

Presentation for Human Resource Managers

Benefits Spouse and Dependent Eligibility Audit

August 30, 2018

What is a Dependent Eligibility Audit?

- The Dependent Eligibility Audit is a formal process in which a third party vendor manages the process of contacting State employees and collecting documents which verify that those spouses and dependents enrolled in our benefits plans meet the eligibility requirements.

Why Do a Dependent Eligibility Audit ?

- The State has not required new hires or employees who get married, adopt a child, or add a new baby to provide documents which prove that their dependents meet the eligibility requirements.
- There is potential for ineligible dependents being enrolled in our plans and claims paid for individuals who are not eligible .
- The State Employee Health Plan is self-insured, which means the State pays directly for medical and prescription drug claims. It is our responsibility to manage the Plan in a financially prudent manner and that includes taking reasonable actions to prevent misallocation of funds.

Why Do a Dependent Eligibility Audit

- There are about 13,000 dependents enrolled in the health plan as of 7/01/18.
- In FY18 the State paid **\$120.9** million in medical and Rx claims.
- The average cost per member per year for FY18 was approx. \$4,644.
- **If** we identify 3% (390) of currently enrolled members as being **ineligible**, then the claims cost paid by State would **decrease** by $\$4,644 \times 390 = \$1,811,160$ in FY 19 as the ineligible will be removed from the plan.

Why Do a Dependent Eligibility Audit ?

- Healthcare costs are increasing at a high rate and we need to deploy effective and reasonable measures to manage costs.
- A majority (74%) of large employers have conducted a dependent eligibility audit and perform ongoing dependent eligibility verification.

Why Do a Dependent Eligibility Audit ?

- Data from our benefits consultant shows that on average large benefit plans find 5%-7% of enrolled dependents are ineligible after completing a dependent eligibility audit.
- Removing costs incurred by ineligible dependents reduces overall plan expenses, minimizes employee contributions, and saves the Plan money within months.
- Ongoing eligibility verification ensures that the issue does not reemerge (**50%** of dropped dependents attempt to enroll again at next open enrollment).

Why Ineligible Dependents are Enrolled

- Employees don't know or they misunderstand the eligibility rules
- Simple oversights by the plan administrator
- Intentional attempt to gain benefits for someone who should not be covered

Overview of the Dependent Eligibility Audit

- BHR/Benefits selected **Dialog Direct** as our vendor partner through a competitive RFP process.
- **Dialog Direct** is based in Highland Park, Michigan and has been performing dependent eligibility audits for fifteen years. They have contracted for these services with 45 Fortune 500 employers, among other clients.
- **Dialog Direct** will perform all of the audit work and will be communicating directly with State employees in advance of the audit and throughout the process.

Dependent Eligibility Audit- Employee Communications

– **Four** separate documents sent by **Dialog Direct**

1. **Verification/Introduction Letter**

Introduces the process, provides a rationale for the program, and tells the employee what steps will be required by what dates, and the Eligibility Worksheet which provides instructions and lists acceptable forms of documentation.

2. **Status Letter**

Designed to provide employees with information regarding the outcome of their verification. If all of the information needed was received and correct this letter is sent to the employee to let them know that they have completed all of the requirements of the verification; and no additional information will be required from them.

Employee Communications

2. Status Letter (continued)

If all of the documents supplied are *not correct* or are missing; this letter is sent out to the employee letting them know, by dependent, the result of the verification, what information is still needed, and when the information is needed.

3. Non-responder Postcard

Sent to those employees who have not yet sent in any documents to complete the verification. This is sent **once** during the course of the verification at the halfway point.

Dependent Eligibility Audit-Employee Communications

4. **Final disposition letter**

Sent to all employees at the conclusion of the initial audit .

Dependent Eligibility Audit-Member Support

– Toll Free Number

Dialog Direct provides a dedicated toll free number for members to call for inquiry and follow up. Dialog Direct Customer Service Representatives (CSRs) will be available during the hours of 9 a.m. and 6 p.m. CST Monday through Friday.

– Web Portal

Dialog Direct also offers employees an online portal that will be available throughout the entire process. The Web site allows employees to review the real time status of their dependents, voluntarily drop ineligible dependents and upload documents electronically. The Web site also provides information for the employee to assist them in completing the requirements of the verification.



Examples of Documents Dialog Direct Will Accept

- **IMPORTANT!**- Send only **copies**, not original documents!
 - Copy of “short form” birth certificate
 - Copy of marriage license and proof of joint ownership (e.g.mortgage)
 - Copy of legal adoption document
 - Copy of current year U.S. Income Tax filing (**redact all financial info and first five digits of SSNs**)
 - Current Rent/lease agreement
- Eligibility Worksheet includes a comprehensive list of acceptable documents

Appeals process?

- Some employees may disagree with **Dialog Direct's** determination that a previously enrolled dependent is ineligible.
- If that occurs the member may submit a letter and supporting documents to request an appeal.
- If the appeal is approved then we will not remove the dependent from benefits eligibility. Otherwise if the appeal is denied we will remove the ineligible dependent.

Exceptions ?

- We realize this is a new process for employees and have dedicated much effort to creating clear and concise communications and detailed instructions along with the *deadline* for members to submit their documents.
- We expect members to read and follow the instructions and as needed to contact **Dialog Direct** for assistance and act in a timely manner, **not after the deadline.**



Exceptions ?

- There are limited circumstances in which we will allow exceptions to the dependent eligibility process.
 1. Members who are on active duty in the military during the eligibility audit period are exempted from meeting the deadline, but will need to verify their dependents within 60 days of return to active employment with the State.

Exceptions ?

2. Members who are on a sabbatical , living outside the United States during the eligibility audit period are exempted from meeting the deadline, but will need to submit their dependent verification documents within 60 days of return to active employment in South Dakota.

What Happens to Ineligible Dependents?

- After the completion of the audit **Dialog Direct** will send Benefits a file with all dependents:
 - those for whom they received and validated eligibility documents
 - those for whom there was no response or who did not submit acceptable documentary proof of eligibility
- Benefits will remove **ineligible dependents** from our system and benefits coverage will cease as of **December 31, 2018**

What Happens after the Audit Ends?

- **Dialog Direct** will continue to provide benefits eligibility verification services for the State after the completion of the audit.
- They will manage the dependent verification process by collecting appropriate documentation for all new hires, family status changes (marriage, birth, adoption) as this will be a continuing business process to ensure that we maintain accurate dependent eligibility data.



Key Dates And Deadlines

Mail Verification Packages	9/5/18	
Verification Phase (60 Days)	9/10/18	11/9/18
Non-Responder mailing	10/9/18	10/9/18
Final Disposition Letter	11/16/18	
Final Disposition file	11/16/18	
Final Disposition Drop Date	12/31/18	
Appeal Phase (60 days)	11/19/18	1/18/19

