



Washington State Health Care Authority SEBB Program Compliance and Eligibility Audit Report

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Audit Report

***SEBB Program
Compliance and Eligibility***

Seattle School District

December 23, 2024

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Background

The Health Care Authority (HCA) is charged with administering the Public Employees Benefits Board (PEBB) Program and School Employees Benefits Board (SEBB) Program. These programs are run in a decentralized manner with over 700 participating entities consisting of state agencies, school districts, higher educational institutions, and employer groups. State law requires employing agencies participating in PEBB and SEBB to carry out actions required by HCA, including rules regarding eligibility for subscribers and their dependents.

Recognizing the risks associated with administering benefits programs covering over 650,000 members, the School and Public Employees Benefits (SPEB) audit function was created to conduct routine audits of employing agencies. These audits are designed to identify and prevent eligibility issues from occurring, while also providing assurance that benefits are being administered appropriately on behalf of the State of Washington.

The Seattle School District is the largest K-12 school system in Washington state, it has a deep commitment to every student's journey—to ensure that each student will graduate ready for college, career and life. Seattle School District is located in Seattle, Washington, and had 11,094 employees employed during the school year 2021 - 2022.

Objective and Scope

The objective of this audit was to determine if the school district was in compliance with the program's requirements contained in the Revised Code of Washington (RCW), Washington Administrative Code (WAC), SEBB Administrative Policies, and procedures established by the SEBB Program.

The audit covers employee eligibility and related administrative requirements for the period of September 1, 2021 – August 31, 2022

Testing and Results

Eligible Employees

The purpose of this work was to determine if the employees enrolled in benefits were anticipated to work at least 630 hours in the September 1, 2021 – August 31, 2022, school year. These hours may consist of hours worked, paid leave, or a combination of the two. We tested the entire population of 6,630 employees who were anticipated to work at least 630 hours in the school year

Results

No exceptions were identified.

Ineligible Employees

The purpose of this test was to determine if the school district made accurate determinations when identifying employees as ineligible for benefits. We obtained a list of all 4,464 employees the agency determined were not eligible for benefits during the September 1, 2021 – August 31, 2022, school year.

Results

No exceptions were identified.

Worksheets and Notification

The purpose of this test was to determine if the school district accurately completed the required worksheets to determine eligibility and provided timely and adequate written notification to employees regarding eligibility for benefits. We randomly selected 169 employees hired out of the total population of 1,694 employees hired during the audit period, September 1, 2021 – August 31, 2022.

We identified exceptions with 155 employees (some employees had more than one issue identified.)

Results

The school district could not demonstrate it accurately completed the required worksheets for 155 of the 169 employees:

- The school district was unable to provide worksheets for nine employees
 - Four exceptions were for transfer employees where the school district did not fill out both the A-1 and A-5 worksheets
- Eight worksheets were not completed correctly
- 146 worksheets were not signed and dated by the school district and employee as required
- The school district was unable to provide documentation evidencing receipt of written notification of eligibility status for 20 employees

Staff do not meet with employees in person when there is a change that causes benefit eligibility adjustments. The district therefore relies on email read receipts to evidence the employee received the notification. For the 2021 - 2022 school year, the district sent notifications to employees that had not been signed as required. Staff have since added an electronic signature to worksheets that are sent to employees.

We did confirm that in all 155 instances the employees were eligible for and had been provided benefits.

Routine Monitoring

The purpose of this test was to determine if the school district routinely monitored all employee work hours to establish and maintain the employer contribution toward benefits coverage. We randomly selected 1,109 employees of the 11,094 employees employed during the audit period. We used January 2022 to test that the agency monitored employee work hours.

Results

No exceptions were identified.

Waiving Enrollment

The purpose of this test was to determine if the school district complied with the requirements when employees chose to waive enrollment in SEBB. There were 338 employees that waived coverage during the audit period September 1, 2021 – August 31, 2022. We randomly selected 50 of those employees for testing.

Results

The school district failed to notify one employee of their option to waive benefits within 31 days of becoming eligible. The employee's benefits were waved retroactively by Employee Retiree Benefits (ERB) Outreach and Training.

Special Open Enrollment

The purpose of this test was to determine whether the special open enrollment event is allowable per Addendum 45-2A and if eligibility determinations for employees were made in accordance with applicable rules. There were 267 employees that were granted a special open enrollment event between September 1, 2021 – August 31, 2022. We randomly selected 50 employees.

Results

The school district could not demonstrate special open enrollment events were made accurately for 10 of the 50 employees: (some employees had more than one issue identified)

- Nine instances where no documents were available to verify an employee met special open enrollment criteria
- Five instances invalid documents were submitted that did not support a special open enrollment event
- Three instances the enrollment or termination of a dependent was keyed incorrectly by the school district
- One instance the school district accepted a form of dependent verification that was not listed in the approved document list of Policy 31-1

The details of each exception noted above have been provided to the school district.



Next Steps

The exceptions identified may require corrective action. This report is being provided to SEBB program staff for follow-up with your organization. Questions regarding corrective action should be directed to: Cade Walker, PEBB Policy Rules and Compliance, cade.walker@hca.wa.gov .

Conclusion

The School and Public Employee Benefits Audit team would like to thank staff from Seattle School District for their cooperation and assistance throughout this audit.

Attachment A

Audit Authority, Approach, and Criteria

This audit was carried out consistent with the Revised Code of Washington (RCW) 41.05.021 (1/1/iii), RCW 41.05.008, and Washington Administrative Code (WAC) 182-31-030.

To accomplish our audit objective, we performed testing in the following areas:

Eligibility Review

A review was conducted of all current employees to verify the accuracy of their eligibility and enrollment status. We reviewed the work hours of employees currently enrolled in benefits to ensure requirements were met to maintain the employer contribution for benefits.

Additionally, we reviewed the hours of employees identified as not currently eligible for benefits to ensure they did not meet eligibility requirements.

Determining Eligibility

Employers are required to use methods provided by the SEBB program to determine eligibility and enrollment in benefits. Testing was performed to ensure worksheets provided by the SEBB program were being used to accurately determine eligibility for employees. Our review consisted of requesting and obtaining worksheets supporting eligibility determinations for a randomly selected sample population.

Written Notice

Employers are required to send written notice to employees upon hire, when an employee becomes eligible for the employer contribution due to a change in work pattern, or when an employee has lost eligibility. Written notice must include a description of any hours excluded in determining eligibility and information about the employee's right to appeal eligibility and enrollment decisions. We obtained copies of written notices for a randomly selected sample population to ensure these requirements were being met.

Routine Monitoring

Employers are required to routinely monitor all employee work hours to establish and maintain the employer contribution toward benefits coverage. We examined any processes or tracking tools that were being used to meet this requirement. Our review consisted of verifying routine monitoring was being performed and to evaluate the overall effectiveness to ensure eligibility risks are being mitigated as intended.

Waiving Enrollment

An employee may waive SEBB medical benefits when they become eligible but must submit the required form to their employing agency at one of the following times: when they become

eligible, during the annual open enrollment, or during a special open enrollment. We obtained and reviewed enrollment forms for a randomly selected sample of employees electing to waive medical benefits. Our review consisted of verifying these forms were submitted during an eligible period and obtained by the employer timely.

The regulations and guidelines used were in effect at the time of the audit. These include:

- Revised Code of Washington (RCW) 41.05.009, 41.05-.011(18), 41.05.740
- Washington Administrative Code (WAC) 182-30, 182-31
- SEBB Program Administrative Policy 11-1, 45-2, Addendum 45-2A

Criteria

Eligible Employees

Washington Administrative Code 182-31-040 - How do employees establish eligibility for the employer contribution towards school employees benefits board (SEBB) benefits and when do SEBB benefits begin?

- (4) School employee eligibility criteria shall be determined in the following order:
- (a) A school employee is eligible for the employer contribution toward SEBB benefits if they are anticipated to work at least 630 hours per school year. The eligibility effective date shall be determined as follows:
 - (i) If the school employee's first day of work is on or after September 1st but not later than the first day of school for the current school year as established by the SEBB organization, they are eligible for the employer contribution on the first day of work; or
 - (ii) If the school employee's first day of work is at any other time during the school year, they are eligible for the employer contribution on that day.
 - (b) A school employee is presumed eligible for the employer contribution at the start of the school year, as described in (a) of this subsection, if they:
 - (i) Worked at least 630 hours in each of the previous two school years; and
 - (ii) Are returning to the same type of position (teacher, paraeducator, food service worker, custodian, etc.) or combination of positions with the same SEBB organization.

Ineligible Employees

Washington Administrative Code 182-31-030 - What are the obligations of a school employees benefits board (SEBB) organization in the application of school employee eligibility?

- (2) SEBB organizations must determine school employee eligibility for SEBB benefits and the employer contribution according to the criteria in WAC **182-31-040** and **182-31-050**. SEBB organizations must:
- (d) Identify when a previously ineligible school employee becomes eligible or a previously eligible school employee loses eligibility; and
 - (e) Inform a school employee in writing whether or not they are eligible for SEBB benefits and the employer contribution whenever there is a change in work pattern such that the

school employee's eligibility status changes. Whenever this occurs, SEBB organizations must inform the school employee of the right to appeal eligibility and enrollment decisions. A school employee eligible for SEBB benefits must have no less than 10 calendar days after the date of notice to elect coverage.

Washington Administrative Code 182-31-040 - How do employees establish eligibility for the employer contribution toward school employees benefits board (SEBB) benefits?

- (4)(a) A school employee is eligible for the employer contribution toward SEBB benefits if they are anticipated to work at least 630 hours per school year.

Worksheets and Notification

SEBB Program Administrative Policy 11-1

1. A SEBB Organization must send a written notice to a school employee upon hire and when a school employee becomes eligible for the employer contribution toward SEBB benefits because of a change in work pattern. The notice should be provided within a reasonable time frame as part of the hiring process. A school employee eligible for SEBB benefits must have no less than ten calendar days after the date of notice to elect coverage. To comply with this policy, a SEBB Organization must use either:
 - a. SEBB eligibility worksheets in the “A,” “B,” or “D” series, or
 - b. Stand-alone notices provided by the SEBB Program. ...
4. A SEBB Organization must keep a hard copy or electronic acknowledgement that the notice was received by the school employee.

Routine Monitoring

Washington Administrative Code 182-31-030 – What are the obligations of a school employees benefits board (SEBB) organization in the application of school employee eligibility? States in part....

- (2) SEBB organizations must determine school employee eligibility for SEBB benefits and the employer contribution according to the criteria in WAC 182-31-040 and 182-31-050. SEBB organizations must:
- (c) Routinely monitor all school employees work hours to establish eligibility and maintain the employer contribution toward SEBB benefits;
 - (d) Identify when a previously ineligible school employee becomes eligible, or a previously eligible school employee loses eligibility;

Waiving Enrollment

WAC 182-30-080 When must a newly eligible school employee, or a school employee who regains eligibility for the employer contribution, elect school employees benefits board (SEBB) benefits and complete required forms?

- (1) (a) A school employee must complete the required forms indicating their enrollment elections, including an election to waive enrollment provided the school employee is eligible to waive as described in WAC 182-31-080. The required forms must be returned to the school employee's SEBB organization or contracted vendor. Their SEBB organization or contracted vendor must receive the forms no later than 31 days after the school employee becomes eligible for SEBB benefits under WAC 182-31-040.

- (b) If a newly eligible school employee's SEBB organization, or the authority's contracted vendor in the case of life insurance and AD&D, does not receive the school employee's required forms indicating medical, dental, vision, life insurance, AD&D insurance, and LTD insurance elections, and the school employee's tobacco use status attestation within 31 days of the school employee becoming eligible, their enrollment will be as follows for those elections not received within 31 days:
 - (i) A medical plan determined by the health care authority (HCA);

WAC 182-31-080 When may a school employee waive enrollment in school employees benefit board (SEBB) medical and when may they enroll in SEBB medical after having waived enrollment?

- (1)(a) When the school employee becomes eligible: A school employee may waive SEBB medical when they become eligible for SEBB benefits. The school employee must indicate their election to waive enrollment in SEBB medical on the required form and submit the form to their SEBB organization. The SEBB organization must receive the form no later than 31 days after the date the school employee becomes eligible for SEBB benefits (see WAC [182-30-080](#)). SEBB medical will be waived as of the date the school employee becomes eligible for SEBB benefits.

Special Open Enrollment

SEBB Program Administrative Policy 45-2 and Addendum 45-2A

1. When a subscriber informs their SEBB Organization of their intent to make an enrollment change or change their election under the state's salary reduction plan, the SEBB Organization must use Addendum 45-2A to assist the subscriber in determining whether the subscriber or their dependent has experienced an event that creates a special open enrollment and inform the subscriber of the changes they can make consistent with that event.

SEBB Program Administrative Policy 31-1, states in part...

Purpose:

This policy clarifies which documents the School Employees Benefits Board (SEBB) Program considers valid for dependent verification and identifies which accounts are included in the dependent verification process. Although some subscriber accounts are not included in the process, the SEBB Program reserves the right to review a dependent's eligibility at any time.

Policy:

1. The SEBB Program requires subscribers to provide documentation that verifies a person's relationship to the subscriber before enrolling the person as a dependent under the subscriber's SEBB health plan coverage, except as indicated in sections 2 and 3 of this policy.
4. Table 31-1 shows a list of valid dependent verification documents.

Document(s) needed if enrolling a Spouse or State Registered Domestic Partner
Provide ONE of the document(s) listed in the following bullets

Spouse (including same-sex spouse)	<ul style="list-style-type: none"> The most recent year's Federal Tax Return <u>filed jointly</u> that lists the spouse (<i>black out financial information</i>); OR
	<ul style="list-style-type: none"> The most recent year's Federal Tax Return for the subscriber and the spouse if <u>filed separately</u> (<i>black out financial information</i>); OR
	<ul style="list-style-type: none"> Marriage Certificate* <u>and</u> evidence (does not have to live together) that the marriage is still valid (e.g. a utility bill within the last 6 months showing both your and your spouse's name, life insurance beneficiary document, a bank statement within the last 6 months** – <i>black out financial information</i> – Showing both your and your spouse's name); OR
	<ul style="list-style-type: none"> A recently-filed (within last 6 months) petition for dissolution, petition for legal separation (marriage), or petition to invalidate (annul) marriage; OR
	<ul style="list-style-type: none"> Defense Enrollment Eligibility Reporting System (DEERS) registration; OR
	<ul style="list-style-type: none"> Valid J-1 or J-2 visa issued by the U.S Government
State Registered Domestic Partner or Partner of a Legal Union	<ul style="list-style-type: none"> A certificate/card of state registered domestic partnership* or legal union <u>and</u> evidence (does not have to live together) that the partnership is still valid. (e.g. a utility bill within the last 6 months showing both your and your partner's name, life insurance beneficiary document, a bank statement within the last 6 months** – <i>black out financial information</i> – showing both your and your partner's name); OR
	<ul style="list-style-type: none"> A recently-filed (within last 6 months) petition to invalidate (annul) state registered domestic partnership.

Document(s) needed if enrolling Children
Provide ONE of the document(s) listed in the following bullets

Children	<ul style="list-style-type: none"> The most recent year's Federal Tax Return that includes the child(ren) as a dependent (<i>black out financial information</i>); OR
	<ul style="list-style-type: none"> Birth certificate (or hospital certificate with the child's footprints on it) showing the name of the parent who is the subscriber, the subscriber's spouse, or the subscriber's state registered domestic partner;*** OR
	<ul style="list-style-type: none"> Certificate or decree of adoption showing the name of the parent who is the subscriber, the subscriber's spouse, or the subscriber's state registered domestic partner; OR
	<ul style="list-style-type: none"> Court ordered parenting plan; OR
	<ul style="list-style-type: none"> National Medical Support Notice; OR
	<ul style="list-style-type: none"> Defense Enrollment Eligibility Reporting System (DEERS) registration; OR
	<ul style="list-style-type: none"> Valid J-2 visa issued by the U.S Government

Notes:

- Copies of any of the documents referenced within this table are acceptable.
 - Other documents, as approved by the SEBB Program may be used for dependent verification.
 - All documents must be submitted in English. Documents written in a foreign language must be accompanied by a translated copy produced by a professional translator and certified with a notary public seal.
- *If within 6 months of marriage/state registered domestic partnership, then only certificate/card is required.
- ** Separate utility bills with the same address showing your or your spouse's/partner's names on it as evidence the marriage/partnership is still valid.
- ***If the dependent is a stepchild of the subscriber, the spouse/state registered domestic partner must also be verified in order to enroll the child even if the spouse/state registered domestic partner is not enrolling in coverage.

Table 31-1