



2024 Premium Reconciliation Audit

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**Prepared for
The State Employee Health Plan
State of Kansas**

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Executive Summary

The State Employee Health Plan (SEHP) engaged Sagebrush Analytic to perform a premium reconciliation audit for calendar year 2024. The premium process is automated, from employee benefit selections through to the paychecks and ACH deductions, although there are points in the process that require manual intervention. Interventions are required for processes such as benefit changes and retro-terminations. The goal of the project is to match expected premiums to payroll deduction data to identify and help resolve any pattern billing discrepancies.

The Kansas State Employees Health Care Commission (HCC) was created by the 1984 Legislature through the enactment of K.S.A. 75-6501 to develop and provide for the implementation and administration of a state health care benefits program. These benefits and plans are administered by the SEHP staff.

Conducting period audits of benefits plans is the responsibility of SEHP. Additionally, SEHP is responsible for bringing recommendations to the HCC and with carrying out the operation of the SEHP according to HCC policy.

The audit of the 2024 calendar year transactions confirmed that the premium process appears to be working as intended for the vast majority of SEHP participants. The variance between expected premiums and actual deducted/invoiced premiums identified through the audit is not material.

Premium Process

Employees select from a variety of health plans, including medical, dental, vision, and voluntary benefits available through the SEHP. Each new hire must apply for coverage and provide required documentation within 31 days of employment. For the 2024 plan year, existing employees selected coverage during open enrollment in October 2023. Coverage was available to all active, full time and part time, employees and dependents, and eligibility begins on the employment start date. Other, certain individuals may also be covered by the plans, including COBRA participants and retirees. Additionally, Non State employer groups such as educational entities, cities, counties, townships, hospitals and other governmental employees are also eligible for coverage through SEHP.

Enrollment data, including new hires, terminations, and other changes, are recorded in the SEHP Membership Administration Portal (MAP). The data in MAP includes benefit elections for all plan participants, including active employees, university employees, and Non State Public Employer Groups, and other individuals such as retirees. The MAP system calculates the semi-monthly premium deductions for all participants and discounts the employee premiums for reward credits earned through the HealthQuest wellness program when applicable. MAP produces a file, the Benefit Election Return File (BERF), that is transferred to the university payroll systems and Central (Sharp) Payroll Systems to actualize the payroll deductions. Nearly 5 million payroll transactions are processed annually through the premium process.

A separate process is used to generate invoices to the Non State Public Employer Groups, and other individuals such as retirees, who are directly billed. The invoices are collected through Automated Clearing House (ACH) bank account deductions. Invoices are sent to approximately 123 groups, as well as approximately 9,000 direct bill participants, on the 8th of each month.

Each university processes its own payroll file and sends the data to Central Payroll for recordkeeping purposes. The universities notify the SEHP if they could not make the GHI deduction for an employee. The SEHP tracks these no-paycheck reporting adjustments in the MAP system.

Payroll processing occurs semi-monthly, and the payroll data files are called KPAY230 and KPAY208 for payroll and payroll adjustment files, respectively. For example, if the employee does not have a paycheck for some reason, such as unpaid leave, the unpaid premium would be recorded in the KPAY208 data. Payroll variance reports are generated by SEHP to identify discrepancies between planned (BERF) and actual payroll deductions (KPAY230), and the reports are worked by SEHP staff.

Invoicing of the direct bill participants occurs monthly. ACH deductions occur at the beginning of each month. However, if the ACH deduction is unsuccessful, such as for a lack of funds, participants are contacted for new bank account information. A second attempt to draw the funds through the ACH process will be made on the 16th of the month. Following a failed second attempt to draw funds, the participant is terminated from the plan(s).

Summary of Findings

Audit Methodology

Available Data and Information

Electronic files were obtained for the audit from SEHP. The following files were collected for calendar year 2024:

Exhibit 1 – Available Data

Available Data Files and Information
2024 Eligibility File
2024 Rate File
Attribute File (premium discounts earned through HealthQuest wellness program and information regarding Identification Verification of HSA accounts)
Benefit Election Return File (BERF)
KPAY230 (payroll files)
KPAY208 (payroll adjustment files), including Recycle files with adjustments from 2023 into 2024 and 2024 adjustments made in 2025
NSE and Retiree Direct Bill Invoices
NACHA Files (ACH deductions for NSE & Retiree direct bills)
Treasury Files (rejected NSE & Retiree ACH payments)

Methodology for Testing Premiums

Testing was conducted for all premium deductions and invoiced premiums for calendar year 2024. Testing included premiums for medical, dental, and vision plans, and included employer premiums, employee deductions, and direct bill premiums.

Sagebrush electronically joined the Rate File to the Eligibility File in order to calculate the total expected premium deductions for each participant for the entirety of 2024. The Attribute File was applied to the calculation in order to account for premium discounts resulting from participation in the HealthQuest wellness program. The expected premium calculation factored in coverage status such as plan and level of dependent coverage, including changes during the year. The expected premium was then compared to the planned deductions (BERF) and adjustments (KPAY208), including Recycled adjustments from 2023 and 2024 adjustments made in 2025. Sagebrush excluded variations for members paid by an interfund transfer from their prior agency; these records have a blank agency number. Variances between employee and employer expected and actual premium deductions were noted.

Summary of Findings

Similarly, for direct bill participants, Sagebrush applied the Rate File to Eligibility File, including eligibility and rate changes, to calculate an expected total premium for each participant. The expected 2024 premiums were compared to the compiled NSE and Retiree Invoice Files. Variances were noted. A comparison of invoiced files to the ACH (NACHA) files was conducted to ensure that invoiced premiums were deducted.

Detailed files listing the identified discrepancies have been provided to SEHP staff.

Summary of Findings

Payroll Deduction Reconciliation

Summary Payroll Deduction Variances

The payroll deduction reconciliation is an analysis of the premium payroll deductions for all active employees. The following variances were identified by plan type.

Exhibit 2 – Expected to Payroll Deduction Variance by Employee and Plan Type

Premium Source	# of Subscribers with Variations	Absolute Variance	Net Variance
Medical Employer	147	\$71,818.79	-\$457.33
Medical Employee	112	20,788.16	(2,405.70)
Dental Employer	131	\$5,316.86	-\$1,455.38
Dental Employee	61	\$1,195.19	(\$359.43)
Vision Employee	225	\$1,256.17	(\$485.61)
TOTAL	676	\$100,375.17	-\$5,163.45

The following table, Exhibit 3a, compares the total identified absolute variance to the actual total 2024 premium deductions for active employees. The resulting variance is 0.023% and is not material.

The net variance, -\$5,163.45, compared to the actual total 2024 premium deductions for active employees is -0.001%. This comparison is shown below in Exhibit 3b.

Summary of Findings

Exhibit 3a – Absolute Variance to Total Payroll Deductions

Premiums Deducted	Total Variation from Expected Premiums	Variance as a % of Total Deductions
\$431,775,684	\$100,375.17	0.023%

Exhibit 3b– Net Variance to Total Payroll Deductions

Premiums Deducted	Total Variation from Expected Premiums	Variance as a % of Total Deductions
\$431,775,684.44	-\$5,163.45	-0.001%

Summary of Findings

Observations – Variance by Agency

Exhibit 4a – Total Absolute Variance for All Plans Combined by Agency

State Agency	Absolute Employer Premium Variances	Absolute Employee Premium Variances	Total	% of Total	Cumulative % of Total
367	\$11,934.15	\$2,797.49	\$14,731.64	14.7%	14.7%
682	\$10,092.55	\$2,847.77	\$12,940.32	12.9%	27.6%
629	\$6,497.02	\$1,078.96	\$7,575.98	7.5%	35.1%
276	\$6,475.40	\$2,678.10	\$9,153.50	9.1%	44.2%
677	\$5,884.93	\$833.69	\$6,718.62	6.7%	50.9%
264	\$5,726.66	\$2,192.74	\$7,919.40	7.9%	58.8%
400	\$3,998.73	\$642.48	\$4,641.21	4.6%	63.4%
ALL OTHER	\$26,526.21	\$10,168.29	\$36,694.50	36.6%	36.6%
TOTAL	\$77,135.65	\$23,239.52	\$100,375.17	100.0%	100.0%

The study identified that seven State agencies out of 45 total agencies were responsible for more than 60% of the total absolute variance in 2024. Three (276, 367, and 629) of the seven agencies were also highlighted for comprising a significant percent of the total variance in the audits of calendar years 2020 through 2023.

The total absolute variance for the seven agencies is \$63,680.67, compared to the total absolute variance for all agencies of \$100,375.17. The total absolute variance for the seven agencies is 63.4% of the total absolute variance for all agencies.

Summary of Findings

Exhibit 4b – Total Net Variance for All Plans Combined by Agency

State Agency	Net Employer Premium Variances	Net Employee Premium Variances	Total
367	-\$922.85	\$673.69	-\$249.16
682	-\$6,544.29	-\$170.15	-\$6,714.44
629	\$4,784.24	\$331.02	\$5,115.26
276	\$1,269.42	-\$560.48	\$708.94
677	-\$198.23	\$320.49	\$122.26
264	\$4,172.84	-\$599.42	\$3,573.42
400	\$3,998.73	\$632.88	\$4,631.61
ALL OTHER	-\$8,472.57	-\$3,878.77	\$12,351.34
TOTAL	-\$1,912.71	-\$3,250.74	-\$5,163.45

The total net variance for the seven agencies is \$7,187.89, compared to the total net variance for all agencies of -\$5,163.45.

Summary of Findings

Direct Bill Reconciliation

The direct bill reconciliation is an analysis of the premium invoices for all groups and individuals receiving direct bills for monthly premiums. The following absolute and net variances were identified by plan type.

Exhibit 5 – Expected to Invoice Variance by Group/Individual and Plan Type

Premium Source	# of Subscribers with Variations	Absolute Variance	Net Variance
Medical Employer	131	\$109,633.30	-\$63,293.60
Medical Employee	128	33,791.08	(18,799.10)
Dental Employer	58	\$7,144.26	-\$5,901.58
Dental Employee	48	\$2,483.13	(\$1,990.29)
Vision Employee	73	\$936.23	(\$401.53)
TOTAL	438	\$153,988.00	-\$90,386.10

Summary of Findings

The following table, Exhibit 6a, compares the total identified absolute variance to the actual total 2024 premium invoices for direct bill groups and individuals. The resulting variance is 0.187% and is not material.

Exhibit 6a – Absolute Variance to Total Invoices

Premiums Deducted	Total Variation from Expected Premiums	Variance as a % of Total Deductions
\$82,506,102	\$153,988.00	0.187%

The net variance, -\$90,386.10, compared to the actual total 2024 premium deductions for direct bill groups and individuals is -0.110%.

Exhibit 6b – Net Variance to Total Invoices

Premiums Deducted	Total Variation from Expected Premiums	Variance as a % of Total Deductions
\$82,506,101.70	-\$90,386.10	-0.110%

Summary of Findings

Conclusion

The project results indicate that the premium process appears to function as intended. The variations between expected premiums and deducted/collected premiums are not material for either SOK employees or direct bill participants.

Auditors noted certain adjustments during the study period and within the 2025 Recycle files that were made to retroactively correct transactions. These immaterial exceptions may be addressed in 2025 outside of the Recycle process or may relate to transactions originating in 2023.

In conclusion, although the study identified potential exceptions, the aggregate impact of these items relative to total premiums is immaterial.