



## **PRESS RELEASE NOVEMBER 28, 2007**

### ***Business Week* Commentary Reinforces Benefits of Conducting Dependent Verification Programs**

***Budco dependent audit clients referenced throughout article***

HIGHLAND PARK, MICHIGAN –

According to a very comprehensive *Business Week* overview on the growth and acceptance of dependent eligibility audits (November 26, 2007 edition: “*You’ve Got Dependents? Prove It*”), “audits are finding up to 15% of those claimed as dependents aren’t entitled to coverage”

That statistic came as no surprise to Budco’s Director of Healthcare Services, David Chojnacki, who has witnessed first-hand, how dependent audits have substantially reduced corporate healthcare costs at companies that have engaged Budco for this type of service:

“The *Business Week* article on the continued acceptance of dependent eligibility programs as a major factor toward fighting escalating healthcare costs really echoes our findings. As the nation’s largest provider of this type of service, Budco has been intimately involved in building and refining state-of-the art audit platforms that have *consistently* resulted in double digit savings for our many Fortune 500 clients.”

Mr. Chojnacki went on to state: “It was especially gratifying to see *Business Week* cite such important Budco customers like Boeing, General Motors, American Airlines, and Goodyear in this piece, because we are very proud of the results our dependent verification programs generated for these outstanding business partners.”

Highlights/excerpts of the *Business Week* dependent audit article are included herein.

NOVEMBER 26, 2007

**BUSINESS WEEK: PERSONAL BUSINESS -- BENEFITS**

## You've Got Dependents? Prove It

"Dependent eligibility audits," in which companies demand proof that spouses and children qualify for medical benefits, are swiftly becoming both fashionable and financially rewarding for companies frantic to curb the runaway costs of health coverage.

Companies such as Boeing ([BA](#)), General Motors ([GM](#)), and American Airlines ([AMR](#)) have been asking workers to send in marriage licenses, birth certificates, student IDs, and tax returns. The goal: to cull the benefits rolls of ineligible, which could include ex-spouses, stepchildren who live elsewhere, or 29-year-old college grads still being claimed as dependents. In the last year, the number of benefit audits "has just exploded," says Watson Wyatt ([WW](#)) human resources consultant Susan Johnson.

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Employers are willing to risk upsetting workers because of a confluence of challenging trends. They've tried just about everything to stem the rise in health insurance expenses, including mandatory wellness programs, penalties for smokers, and higher co-pays. Meanwhile, morphing family dynamics--high divorce rates and blended families--have helped lead to more ineligible dependents. Audits are finding up to 15% of those claimed as dependents aren't entitled to coverage.

Such aggressive moves are partly a response to employees who cheat the system--to save money or, consultants say, from a sense of entitlement. That has prompted a number of surprises during audits. In New Jersey, benefit-plan sleuths uncovered one employee who tried to enroll 83 dependents. A 25,000-employee California hospital with unusually generous rules found some workers had even claimed neighbors as dependents.

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Audit firms say companies are often surprised by the savings. While a large company's audit might cost \$20 to \$30 per worker, the average annual health-care cost is about \$3,000 per dependent. Goodyear Tire & Rubber ([GT](#)), for instance, trimmed 13% of its 70,000 dependents, due to ineligibility, in its 2005 audit, saving 6% on costs. "It was well worth the effort," says Tom Broderick, compensation and benefits director.

By Keith Epstein and Jena McGregor