

Employers get tough on insuring 'family'

By [Parija Kavalanz](#), senior writer July 28, 2010: 10:26 AM ET

NEW YORK (CNNMoney.com) -- Think your whole family is covered by your company health plan? Get ready to prove they're actually your kin.

Under the [new health care legislation](#), beginning next year employers will have to provide coverage for dependents of employees 'till age 26.

That will further inflate coverage costs for companies at a time when employers are already bracing for a [9% jump](#) in their health care plan expenditures in 2011.

To offset those higher expenses, companies will raise premiums on plans and systematically weed out ineligible individuals, said Tom Billet, senior consultant with human resources consultancy Towers Watson. Billet's clients include Time Warner ([TWX](#), [Fortune 500](#)), the parent company of CNNMoney.

So expect a letter in the mail asking for proof of family.

This could include marriage certificates, birth or adoption certificates, affidavits that establish domestic partner relationships, proof of legal guardianship and possibly even proof of immigration status.

Budco, which conducts dependent eligibility audits for clients that include Time Warner Cable, Qwest, and AT&T ([ATT](#)), has seen a 30% jump in inquiries for its services in the past 90 days. "We usually see just a 5% increases in inquiries around this time," said Dave Chojnacki, executive vice president with Budco.

At [Chapman Kelly](#), whose clients include Marathon Oil, Volvo and Avis, requests from companies for dependent audits have nearly doubled this year, according to Michael Browning, vice president of strategy for the firm.

[Health reform, divorces spur audits](#)

Eligibility audits typically find between 10% to 13% of current dependents listed on health plans to be ineligible, said Michael Smith, CEO of audit firm ConSova, whose clients include Tyco, Nissan Motors and Bertelsmann.

Annual health coverage for a spouse can cost an employer about \$5,000 annually, versus about \$1,900 a year for adults between 19 to 25 years old, Smith said.

Removing ineligible dependents could save companies between 4% to 6% of their annual health care costs.

In some instances employers are implementing what Smith called a "spouse carve out." This means that if your spouse has access to health insurance through his or her employer, the company will deem him or her ineligible or add a surcharge.

If you get a dependent audit letter, you typically have up to four weeks to respond. If you ignore the letter, companies can automatically remove dependents from the plan after a 30-day period.

Most large companies have an appeals process to argue for keeping ineligible dependents on their plan.

The only scenario for which companies offer absolutely no wiggle room is if an audit shows that an employee knowingly cheated the system.

For example, don't try to pass off your daughter-in-law as your daughter because her last name is the same as yours, said ConSova's Smith.

"Extended family does not qualify as eligible dependents," said Dan Priga, head of global benefits consulting firm Mercer's Performance Audit Group. Budco's Chojnacki said many companies are also closely scrutinizing marriage status of employees.

"Many companies are finding that they are unknowingly covering ex-spouses of workers Chojnacki explained, saying that when divorce decrees are finalized, they can specify that the former spouses health coverage has to be maintained.

"By not telling the company that you are divorced, an employee whose spouse was on their plan can save thousands of dollars a year. But it's clearly a case of cheating the company," he said.

What's the risk of dependent fraud? "Most companies require their employees to comply with professional and ethical standards," said Priga. "Is it really worth losing your job?"

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