

---

# Firms Audit Insurance Rolls To Weed Out Ineligible Dependents

(Thursday January 03, 2008) - Contributed by By KATHERINE REYNOLDS LEWIS

c.2008 Newhouse News Service

Ever thought of sending your boss your marriage certificate? Your tax return?

Meet the insurance audit. Increasing numbers of employers are requesting personal documents to ensure that all the dependents in their health care plans are entitled to coverage.

With insurance costs rising faster than inflation for a decade, they want to verify that you're actually married to the person receiving spousal benefits, or that your 19-year-old son really is enrolled as a full-time student. If you can't produce proof, the dependent loses coverage.

"There has been a significant growth of interest in conducting these types of reviews," said Daniel Priga, a Pittsburgh-based principal for the Mercer workplace consulting firm, where the workload conducting audits has doubled in each of the past two years. "This is a hot one."

"The high turnover industries are the most likely to do them: service, retail, banking," adds Susan Johnson, a senior consultant with Watson Wyatt Worldwide in Chicago. "Everybody's at least talking about them. It's grown exponentially in the last 18 months."

An employer's savings quickly dwarfs the expense of conducting an audit, as each dependent costs an average \$3,000 a year to cover, said Michael Watson, a senior vice president for Budco. The Highland Park, Mich.-based consultancy performed the first prominent audit, for Ford Motor Co. in 2000.

Consultants estimate that 3 percent to 12 percent of enrolled dependents are ineligible for health insurance plans &mdash; though in some fields the number is higher. Still, companies considering an audit should tread lightly.

Any move seen as curbing benefits can alarm employees, especially if they feel accused of dishonesty. It's important to communicate how the audit will help them &mdash; by keeping health care costs low &mdash; and to provide an avenue for grievances or appeals, consultants said. Be clear about consequences, including whether employees must repay premiums and claims the company paid on the dependents' behalf.

Last year, an audit by Tribune Co. sparked employee complaints about lost documentation and heavy-handed threats and led to uncomplimentary blog postings. Tribune spokesman Gary Weitman declined to comment on the criticism, as did representatives of Mercer, which conducted the audit.

But in an e-mail, Weitman explained Tribune's process.

"The company sent 'pre-communication' to employees' homes from senior leadership explaining that the audit was taking place, why, and how it would be conducted," he wrote.

An audit typically begins with a written reminder of which dependents qualify for benefits and an explanation of what proof will be required. Many employers offer an amnesty period when employees can remove dependents without repercussions. Some help with transitional coverage through COBRA, the federal law that allows individuals temporarily to purchase insurance at group rates, Budco's Watson said.

Tribune offered an amnesty in 2006, when 10 percent of employees with dependents were audited. As of last month, the company had removed 850 ineligible dependents for an expected savings of more than \$1.5 million per year, Weitman wrote.

General Motors Co. is currently auditing its entire work force: 1 million employees and their dependents, said spokeswoman Michelle Bunker in Detroit. "For every one that we drop it's about \$1,000 savings," Bunker said.

At Chrysler Corp., based in Auburn Hills, Mich., more than 11,000 employees took advantage of a monthlong amnesty in 2001, spokesman David Elshoff said. Over the subsequent two years, the audit found 20,000 ineligible dependents and recovered payments from 4,500 individuals, saving the company millions of dollars.

"It's important that the company eliminate ineligible dependents so we can provide good health care plans for those that do qualify," Elshoff said.

Dearborn, Mich.-based Ford also saved millions through its original audit, which included two amnesty periods, spokeswoman Marcey Evans said. Ford has since used random audits, and more than 80,000 dependents have been removed from the plan.

---

Much of the eligibility problem stems from inattention or honest error, consultants said.

"People either don't understand the rules or just don't bother to keep up the paperwork," said Mark Rucci, a senior vice president at Gallagher Benefit Services in Princeton, N.J. "The vast majority of employers do not require any proof of eligibility for their enrolled dependents. You get a piece of paper and you fill out some names, you put in a Social Security number, and suddenly you're covered."

Some common areas of confusion or oversight:

&mdash; Your 20-year-old child drops out of college and is therefore no longer eligible for coverage.

&mdash; You get divorced. Don't assume that because the divorce decree makes you responsible for your ex-spouse's health insurance, your employer should pay.

&mdash; Your daughter lives in your basement with her new husband. Oops &mdash; she's no longer your single, dependent child.

"There are a lot of life event changes that occur as you go through your tenure as an employee with an organization," Budco's Watson said. "Often those life event changes are not captured."

For employees clearly intent on fraud, companies should reserve the right to seek overpayments or even refer the case to criminal authorities, said Alex Johnson, head of the special investigative unit for Regence, a health insurance company based in Portland, Ore.

"Some of it is an attempt to work the system," said Ivy Silver, a consultant based in Jenkintown, Pa. An employee might try to add "your first cousin, your niece, your grandchild (who) doesn't have coverage, (and) they go by the same last name."

Once an audit has cleaned up a health care plan, employers should tighten documentation requirements to keep out future ineligible dependents.

"Establish some stiff procedures," suggested Kurt Meinberg, a senior consultant with Oswald Companies in Cleveland. "If they get caught, it could be disciplinary action or termination of employment."

Some consultants recommend audits every three or four years, while others say the right documentation requests make follow-ups unnecessary.

(Katherine Reynolds Lewis can be contacted at [katherine.lewis\(at\)newhouse.com](mailto:katherine.lewis@newhouse.com))