based on Oracle Census Report Data as of October 2021

As of October 2021, 71% of the city’s retirees and survivors participated in city dental plans and 56% participated in city vision plans. Over 60% of city retirees and survivors are enrolled in basic life and AD&D insurance through the city, and 24% enrolled in dependent life insurance for their spouse or domestic partner. Only 6% of retirees enrolled in dependent life insurance for a child. Ten percent of the city’s retirees and survivors were enrolled in life insurance for a surviving spouse.

**Exhibit 7: Retirees and Survivors Also Participate in Dental, Vision, and Life Insurance Plans**

Type of City Benefit	Retirees/Survivors Enrolled
Dental Coverage	5,058
Vision Coverage	3,983
Basic Life and AD&D	4,461
Dependent (Spouse/Domestic Partner) Life Insurance	1,699
Dependent (Child) Life Insurance	405
Retiree Survivor Life Insurance	696

**Source:** Developed by Auditor based on Oracle Census Report Data as of October 2021

**City’s Healthcare Costs Exceed Provider Benchmarks**

Stakeholders expressed concerns regarding the city’s \$120 million group health insurance fund deficit. Healthcare costs for city employees and retirees exceeded benchmarks for both healthcare providers in 2019 and

2020. City health insurance providers Anthem BCBS and Kaiser both create annual review presentations of the city’s plan costs and utilization of their respective plans. The Anthem BCBS presentations compare city metrics to a standard Anthem Book of Business benchmark, as well as a custom Georgia Government Anthem Book of Business benchmark. An Anthem BCBS representative told us the standard benchmark includes over 20 million members across industries and locations, while the custom benchmark is designed to more closely reflect a particular group and contains fewer members. The Kaiser presentations compared city metrics to a municipality cohort made up of local Georgia municipalities with between 1,000 and 10,000 members. Both presentations measure cost per member per month (PMPM), which is calculated by dividing the amount paid by the number of plan eligible employees, spouses, partners, and dependents enrolled with the provider. Both presentations include both active and retired employees enrolled in the Anthem POS and Kaiser HMO plans. We reviewed the 2019 and 2020 annual reviews from Anthem BCBS and Kaiser for city healthcare metrics.

Exhibit 7 shows some of the Anthem BCBS metrics for the city in 2019 and 2020. High-cost claimants (HCCs), defined as plan members with cumulative total paid claims of at least \$50,000 in a year, made up most of the medical costs in both years. The city also had more high-cost claimants than the Anthem benchmarks for each year (see Exhibit 8). The city’s Anthem member population is only slightly older than the benchmark population; in both years, the city’s average member age was about 38, while the benchmark average was about 35. Total medical PMPM costs increased by 17% from 2018 to 2019; this metric decreased by 7% in 2020 but remained 25.6% above the benchmark.

**Exhibit 8: The City’s Healthcare Costs Exceeded Anthem BCBS Benchmarks in 2019 and 2020**

Metric	2019		2020	
	City of Atlanta	Benchmark	City of Atlanta	Benchmark
Medical Cost PMPM	\$448	\$303	\$425	\$333
HCCs as Percentage of Membership	2.4%	1.5%	2.5%	1%
HCC Cost as Percentage of Medical Cost	55%	44%	54%	39%

**Source:** Developed by Auditor based on Anthem BCBS Annual Reviews for the City of Atlanta (2019, 2020)

Under Kaiser HMO plans, the age difference between the city’s membership and the cohort was about one year in 2019, but four years in 2020. In the Kaiser metrics, high-cost claimants are measured as

those with total paid claims over \$100,000, therefore the metrics may appear lower than those under Anthem BCBS, which use a lower threshold. The total costs and HCC costs in Kaiser’s data only include the claims that were both incurred and paid within the respective plan year. The total cost PMPM increased by 9% from 2018 to 2019, and the HCC PMPM cost increased by about 30% and made up nearly 27% of the total PMPM cost. In 2020, the total cost PMPM decreased by 2% as the portion attributable to high-cost claimants increased by one-third from 27% to 36%. The city’s portion of total cost PMPM attributable to high-cost claimants was 17% higher than the municipality cohort in 2019 and increased to 44% greater than the cohort in 2020.

**Exhibit 9: The City’s HCC PMPM for the Kaiser HMO Plan Exceeds Benchmarks**

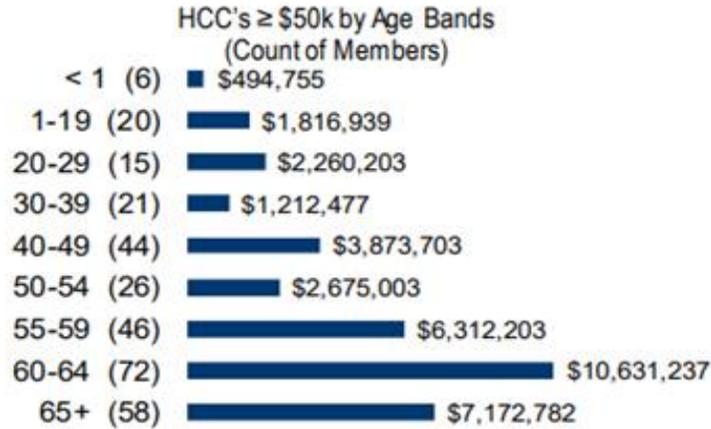
Metric	2019		2020	
	City of Atlanta	Benchmark	City of Atlanta	Benchmark
Total Cost PMPM	\$357	\$309	\$349	\$292
HCC Cost as Percentage of Total Cost	27%	23%	36%	25%

**Source:** Developed by Auditor based on Kaiser Permanente Annual Reports for the City of Atlanta (2019, 2020)

**Employees in Higher Age Groups Drive High-Cost Claims**

The majority of the city’s high-cost claimants for both providers fell within higher age bands. As shown in Exhibit 9, under the Anthem BCBS POS plans in 2019, the age band with the most high-cost claimants and highest spend was the 60-64 age group, followed by the highest age band, 65 and up. On average, a high-cost claimant between 60 and 64 in the Anthem BCBS POS plan incurred a total paid claims amount of \$147,656 in 2019 (see Exhibit 10).

**Exhibit 10: Under Anthem, Most High-Cost Claimants Were Over Age 60**



**Source:** Anthem BCBS City of Atlanta 2019 Snapshot Presentation

The Kaiser plans follow a similar trend—in 2020, the largest group of high-cost claimants was within the highest age band, 60 and up. The second highest age group, the 50-60 range, had the highest total paid claims, as shown in Exhibit 11. On average, a high-cost claimant between 50 and 60 in a city Kaiser HMO plan incurred \$1,166,853 in paid claims in 2020, and a high-cost claimant over age 60 in a city Kaiser HMO plan incurred \$194,661 in paid claims in 2020.

**Exhibit 11: Most High-Cost Claimants in the City's Kaiser HMO Plans Are Over Age 60**

HCC by Age Band		
Age Band	Number of Claimants	Paid Claims
[0 - 10)	1	\$269,485
[10 - 20)	4	\$753,068
[20 - 30)	3	\$504,231
[30 - 40)	5	\$1,526,325
[40 - 50)	9	\$1,725,913
[50 - 60)	11	\$12,835,384
60 +	22	\$4,282,563
Total	55	\$21,896,972

**Source:** Kaiser Permanente City of Atlanta 2020 Annual Report

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## Audit Objectives

This report addresses the following objectives:

- Does the Employee Benefits Division effectively administer the city's employee and retiree insurance benefit programs and wellness initiatives?
- Does the City of Atlanta follow best practices in managing healthcare costs?
- Are the City of Atlanta's employee health insurance plans compliant with the Affordable Care Act's affordability requirement?

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## Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We reviewed the Employee Benefits Division's insurance benefits administration processes, city healthcare metrics and wellness program participation data for 2019, 2020, and 2021. We also reviewed benefits enrollment data and tested benefits deductions for active employees and retirees as of October 2021.

Our audit methods included:

- reviewing federal, state, and city legal provisions to understand how health benefits for employees are administered
- interviewing Employee Benefits Division staff to understand daily operations and staff responsibilities
- reviewing city contracts with benefit providers to determine requirements for conducting business with the city
- interviewing benefit provider representatives to understand the relationship between the city and the benefit providers and obtain wellness program participation data and wellness budget information
- reviewing best practices to identify effective ways to manage healthcare costs and administer wellness programs
- analyzing wellness incentive program participation reports from Anthem BCBS and Kaiser from January 1, 2019, to December 31, 2021, to assess the level of participation among active employees

- analyzing fitness center daily entry reports from January 1, 2019-December 31, 2021, to assess the level of participation among active employees
- reviewing benefit provider annual reports to assess healthcare cost drivers
- analyzing city employee population data to identify the number of employees enrolled in Anthem BCBS and Kaiser plans at each tier
- analyzing employee medical, dental, and vision deduction rates in October 2021 for a random sample of 410 active employees to determine whether correct amounts were deducted and reviewing all deductions for the month for systematic errors
- comparing retiree benefit rates with collected retiree payments to assess whether the city is collecting all payments due

Generally accepted government auditing 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.



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## Findings and Analysis

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### Employee Benefits Staff Focuses on Transactions Rather Than Strategic Outcomes

Errors in benefits payroll deductions led to employees underpaying for their benefits and the city overpaying to cover the difference. The Employee Benefits Division calculates the biweekly rates that are published in the city's benefits enrollment guides and deducted from active employees' paychecks. Our review of benefits payroll deductions for a random sample of active employees in October 2021 found that all employees in two plan tiers were charged a lower rate than the rate in the enrollment guide, and some employees were paying the 2020 rate for their chosen plan due to a processing error in Oracle.

The city is likely short hundreds of thousands of dollars in unreimbursed retiree insurance costs. The city pays insurers for health insurance benefits and receives reimbursement through pension payroll deduction for retirees enrolled in the city's defined benefit plan; retirees enrolled in the defined contribution plan are responsible for providing a check or money order to cover outstanding amounts. Employee Benefits Division staff logs payments received but has no list of retirees who must make payments and no process to reconcile retiree payments with what the city is owed. This lack of tracking allows retirees to receive coverage without paying, while the city continues to pay for their coverage. We estimate the shortfall in reimbursements to be \$276,000 in 2021. Lack of tracking has also led to the city continuing coverage for retirees after they've passed away.

The City of Atlanta's medical plans are affordable under the ACA (Affordable Care Act). The ACA's employer-shared responsibility provisions require applicable large employers to offer minimum essential coverage that is affordable. Under the ACA, coverage is deemed affordable if the employee's required contribution is less than an annually set, inflation-adjusted percentage of an employee's household income. Using the Internal Revenue Services' "rate of pay safe harbor" for determining affordability, which is based on an employee's rate of pay at the beginning of the coverage period, the city's medical plans are compliant with the ACA's affordability requirement.

The Employee Benefits Division lacks a strategic approach and established goals for administering the city's health and wellness programs. Although the division tracks participation levels for city

wellness events and receives data from the city's health and wellness benefit providers, it does not have documented goals or objectives for its wellness programs. The division does not follow best practices for developing and administering a wellness program and evaluating its efficiency or effectiveness. Neither the division nor any other city authority is currently responsible for evaluating the effectiveness of the city's wellness programs, and the Employee Benefits Division cannot accurately assess whether these programs have an impact on health outcomes for city employees.

### **The City Deducted Incorrect Amounts for Some Employees**

Active employees use Oracle to enroll in the benefit plans of their choice during an open enrollment period that begins in November of each calendar year. Employees then pay for their selected benefits plans biweekly through payroll deductions. The biweekly rates employees are expected to pay are stated in the Active Employee Enrollment Guides that are published each year prior to open enrollment. We tested the payroll deductions for a random sample of 410 of 8,207 active employees, as of October 2021. Within our sample, we found that all 38 sampled employees in the Anthem BCBS POS Participant and Family tier were charged a lower rate than stated in the enrollment guide, and one employee was charged the 2020 rate, rather than the 2021 rate, for their dental plan. Among all benefit deductions for the month, all 850 employees enrolled in the Anthem BCBS POS Participant and Family tier or the Participant, Domestic Partner, and Children tier were charged the lower incorrect rate. We found an additional 24 employees that were paying the 2020 rate for their selected medical plan, and 23 employees that were paying the 2020 rate for their dental plan.

**Employees underpaid for benefits, and the city overpaid.** The city pays monthly benefits premiums on a reimbursement basis. The plan rates for city benefits include an employee contribution and an employer contribution, but the city pays the providers in full and is reimbursed by the employees through biweekly payroll deductions. We compared the actual October 2021 medical, dental, and vision plan payroll deductions for a random sample of 410 active employees to the plan rates stated in the 2021 Active Employee Enrollment Guide. We then reviewed October 2021 payroll deductions for the employee population to detect recurring errors based on the errors detected within the sample. Of the 410 active employees we sampled, 372 employees were charged accurate medical plan deductions for both pay periods in October 2021. However, 38 of the 410 sampled employees enrolled in the Participant and Family tier of the city's Anthem BCBS POS plan were charged 20 cents less than the biweekly rate stated in

the benefits enrollment guide. We examined all deductions for this plan tier and found that all 850 active employees enrolled in the Participant and Family tier or the Participant, Domestic Partner, and Children tier of the Anthem BCBS POS plan were charged the incorrect rate as well.

All but 1 of the 410 sampled employees were charged accurate deductions for their selected dental plans; one employee was charged less than the correct rate, and the amount matched the previous plan year rate for their chosen plan. We reviewed other medical, dental, and vision deductions within the total population and found other instances of employees paying the previous plan year rate as well; the previous plan year rates were lower than the current plan year. All 410 sampled employees were charged accurate vision deductions.

Before each new plan year, one benefits analyst receives the monthly plan rates from the Department of Finance and calculates the biweekly plan rates for active employees each plan year. The benefits analyst told us that once the rates are calculated, the benefits manager reviews the rates, then the benefits analyst works with a staff member in the Human Resources Information Systems and Records Management division to upload the new plan rates as a plan configuration in Oracle. These rates are published in the benefits enrollment guides provided to employees and retirees; however, there are no documented procedures for entering and reviewing deduction rates for accuracy. Benefits staff told us that if the city collects incorrect deductions, it absorbs the additional cost. Implementing a formal review process to ensure the correct rates are calculated and entered into the Oracle plan configuration would prevent incorrect deductions and overpayments by the city. We recommend that the Commissioner of Human Resources develop a review process for new plan rate amounts before the Oracle plan configuration upload.

Our review also identified 24 employees paying the 2020 rate for their selected medical plan for calendar year 2021 and 24 employees in the first October pay period and 23 employees in the second October pay period paying the 2020 rate for their selected dental plan for calendar year 2021. The incorrect deduction amounts were all lower than the 2021 plan rates. The benefits analyst said that employees paying the previous plan year rates likely submitted qualifying life events during the open enrollment period that interfered with the new plan selections. Employees must submit qualifying life events when a change occurs that will affect benefits coverage, such as a marriage or the birth of a dependent. Benefits administration staff told us that the open enrollment period in which employees enroll in their benefits plans for the upcoming plan year is also processed as a life event in

Oracle. Staff said that if a life event is submitted during the open enrollment period, the open enrollment event will not be processed correctly in Oracle, the rates for the new plan selections will not begin, and the employee may continue to pay the previous plan year rate. We recommend that the Commissioner of Human Resources implement controls to ensure that selections made during open enrollment are processed correctly. We recommend that the Commissioner of Human Resources implement a monthly discrepancy report to detect incorrect deductions or anomalies.

Benefits staff also told us that one employee was being manually enrolled in benefits each week due to a data entry error in Oracle. City employees enroll in benefits through a self-service process in Oracle; however, the new employee's hire date was input incorrectly, causing a conflict in Oracle that would not allow the employee to properly enroll in benefits. Instead, one of the division's benefits representatives manually enrolled the employee in the selected benefits plans weekly by completing a form and sending it to the employee's benefits providers each week. This continued from January 2022 through March 2022. Manual enrollment exposes the employee to a potential lapse in coverage if the benefits representative does not submit the form to providers in time each week, and data entry errors could lead to missed or incorrect payroll deductions. We recommend that the Commissioner of Human Resources develop written policies and procedures for correcting common Oracle data entry mistakes and Human Resources discrepancies.

### **The City Is Likely Short Hundreds of Thousands of Dollars in Unreimbursed Retiree Insurance Costs**

The city offers insurance benefits to retirees in both the defined benefit and defined contribution plans. Retirees in the city's defined benefit plans receive monthly pension payments, and benefits payments are deducted from these monthly checks. Retirees in the city's defined contribution plan do not receive monthly pension checks and instead pay for benefits by mail or in-person. Defined benefit retirees and their survivors whose monthly pension does not cover the cost of their selected benefits must also pay the remainder by mail or in-person. The Employee Benefits Division is responsible for informing retirees of the amount owed, and until February 2022, also collected these payments. However, we found that the division does not maintain a list of retirees who must pay by mail or in-person each month and does not reconcile retiree payments to the amounts owed. We estimated that there is approximately \$260,000 owed to the city for insurance payments in 2021.

Since February 2022, the check collection process has been managed by the Budget and Administration Office of Human Resources, but there are still no invoicing or reconciliation processes in place. Additionally, the city lacks accurate data regarding retiree's hire and retirement dates, which are needed to identify the rate a retiree owes for insurance plans.

We reviewed pension deduction data managed by SBA (Strategic Business Advisors), the third-party administrator of the city's defined benefit plan, compared to a list of city retirees and survivors to identify those who were not defined benefit retirees and could not pay for their benefits through payroll deduction. If a retiree or survivor was not in the data provided by SBA, we identified them as a likely defined contribution plan retiree. Within this list, we also identified some survivors that did not appear in the defined benefit deduction data who may be survivors of defined contribution retirees, who are ineligible for city insurance benefits. We then calculated the amount owed for the benefits plans that they were enrolled in, using the lowest possible retiree contribution for each plan. We estimate that retirees on the defined contribution plan should have paid at least \$43,139 in benefits payments for October 2021; however, based on our review of available log documents, Benefits staff collected an average of about \$20,000 per month in 2021. These estimates indicate a probable gap of at least \$23,000 in retiree insurance reimbursements in one month, or \$276,000 in calendar year 2021.

**Although some changes have been implemented, the Employee Benefits Division does not have a process to invoice or reconcile retiree payments.** Prior to January 2022, the benefits division was responsible for receiving and keeping a log of retiree insurance checks and payments, then taking payments to the Office of Revenue for processing. Division staff told us, however, that they did not invoice retirees who were expected to send in payment by mail or in-person. When payments were received, the administrative assistant would log the payment in a daily log and provide the payer with a receipt. Checks were then delivered to the Revenue Office for processing, but Benefits staff did not reconcile checks received with amounts owed.

In January 2022, the check collecting process moved from the Benefits Division to the Budget and Administration office in the Department of Human Resources, and in February 2022, the director of the Budget and Administration office hired a senior accountant to manage all billing and payments for the benefits division. The senior accountant and budget and administration director have developed new processes and are documenting the new procedures for processing retiree checks.

Previously, Benefits staff collected checks from the mailroom and submitted them to Revenue once a month or every six weeks, but under the new process, the senior accountant collects checks at least twice a week which should be processed within two days. The senior accountant retrieves checks and payments from the Benefits administrative assistant or directly from the mailroom and records the name of the payer, the check or money order number, date and amount of payment, date received, and date of deposit in a spreadsheet. The senior accountant then completes a revenue form with the names, check numbers, dates, and amounts of the payments received and scans the form and the checks into DocuSign. The form and checks are then routed to the Human Resources budget and administration director for approval. Once approved, the senior accountant then delivers the checks and a copy of the form to the Office of Revenue for final processing. The Office of Revenue stamps a copy of the form for the senior accountant, who scans the stamped copy and stores it in a shared drive.

The senior accountant told us that there is still no process for reconciling retiree checks received with those individuals who owe payments for retiree benefits. Checks are deposited into a general account for benefits and are not tied to the individual making the payment, so there is no method of reconciling the payments in Oracle. Neither of the two Employee Benefits division staff members handling insurance and pensions could provide a list of retirees in the defined contribution plan or of retirees who should be sending in payments. In 2020, the city transitioned to a new third-party administrator for the defined contribution plan. The current administrator was able to provide us with a list all defined contribution retirees who still maintained a balance in their retirement accounts but does not have access to data listing retirees who cleared their accounts prior to the current administrator's takeover in 2020; therefore, the data are incomplete. Without tracking which retirees must reimburse the city for benefits, retirees may continue to receive coverage without paying, while the city continues to pay the provider upfront for the retiree's benefits without receiving reimbursement for the retiree's share.

The director of the Budget and Administration office within Human Resources said they are in the process of activating an available billing module in Oracle that would track what an individual owes and would tie the payment to their account once paid; however, this billing module does not include an invoicing function, only reconciliation. The Benefits Administration Division does not currently have an invoicing process to bill retirees who must pay each month. Implementing an invoicing process would allow the city to bill retirees monthly, track

who has paid, and discontinue coverage for those who have not paid their premiums.

We found that 31 of the retirees enrolled in city benefits in October 2021 had passed away prior to October 2021. Eighteen had passed in September, but ten had passed earlier in 2021, and two had passed in 2011 and 2019. The city is not always notified when a retiree has passed away. Implementing an invoicing process would allow the Benefits division to detect when a retiree is not paying for any reason and may allow the city to sooner identify when a retiree has passed. We recommend the Commissioner of Human Resources create an invoicing process and generate an invoice to be mailed in with retiree benefits payments and consider electronic payments through a billing module in Oracle. We also recommend the Commissioner of Human Resources develop a process for reconciling retiree payments to the city.

**The city does not have accurate data regarding retiree hire and retire dates, which are used to identify what percentage retirees should contribute for benefit premiums.** The monthly rate retirees pay for their benefits is determined by the start and end of a retiree's service to the city. Retirees contribute a percentage of the premium, and the city pays the remainder. Those hired prior to April 1st, 1986, pay the lowest contribution at 26% of the monthly premium, while the city covers 74%. Retirees hired on or after April 1st, 1986, and retired before August 31, 2010, contribute 36% of the premium, and the city contributes 64%. Retirees hired on or after April 1st, 1986, and retired on or after September 1st, 2010, contribute 46%, and the city contributes 54%.

We were unable to identify the proper contribution for each retiree because some of the service history data in Oracle is inaccurate. Some hire and retire dates in Oracle may be incorrect due to various system changes. In the new Oracle system, implemented in January 2019, when an employee retires, the individual's employee record is inactivated, and a new "nonworker" record is created, so those who retired after January 2019 may have an incorrect new "hire" date that reflects the creation of the nonworker record. We also found that some retiree and survivor records showed the same date as both the hire and retirement date. The city also has larger service history data concerns. Some service history and pay contribution information for employees hired before 2010 is missing or stored across several systems and locations and cannot be easily accessed when an employee retires. The city is working with Deloitte to gather the missing data and collect service history and pay and contribution for employees hired before 2010 into a data warehouse for the city's use in the future.

## City Complies with ACA Affordability Requirements

The ACA's (Affordable Care Act) employer-shared responsibility provision requires that an applicable large employer offer minimum essential coverage that is affordable and provides minimum value or be subject to an employer shared responsibility payment to the IRS. The City of Atlanta qualifies as an applicable large employer; therefore, we assessed whether the city is compliant with ACA affordability requirements. Under the ACA, coverage is deemed affordable if the employee's required contribution is less than an annually set inflation-adjusted percentage of an employee's household income. Since employers may not know an employee's household income, the IRS suggests three possible "safe harbors" employers can choose from to estimate affordability. We found that the city's medical benefit plans are compliant with ACA under the rate of pay safe harbor threshold; however, using the threshold that the city has chosen to determine affordability, we found that the city's health plans are not affordable.

**The City of Atlanta's medical plans are compliant with the Affordable Care Act's affordability requirement.** Under the ACA, health coverage is considered affordable when the employee's required contribution does not exceed the established affordability percentage for the year; from 2019 to 2021, the percentage ranged from 9.78 to 9.86. Because employers often do not know an employee's household income, the IRS states that employers may choose from three safe harbors to determine affordability: Form W-2 wages, an employee's rate of pay, or the federal poverty line. Benefits staff told us the City of Atlanta uses the federal poverty line as the threshold against which to measure affordability of its health plans.

To assess whether the city's health plan offerings met the Affordable Care Act's affordability standard for the employee contribution, we tested the plan rates from the Active Employee Enrollment Guides for 2019, 2020, and 2021 against the federal poverty line and rate of pay safe harbors. When determining the rate of pay safe harbor, we used both the city's minimum wage outlined in the city code and the lowest pay grade based on the City of Atlanta pay grade classification tables. We found that the city's health plans offerings are not affordable when using the federal poverty line safe harbor but are affordable overall using the rate-of pay safe harbor.

As shown in Exhibit 12, the federal poverty line safe harbor ranged from \$102.23 to \$105.51 between 2019 and 2021 while the city's benefit plan monthly rates ranged from \$139.10 to \$157.68 for Anthem BCBS HDHP, from \$167.18 to \$189.72 for Anthem BCBS POS, from \$129.42 to \$146.72

for Kaiser HDHP, and from \$155.40 to \$176.18 for Kaiser HMO between 2019 and 2021.

**Exhibit 12: City of Atlanta Medical Plans Are Compliant with ACA Using the Rate of Pay Safe Harbor**

<b>IRS Safe Harbor Pay Rates</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Federal Poverty Line Safe Harbor	\$102.63	\$103.99	\$105.51
Rate of Pay Safe Harbor (City Code Minimum Wage)	\$179.45	\$190.71	\$191.69
Rate of Pay Safe Harbor (Lowest Minimum Pay Grade)	\$239.27	\$237.33	\$238.54
<b>City of Atlanta Health Plan Costs</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
City of Atlanta Anthem BCBS HDHP	\$139.10	\$151.62	\$157.68
City of Atlanta Anthem BCBS POS	\$167.18	\$182.36	\$189.72
City of Atlanta Kaiser HDHP	\$129.42	\$141.06	\$146.72
City of Atlanta Kaiser HMO	\$155.40	\$169.40	\$176.18

**Source:** Developed by Auditor based on analysis of compliance with ACA affordability standards conducted using 2019-2021 Active Employee Enrollment Guides, 2021 City of Atlanta Classification and Grade Tables, and city code section 114-121

Using the federal poverty line safe harbor, the city would not be complaint with the ACA affordability requirements for employees, which is the safe harbor Benefits staff told us the city uses to measure affordability. Between 2019 and 2021, the rate of pay safe harbor using the city’s minimum wage, ranged from \$179.45 to \$191.69; All the city’s health plans fell within or below this range between 2019 and 2021; therefore, the city is compliant with ACA affordability requirements when assessing based on the rate of pay safe harbor.

The city does not analyze its affordability threshold, but contracts with ADP to conduct the affordability analysis. Benefits staff told us that the city partners with ADP, a provider of human resources management software and services, to calculate the affordability of its health benefit plans. ADP also conducts an analysis of the previous six months to determine the number of employees who worked an average of 30 hours per week and are therefore considered full-time and eligible for coverage under the ACA.

**Benefits Lacks a Framework to Measure the Impact of Its Wellness Programs**

The Employee Benefits Division lacks a comprehensive strategic approach for administering the city’s health and wellness programs. Benefits staff are unsure of the goals and objectives for the wellness

programs and do not use wellness data to evaluate program effectiveness, success, or return on investment.

Benefits staff has access to participation data for city wellness programs but does not use the data to evaluate program effectiveness. Although staff told us that there are set attendance goals for programs such as Lunch & Learn events, other staff told us that attendance sheets are not collected or housed anywhere. Additionally, the city has no methods in place for using data to evaluate wellness program success and does not use accessible data to conduct any analyses related to program or cost effectiveness.

Establishing a wellness committee and conducting organizational assessments could assist the Employee Benefits Division with evaluating the effectiveness of wellness programs and determining health impacts. Best practices suggest establishing goals and objectives to determine short- and long-term success of wellness programs as well as, assessing the wellness programs offered and the workplace culture. By conducting these assessments, Benefits staff could gain additional insight on employee wellness behavior to improve services and programs offered and ensure that both the city and employees are benefitting from the programming.

**The Benefits Division has not established goals and objectives for city offered wellness programs.** The city offers various wellness programs including, health fairs, on-site health screenings, blood drives, monthly wellness-related Lunch & Learn events, and an annual calendar of events geared towards nationally designated health topics. Best practices for establishing and designing wellness programs suggest that including a variety of programs aids in targeting risk behaviors and the needs and interests of all employees; however, without established goals and objectives, the city cannot measure the success of each program.

Wellness programs often have goals to improve employee health and reduce health care costs. Other goals could include reducing absenteeism or increasing employee retention. Some Benefits staff told us that the goals of the city's wellness programs are to keep employees healthy, keep premiums down, and to lower claims but noted that these goals are not documented anywhere, including the Benefits website. Other staff stated that there are no goals and objectives for the programs.

Benefits staff appear to have differing perspectives about whether there are goals for the wellness programs. One Benefits division staff member told us that success of the wellness programs is measured by

the number of employees who attend the programs, although he did not think they collected or maintained program attendance sheets. Another staff member, however, was able to provide sign-in sheets for 16 wellness events—15 conducted in 2019 and 1 conducted in 2020, although, the staff member told us that these may not be all events conducted within this time period. No wellness events for the remainder of 2020 and for the entirety of 2021 were conducted due to the pandemic. The division, however, has no documented goals or methods of using the participation data to assess performance.

According to Benefits staff, before COVID-19, the participation target for Lunch & Learn events was 120 attendees. Also, since the fitness center reopened as of May 2022, benefits staff said the objective is to attract between 30 to 35 people per month. We recommend that the Commissioner of Human Resources establish and post goals and objectives for wellness programs to the Benefits website, consistently collect attendance data, and evaluate participation in wellness programs at least annually.

**No individual or entity is currently tasked with evaluating the effectiveness of health and wellness programs.** Benefits staff receives monthly updates regarding participation in wellness incentive programs from Kaiser and Anthem BCBS, although division staff was unable to provide wellness incentive participation data upon request. We requested wellness incentive participation reports from Kaiser and Anthem BCBS representatives for the period between January 1, 2019, to December 31, 2021, to determine participation rates in both programs. We found that 24% of eligible Kaiser members completed the wellness incentive program in 2019, 23% in 2020, and 29% in 2021. We also found that of eligible Anthem subscribers, 20% completed a health assessment in 2019, 19% in 2020, and 28% in 2021. Additionally, in 2019, 37% completed an annual wellness exam, 40% in 2020, and 39% in 2021. In 2019, only a health screening was offered and 6% of Anthem subscribers completed it. Moreover, Anthem subscribers had the option to complete either a flu shot or health screening for an incentive in 2020 and 2021—18% of subscribers completed one of the options in 2020 and 14% in 2021. Finally, the COVID-19 vaccine incentive became available in 2021 and 24% of subscribers received the vaccine (see Exhibit 13).

**Exhibit 13: Employees Are Participating in the Anthem BCBS Wellness Incentive Program**

Anthem Wellness Incentive Program Options	Percent of Employees Participating		
	2019	2020	2021
Health Assessment	20%	19%	28%
Annual Wellness Exam	37%	40%	39%
Flu Shot	No Incentive	*18%	*14%
Health Screening	6%		
COVID Vaccine (2021)	No Incentive	No Incentive	24%
Kaiser Wellness Incentive Program	24%	23%	29%

\*Employees had the option to complete either a Flu Shot or Health Screening for 2020 and 2021

**Source:** Developed by Auditor based on City of Atlanta Anthem Wellbeing Annual Activity information provided by Anthem representative on 4/28/2022

Benefits staff told us that they review the data quarterly for informational purposes only. Although the wellness incentive participation data captures the number of employees participating in these programs, the division does not use the information to determine whether the health and well-being of employees is improving. According to Forbes, employers with the best wellness outcomes track the results of wellness programs. Forbes cited a study by the International Foundation of Employee Benefit Plans that found that 66% of employers that tracked results observed increased productivity and employee satisfaction.

According to the Society for Human Resource Management, effective administration of wellness programs and management of health care costs involves consistently conducting evaluations of initiatives, including multiyear evaluations of claims data and employee feedback. Best practices also recommend creating a wellness committee and tasking the participants with evaluating current programs in order to build organizational support and improve the effectiveness of the programs. The city does not currently have an established wellness committee.

Survey data can help when evaluating the success of wellness programs. Benefits staff told us that the city does not survey employees to determine satisfaction with the programs offered. Although Kaiser and

Anthem BCBS survey employees after services rendered, the results of these surveys are not shared with Benefits staff; however, Kaiser representatives said they were willing to work with the Employee Benefits Division to create a survey for internal use.

We recommend that the Commissioner of Human Resources establish a wellness committee to help build organizational support and to improve the effectiveness of wellness programs. We also recommend that the Commissioner direct the Employee Benefits Division to use available data, including surveys to measure program success.

**The city cannot accurately determine its return on investment for health and wellness programs.** Benefits staff told us that Human Resources leadership measures ROI (return on investment). According to some staff, Human Resources leadership compares year-to-year changes in employee health to determine whether the percentage of employees with certain health issues declined; however, other staff told us that ROI is reviewed every three to five years and has not yet been evaluated. Benefits staff was unaware of the amount of funds budgeted for wellness programs; therefore, we asked Kaiser and Anthem BCBS representatives to identify the wellness program budgets from their organizations. According to the benefit providers, Kaiser has an established wellness fund with the City of Atlanta equaling \$250,000 and Anthem BCBS' wellness fund with the city totals \$600,000.

Parameters for the wellness funds differ—Kaiser strategizes with Benefits staff annually to determine the wellness programming that the city will offer, while Anthem BCBS allows the city to use the wellness funds for any health care related activities and technology. Both funds require the city use or lose any remaining funds. Although the city does not manage these funds directly, the Benefits Manager has discretion on what activities the Anthem BCBS funds are used for and agrees to and signs the terms of use, which state the activities that the fund will be used for, outlined in a Letter of Engagement with Kaiser.

Establishing a wellness budget by partnering with benefit providers is a best practice for establishing and designing a wellness program. Benefits staff was unable to provide evidence that ROI studies were conducted to determine whether funds budgeted for wellness programs are being used effectively, although staff told us that the ROI is not justified since participation in wellness classes conducted for specific departments is low.

We recommend that the Commissioner of Human Resources develop and implement a system for evaluating health and wellness programs to

determine whether initiatives are improving employees' health outcomes.

**Establishing health outcome goals could assist with evaluating health benefit impacts.** To determine the impacts on health benefits, the Employee Benefits Division should further assess the city workplace culture. According to best practices, a critical step to establishing and designing a wellness program, is conducting organizational assessments and environmental audits, which provides workplace culture information and its impact on driving employee wellness behavior. These assessments ensure that employers offer wellness programs and services that benefit both the employee and the organization.

According to the Society for Human Resource Management, not every program offered is well-used or receives organizational support; therefore, the Employee Benefits Division can use organizational assessments to determine what wellness programs to offer employees. Moreover, environmental audits could provide information on the city's workplace culture and, therefore, the impact the workplace culture has on driving employee wellness behavior. According to Benefits staff, the City of Atlanta does not foster a culture of wellness among employees, thus, assessing the workplace culture could assist the division in implementing ways to promote a wellness-centered workplace and demonstrate the city's willingness to make improvements.

The Society for Human Resource Management also states that another option for reducing healthcare costs is to scale back medical benefits for retirees. A 2020 Kaiser Family Foundation survey found that only 29% of employers continue to offer a retiree health plan. Evaluating health benefit impacts could allow the city to make informed decisions to manage the cost of retiree medical benefits. We recommend that the Commissioner of Human Resources assemble a task force to consider the possibility of offering a retiree stipend instead of health benefits, which would eliminate the need to reconcile retiree contribution payments. We also recommend that the Commissioner of Human Resources implement best practices for establishing and designing a wellness program by evaluating the City of Atlanta workplace culture, including conducting organizational assessments and environmental audits and evaluating available data to better manage healthcare costs.

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## Recommendations

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In order to ensure the city collects accurate benefits payments from employees and retirees, the Commissioner of Human Resources should

1. develop a review process for new plan rate amounts before the Oracle plan configuration upload
2. implement controls to ensure that selections made during open enrollment are processed correctly
3. implement a monthly discrepancy report to detect incorrect deductions or anomalies
4. create an invoicing process and generate an invoice to be mailed in with retiree benefits payments and consider electronic payments through a billing module in Oracle
5. develop a process for reconciling retiree payments to the city
6. develop written policies and procedures for correcting common Oracle data entry mistakes and Human Resources discrepancies

To effectively administer the wellness programs, the Commissioner of Human Resources should

7. establish and post goals and objectives for wellness programs to the Benefits website, consistently collect attendance data, and evaluate participation in wellness programs at least annually
8. establish a wellness committee to help build organizational support and to improve the effectiveness of wellness programs
9. direct the Employee Benefits Division to use available data, including surveys to measure program success consistent with best practices
10. develop and implement a system for evaluating health and wellness programs to determine whether initiatives are improving employees' health outcomes
11. assemble a task force to consider the possibility of offering a retiree stipend instead of health benefits, which could eliminate the need to reconcile retiree contribution payments
12. implement best practices for establishing and designing a wellness program by evaluating the City of Atlanta workplace culture, including conducting organizational assessments and environmental audits and evaluating available data to better manage healthcare costs



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## Appendices

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## Appendix A: Management Review and Response to Audit Recommendations

Report # 22.08	Report Title: Employee Benefits	Date: October 2022
<p><b>Recommendation 1:</b> In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner develop a review process for new plan rate amounts before the Oracle plan configuration upload.</p>		
<p><b>Risk Category:</b> Revenue Collection &amp; Cost Recovery</p>		<p><b>Response:</b> Agree</p>
<p><b>Related Findings:</b></p> <ul style="list-style-type: none"> <li>The city deducted incorrect benefit contribution amounts for some employees.</li> </ul>		
<p><b>Proposed Action:</b> The CY23 new benefit plan rates will be established pursuant to legislation adopted by the Atlanta City Council and approved by the Mayor. The Department of Human Resources (DHR), through the Employee Benefits Office, will coordinate with DHR's HRIS Office to validate all data entry and configuration parameters to ensure the system is designed to accurately collect benefits payments from employees and retirees.</p>		<p><b>Current Status:</b> Started</p>
<p><b>Business Owner: Benefits Manager, HRIS Director</b></p>		<p><b>Estimated Implementation Date (M/Y): January 2023</b></p>
<p><b>Additional Comments:</b></p>		

<p><b>Recommendation 2:</b> In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner implement controls to ensure that selections made during open enrollment are processed correctly.</p>		
<p><b>Risk Category:</b> Revenue Collection &amp; Cost Recovery</p>		<p><b>Response:</b> Agree</p>
<p><b>Related Findings:</b></p> <ul style="list-style-type: none"> <li>The city deducted incorrect benefit contribution amounts for some employees.</li> </ul>		
<p><b>Proposed Action:</b> The Employee Benefits Office, in coordination with the HRIS Office, will establish defined mechanisms, rules, and procedures to ensure the integrity of the open enrollment selections to validate and promote accountability, and prevent erroneous application and collection of benefits payments from employees and retirees.</p>		<p><b>Current Status:</b> Started</p>
<p><b>Business Owner: Benefits Manager, HRIS Director</b></p>		<p><b>Estimated Implementation Date (M/Y): January 2023</b></p>
<p><b>Additional Comments:</b></p>		

<b>Recommendation 3:</b> In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner implement a monthly discrepancy report to detect incorrect deductions or anomalies.	<b>Risk Category:</b> Monitoring and Reporting	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>The city deducted incorrect benefit contribution amounts for some employees.</li> </ul>		
<b>Proposed Action:</b> The Employee Benefits Office will ensure that a process is established to facilitate a monthly discrepancy report created by the City’s benefit vendors and provided and reviewed by the Employee Benefits Office for monitoring and correction to detect incorrect deductions or anomalies.	<b>Current Status:</b> Not Started	
<b>Business Owner: Benefits Manager, Pension Manager, Director of Budget &amp; Administration</b>	<b>Estimated Implementation Date (M/Y): January 2023</b>	
<b>Additional Comments:</b>		

<b>Recommendation 4:</b> In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner create an invoicing process and generate an invoice to be mailed in with retiree benefits payments and consider electronic payments through a billing module in Oracle.	<b>Risk Category:</b> Revenue Collection & Cost Recovery	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>The Benefits Division has no invoicing process to bill retirees who must pay each month and is likely short hundreds of thousands of dollars in unreimbursed retiree insurance costs.</li> </ul>		
<b>Proposed Action:</b> The Department of Human Resources is working with Deloitte to stand up “Oracle Billing”, which will be designed to provide real time information on billing reports for benefits participants. This will capture any chargeable costs that are partially paid or not deducted from the payroll or pension.	<b>Current Status:</b> Started	
<b>Business Owner: Director of Budget &amp; Administration, Benefits Manager</b>	<b>Estimated Implementation Date (M/Y): January 2023</b>	
<b>Additional Comments:</b>		

<b>Recommendation 5:</b> In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner develop a process for reconciling retiree payments to the city.	<b>Risk Category:</b> Revenue Collection & Cost Recovery	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>The Benefits Division has no invoicing process to bill retirees who must pay each month and is likely short hundreds of thousands of dollars in unreimbursed retiree insurance costs.</li> </ul>		
<b>Proposed Action:</b> The Department of Human Resources is working with Deloitte to stand up “Oracle Billing”, which will be designed to provide real time information on billing reports for benefits participants. This will capture any chargeable costs that are partially paid or not deducted from the payroll or pension.		<b>Current Status:</b> Started
<b>Business Owner: Director of Budget and Administration, Benefits Manager</b>		<b>Estimated Implementation Date (M/Y): January 2023</b>
<b>Additional Comments:</b>		

<b>Recommendation 6:</b> In order to ensure the city collects accurate benefits payments from employees and retirees, we recommend that the Human Resources Commissioner develop written policies and procedures for correcting common Oracle data entry mistakes and Human Resources discrepancies.	<b>Risk Category:</b> Process Improvement	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>An employee was being manually enrolled in benefits each week due to a data entry error in Oracle.</li> </ul>		
<b>Proposed Action:</b> (1) Develop corrective action plan for dealing with data entry errors; (2) engage HRIS in determining programming options (if any) to help with identifying data entry errors as they occur and prior to completing the process; and (3) Also, explore reporting options to capture data entry errors once they have occurred.  The Deputy Commissioners will develop and implement corrective measures for dealing with common Oracle data entry mistakes and engage the Policy Director as appropriate in developing policies and procedures, if warranted.		<b>Current Status:</b> Started
<b>Business Owner: DHR Deputy Commissioners, HRIS Director</b>		<b>Estimated Implementation Date (M/Y): December 2022</b>
<b>Additional Comments:</b>		

<b>Recommendation 7:</b> To effectively administer the wellness programs, we recommend that the Human Resources Commissioner establish and post goals and objectives for wellness programs to the Benefits website, consistently collect attendance data, and evaluate participation in wellness programs at least annually.	<b>Risk Category:</b> Planning and Budgeting	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>Employee Benefits staff focuses on transactions rather than strategic outcomes</li> </ul>		
<b>Proposed Action:</b> The Employee Benefits Office is currently in the process of developing an annual strategic plan for the CY23 wellness program for approval by the HR Commissioner. As part of the plan development, the City's internal and external stakeholders have been actively engaged in developing the active achievable goals and objectives for a comprehensive health and wellness program.	<b>Current Status:</b> Started	
<b>Business Owner: Wellness Coordinator, Project Manager, Benefits Manager</b>	<b>Estimated Implementation Date (M/Y): October 2022 (to roll in January 2023)</b>	
<b>Additional Comments:</b>		

<b>Recommendation 8:</b> To effectively administer the wellness programs, we recommend that the Human Resources Commissioner establish a wellness committee to help build organizational support and to improve the effectiveness of wellness programs.	<b>Risk Category:</b> HR Management	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>Employee Benefits staff focuses on transactions rather than strategic outcomes</li> </ul>		
<b>Proposed Action:</b> As part of the proposed CY23 strategic plan, a key component is forming a wellness committee. The wellness committee will consist of the Employee Benefits Project Manager, Wellness Coordinator, Health Center Manager, Fitness Center Manager, a representative from EAP, representatives from both Kaiser and Anthem, and employee representatives from internal City departments and agencies (i.e., Watershed, Aviation, Public Works, etc.).	<b>Current Status:</b> Partly Implemented	
<b>Business Owner: Wellness Coordinator &amp; Project Manager</b>	<b>Estimated Implementation Date (M/Y): November 2022</b>	
<b>Additional Comments:</b>		

<b>Recommendation 9:</b> To effectively administer the wellness programs, we recommend that the Human Resources Commissioner direct the Employee Benefits Division to use available data, including surveys to measure program success consistent with best practices.	<b>Risk Category:</b> HR Management	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>Employee Benefits staff focuses on transactions rather than strategic outcomes</li> </ul>		
<b>Proposed Action:</b> The Employee Benefits Office is dedicated to evaluating the effectiveness of the wellness program. In order to define program achievement, the Employee Benefits Office will benchmark existing best practices, as well as monitor and evaluate the success of the wellness program by periodic employee-wide surveys, quarterly reports on program participation, and comparative reports based on metrics requested and provided by the City's insurance providers.	<b>Current Status:</b> Started	
<b>Business Owner: Wellness Coordinator, Project Manager</b>	<b>Estimated Implementation Date (M/Y): April 2023</b>	
<b>Additional Comments:</b>		

<b>Recommendation 10:</b> To effectively administer the wellness programs, we recommend that the Human Resources Commissioner develop and implement a system for evaluating health and wellness programs to determine whether initiatives are improving employees' health outcomes.	<b>Risk Category:</b> Monitoring and Reporting	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>Employee Benefits staff focuses on transactions rather than strategic outcomes</li> </ul>		
<b>Proposed Action:</b> The Employee Benefits Office will work with DHR leadership and the wellness committee to develop measurable criteria and a defined assessment tool for evaluating the real impact of the wellness program initiatives on improving employees' health outcomes.	<b>Current Status:</b> Not Started	
<b>Business Owner: Wellness Coordinator, Project Manager, EAP Director</b>	<b>Estimated Implementation Date (M/Y): April 2023</b>	
<b>Additional Comments:</b>		

<b>Recommendation 11:</b> To effectively administer the wellness programs, we recommend that the Human Resources Commissioner assemble a task force to consider the possibility of offering a retiree stipend instead of health benefits, which could eliminate the need to reconcile retiree contribution payments.	<b>Risk Category:</b> HR Management	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>Employee Benefits staff focuses on transactions rather than strategic outcomes.</li> </ul>		
<b>Proposed Action:</b> The Department of Human Resources, in coordination with the Executive Offices, has already created an OPEB task force, supplemented by a third party consultant, which is actively exploring comprehensive strategies and solutions for the City's retiree population.	<b>Current Status:</b> Implemented	
<b>Business Owner: Benefits Manager</b>	<b>Estimated Implementation Date (M/Y):</b>	
<b>Additional Comments:</b>		

<b>Recommendation 12:</b> To effectively administer the wellness programs, we recommend that the Human Resources Commissioner implement best practices for establishing and designing a wellness program by evaluating the City of Atlanta workplace culture, including conducting organizational assessments and environmental audits and evaluating available data to better manage healthcare costs.	<b>Risk Category:</b> HR Management	<b>Response:</b> Agree
<b>Related Findings:</b> <ul style="list-style-type: none"> <li>Employee Benefits staff focuses on transactions rather than strategic outcomes</li> </ul>		
<b>Proposed Action:</b> The Employee Benefits Office is currently in the process of developing an annual strategic plan for the CY23 wellness program for approval by the HR Commissioner. As part of the plan development, the City's internal and external stakeholders have been actively engaged in developing the active achievable goals and objectives for a comprehensive health and wellness program. The data accrued as part of this program outcomes will be leveraged to inform future strategies for better manage the City's ongoing healthcare costs.	<b>Current Status:</b> Started	
<b>Business Owner: Benefits Manager, Wellness Coordinator, Project Manager, EAP Director</b>	<b>Estimated Implementation Date (M/Y): January 2023</b>	
<b>Additional Comments:</b>		