



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND

Financial Audit
For the Year Ended: June 30, 2010

Release Date: May 12, 2011

Summary of Findings:

Total this audit:	1
Total last audit:	2
Repeated from last audit:	0

INTRODUCTION

This report covers our financial audit of the Teacher Health Insurance Security Fund for the year ended June 30, 2010.

SYNOPSIS

- The Department failed to have a documented written rate-setting methodology for the calculation of the Teachers' Retirement Insurance Program premiums.

{Expenditures and Activity Measures are summarized on the reverse page.}

DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
TEACHER HEALTH INSURANCE SECURITY FUND
FINANCIAL AUDIT
For the Year Ended June 30, 2010

STATEMENT OF CHANGES IN PLAN NET ASSETS (expressed in thousands)	Fiscal Year 2010	Fiscal Year 2009
Additions		
Contributions		
Employer.....	\$ 67,706	\$ 66,312
State.....	79,007	75,474
Plan Member		
Actives.....	90,243	88,416
Retirees.....	151,057	148,726
Federal government Medicare Part D.....	23,897	22,285
Consolidated Omnibus Budget Reconciliation Act.....	98	220
Total contributions.....	<u>412,008</u>	<u>401,433</u>
Interest income.....	324	1,388
Total additions.....	<u>412,332</u>	<u>402,821</u>
Deductions		
Benefit payments and refunds.....	425,333	408,243
General and administrative.....	2,379	2,220
Total deductions.....	<u>427,712</u>	<u>410,463</u>
Net additions (deductions).....	(15,380)	(7,642)
Net assets held in trust for other postemployment benefits		
Beginning of year.....	54,603	62,245
End of Year.....	\$ 39,223	\$ 54,603

SUPPLEMENTARY INFORMATION	Fiscal Year 2010	Fiscal Year 2009
Number of retirees and beneficiaries receiving benefits.....	65,333	65,543
Number of waived retirees who may elect helathcare coverage in the future.....	18,716	15,984
Number of terminated plan members entitled to but not yet receiving benefits....	16,840	15,867
Number of active plan members.....	169,538	164,797
Total.....	<u>270,427</u>	<u>262,191</u>
Number of participating employers.....	1,007	1,007

AGENCY DIRECTOR
During Examination Period: Ms. Julie Hamos
Currently: Ms. Julie Hamos

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

LACK OF WRITTEN RATE-SETTING METHODOLOGY

Department had no written rate-setting methodology

The Department did not have a documented written rate-setting methodology to calculate the insurance rates that are used to determine the premium rates charged to participants for the Teachers' Retirement Insurance Program (TRIP).

No exceptions relating to incorrect premium rates being charged

Auditors met with Department personnel to discuss the process of calculating insurance rates that are used to determine premium rates. During this discussion, the Department walked the auditors through a series of spreadsheets containing historical and current insurance costs, revenues and cash flow information for TRIP. The Department calculates insurance rates, which are based on, but not limited to costs, cash flows, and utilization levels. The Department then develops the premium rates that are charged for TRIP based on the calculated insurance rates and statutory limitations on the maximum premium rates that can be charged in a fiscal year. Auditors did not have any exceptions relating to incorrect premium rates being charged to participants for TRIP.

Only one individual responsible for the calculation of insurance rates

However, we noted that only one individual is involved in calculating the insurance rates and there was no written rate-setting methodology of how this individual calculates the TRIP insurance rates. Additionally, there was no formal process for a documented review of the insurance rate calculation.

Further, auditors noted that the Department did provide the Teachers' Retirement System of the State of Illinois by April 15th with historical and projected data on enrollment, utilization, and costs of TRIP information which is used to determine the amount of health care premiums charged to participants in TRIP; however, there was no rate-setting methodology provided explaining where the information was obtained from and what information was used to determine the premium rates. (Finding 1, pages 20-21 of the Financial Report)

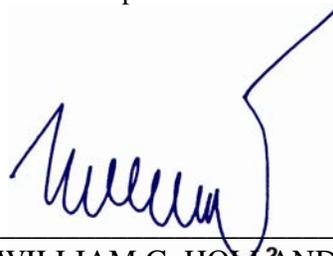
We recommended the Department develop a formal written rate-setting methodology as required by the State Employees Group Insurance Act.

Department agrees with auditors

Department officials concurred with our recommendation and stated that the Department will develop a formal written rate-setting methodology used to determine the premium rates for the Teachers' Retirement Insurance Program.

AUDITORS' OPINION

Our auditors state the financial statements of the Teacher Health Insurance Security Fund as of June 30, 2010, are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written over a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED

This audit was performed by the Office of the Auditor General's staff.