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Weeding Out Ineligible Dependents From Health Care

BY TONY M. SCHY AND MICHAEL G. BROWNING

In late 2007, an employee of Macomb County, Mich., carefully tabulated the health care claims paid on behalf of one individual and her two dependents during the last eight years. The total came to nearly a quarter of a million dollars.

With the rising cost of health care, the figure wasn't astounding at first glance. What made this situation remarkable was that this individual worked for the county for only eight days, and that was more than seven years ago! The county had stopped her paycheck upon termination, but they unknowingly continued to pay her health benefits.

Unfortunately, for employers, paying for the health benefits of individuals who are not eligible is far too common. Yet former employees represent only a small number of these individuals. It is dependents of current employees who account for the majority of ineligible persons receiving health-care benefits. This is a result of employees who list them as eligible for coverage, despite the fact they do not meet the requirements of the plan. Because of this reality, school districts are turning to dependent eligibility audits to ensure benefits are only paid on behalf of eligible dependents.

Eugene T.W. Sanders, CEO of the Cleveland, Ohio, Metropolitan School District, said his district, with its 8,000 employees, reduced its fully insured premium costs by \$2.4 million per year following an eligibility audit. "Conducting a dependent eligibility audit can provide a district with favorable and unexpected results," he said.

A State Mandate

The Cleveland district's results may be surprising, but a number of audits have found this to be a widespread problem among school districts. Ohio's School Employees Health Care Board recently adopted a rule mandating every school district conduct periodic dependent eligibility audits. "Few strategies offer the opportunity for immediate and substantial impact on health care costs available through dependent eligibility audits," said Bruce Gilbert, the organization's executive director.

The Columbus, Ohio, Public Schools recently identified more than 1,200 ineligible dependents during its audit. The district obtained a



Michael Browning (left) and Tony Schy

one-year return-on-investment of over 1,500 percent from the audit, which cost about \$90,000.

Dependent eligibility audits often find 5 to 10 percent of dependents on a plan are ineligible. These results have been found across all industries and employers. Institutions offering the richest benefits often find they have a significant number of ineligible dependents on their plan.

Ineligible dependents can be found on health care plans for various reasons. One common situation exists when a child no longer is eligible due to their age or student status. Many employees simply overlook the fact they need to remove these individuals. Some don't fully understand the eligibility rules.

Unfortunately, cases also exist where employees may subvert the system to provide health coverage for individuals they know are ineligible. Ineligible dependents are likely on every school district's plan.

Document Proof

The first step for addressing this problem is to review the current process for enrolling dependents. Does the district's human resources office require proof of dependent status through marriage certificates, birth certificates, tax forms, college course schedules or another document? If not, modifying the existing process can ensure only eligible dependents are enrolled in the future.

The school district then might consider conducting its audit internally or through a qualified vendor. After a public announce-

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ment, dependent eligibility audits usually begin with a letter sent out to each employee listing their dependents. Many districts use this as an opportunity for the employee to drop ineligible dependents without penalty. During this phase, districts often reduce their dependent count by up to 5 percent.

During the next phase, the audit collects copies of documents required to prove the eligibility of a dependent. This phase requires vigilance in the secure handling of highly sensitive documents. Employees should be told whom to contact with questions about the requirements.

Because of these challenges, districts with 200 or more staff members often seek assistance of a vendor that can provide the document safeguards, call center availability and experienced handling of a potentially upsetting matter.

Cultural sensitivity is important. Gilbert says he advises school districts in Ohio to "consider a firm's experience, especially in handling public sector and school-based examinations. ... The aggressiveness of firms used to handling only private sector audits does not always translate well to the public education environment."

Dependent eligibility audits allow districts to manage their plan responsibly and control increasing health care costs. The question is not whether these audits should be completed but when.

Tony Schy is a partner with Chapman Kelly in Jeffersonville, Ind. E-mail: tschy@chapmankelly.com. Michael Browning is director of strategic development with the firm.

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