

State Health Insurance Benefits Offered in Violation of State Law

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By Rick Brundrett - The Nerve

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Last month, the agency in charge of managing the state health plan informed state-owned utility Santee Cooper that members of the utility's governing board were offered insurance benefits under the plan, though they weren't eligible, records show.

Santee Cooper communications director Mollie Gore told The Nerve that utility officials haven't been able to "pinpoint" the exact date when members of the 12-member board started to receive benefits, though she added in her email response, "It has been in practice for at least several decades."

The situation raises questions about the S.C. Public Employee Benefit Authority's (PEBA) ability to make sure that the more than 700 state and local government agencies, quasi-government organizations and other covered groups comply with state law.

State legislative leaders appoint most of the members of PEBA's governing board.

Generally under state law, full-time employees – defined by PEBA as working at least 30 hours a week – in covered groups are eligible to receive state health benefits. Santee Cooper's board members are not full-time employees, according to PEBA.

In a written response last month to The Nerve, Heather Young, PEBA's communications manager, said the agency "regularly audits participating employers in the State Health Plan to verify their compliance with the requirements of the Plan."

But state law doesn't require audits of employers who participate in the plan. Last fiscal year, PEBA audited a total of 54 employers, according to agency records, which, at that pace, would take the agency nearly 14 years to audit every employer just once.

When The Nerve pointed that out, Angie Warren, PEBA's communications director, in a follow-up email response said, "PEBA's audit numbers vary from year to year; some audits cover a small number of members, while other audits cover several thousand members and take longer to perform."

Asked for specifics about how often PEBA has found employers offering health insurance to ineligible workers, Young replied in writing: "While these audits have found instances when an employer has offered coverage to a part-time employee that should not have been eligible for coverage, PEBA does not separately track audit findings specifically related to coverage for ineligible part-time employees and does not have any responsive statistical or historical compilations of such findings."

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In other words, the agency contends it doesn't know the total number of ineligible recipients discovered in audits in recent years.

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"It is important to note that issues with employers come to PEBA's attention through a variety of avenues," Warren said in a separate written response. "We do not rely exclusively on a regular employer audit rotation to review employers' compliance and resolve issues."

Two PEBA employees are assigned to do audits, Warren said.

PEBA is governed by an 11-member board of directors, three of whom are appointed by the governor. The Senate president, Senate Finance Committee chairman, House speaker and the House Ways and Means Committee chairman each get two appointments.

As of this month, a total of 768 groups were participating in the state health insurance system, compared to 752 a year ago, PEBA records show. Eligible individuals are covered in the general state health or Medical University of South Carolina (MUSC) plans, or the Tricare supplemental plan.

The recently created S.C. Department of Veterans' Affairs was among a net 16 groups added to the state health insurance system over the past year, The Nerve found in a review of PEBA records.

The MUSC health plan covers employees of MUSC and the MUSC Hospital Authority. The Tricare supplemental plan provides secondary coverage to "members of the military community who are not eligible for Medicare," and serves as an alternative to the general state health plan, according to information from PEBA.

The total number of "covered lives" – employees, spouses and children – in all plans also rose over the past year, from 506,987 participants last September to 512,530 this month, including 126,322 retirees, according to PEBA.

There is a projected funding shortfall of nearly \$11 billion in the state retiree health insurance system, according to the S.C. Comptroller General's Office. For fiscal 2019, employers and workers paid a total of more than \$2.6 billion in premiums for all benefits (health, dental, vision, etc.), according to PEBA's annual financial report.

The Nerve's review of PEBA records found a total of at least 381,295 "covered lives" in active-

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employed groups as of this month, local school districts led all types of active-employee groups in the total number with at least 173,069 participants, followed by state agencies and state-created agencies (at least 66,950); towns, cities and counties (at least 45,062); colleges and universities (at least 42,160); and MUSC and the MUSC Hospital Authority (at least 23,603).

Following is a breakdown of the top-25 active-employee groups with the highest total number of “covered lives” as of this month, according to PEBA records:

- Greenville School District: 18,023;
- University of South Carolina: 13,454;
- MUSC Hospital Authority: 11,524;
- Horry County Schools: 11,083;
- Charleston County Schools: 10,484;
- Clemson University: 9,940;
- MUSC: 8,821
- Lexington County School District 1: 7,484;
- S.C. Department of Transportation: 7,092;
- Berkeley County School District: 7,086;
- S.C. Department of Corrections: 7,006;
- S.C. Department of Mental Health: 6,174;
- Richland County School District 2: 6,084;
- S.C. Department of Social Services: 5,957;
- Richland County School District 1: 5,903;
- S.C. Department of Health and Environmental Control: 5,382;
- Beaufort County School District: 5,295;
- Aiken County Public Schools: 5,188;
- Lexington-Richland School District 5: 5,028;
- Dorchester School District 2: 4,883;
- Charleston County government: 4,182;
- Santee Cooper: 4,139;
- Horry County government: 4,084;
- Florence 1 Schools: 4,008;
- York County School District 3: 3,949

More hands in the state cookie jar

As The Nerve has previously [reported](#), the state health insurance system by law not only covers

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state and local government agencies, but also a variety of other groups, including regional tourism-promotion commissions funded by the state tourism agency; regional councils of government and regional transportation authorities; water, fire and recreational special-purpose districts; legislative caucus committees; and government employee organizations such as the South Carolina State Employees Association.

The state Senate Republican, House Republican and House Democratic caucuses are listed in PEBA records as covered employer groups, though agency spokeswoman Young said no one in those caucuses currently participate in the state health plan.

State law allows lawmakers who leave office or retire with at least eight years of credited service in the Legislature to participate in the state health and dental plans by paying the full premium. A separate state budget proviso allows State Transportation Infrastructure Bank board members, S.C. Lottery commissioners and county magistrates in counties that participate in the state health and dental plans to receive those benefits by paying the full premium.

In a written response Thursday to The Nerve, Young said PEBA “received an inquiry” in mid-August “regarding whether the members of the Santee Cooper Board of Directors were eligible for benefits under the South Carolina Retirement System and the State Health Plan,” adding that based on a “follow-up investigation,” PEBA “became aware that Santee Cooper had erroneously offered coverage under the State Health Plan to its Board of Directors.”

In an Aug. 24 email to Santee Cooper, Justin Werner, PEBA’s deputy general counsel, said the utility’s board members are not eligible to participate in the state health plan because they are not full-time employees. The email didn’t identify which board members have received benefits.

But Werner also said to “avoid working an undue hardship upon those board members that have been erroneously covered,” PEBA would allow them to remain in the plan until the end of the year.

“This additional period of coverage should afford the board members and/or Santee Cooper sufficient time to obtain suitable coverage,” Werner said.

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