



Dependent Eligibility Audits

Next Generation Enrollment, Inc. wants to assist your organization in ensuring that the dependents covered on the medical plans are truly eligible per the wording in the plan documents.

NGE's Dependent Eligibility Audit service, is a simple, cost cutting solution that does not require plan changes or increased employee payroll deductions. A Dependent Eligibility Audit will allow for the verification of covered dependents and will allow for the removal of participants that do not satisfy the eligibility definition in the medical plan summary description.

Why Do a Dependent Eligibility Audit?

1. **Reduce expenses on your Medical Plan without changing the plan design or employee contributions**
2. **Adhere to plan compliance requirements, Sarbanes-Oxley, and Stop Loss Contracts**

To determine the savings generated by the audit, we first calculate the average annual utilization of medical and prescription benefits per dependent. Then, at the conclusion of the audit when we know how many dependents will be removed from the benefit plans, we simply multiply the numbers together.

Since NGE began conducting dependent audits in 2007, we have found that on average, 6.2% of a plan's insured dependents will be found to be ineligible for coverage. This is most commonly due to divorce, over-age children no longer eligible, and custody issues. However, we have also identified other people that are not eligible for coverage; people such as neighbors, grandchildren, mothers, girlfriends and boyfriends, and children of girlfriends and boyfriends.

Not only is the Dependent Eligibility Audit process a cost-saving solution, but it also ensures that the plan is being properly administered according to your plan documentation. Along with plan compliance issues, there may be Sarbanes-Oxley concerns due

to the financial significance of health plan costs. Paying benefits to ineligible dependents could increase your organization's exposure. Stop Loss providers will audit large claims and, if the claim pertains to an ineligible dependent, they will reject those claim payments.

What is the process of conducting a Dependent Eligibility Audit?

Although the Dependent Eligibility Audit process is very time and labor intensive, NGE does all the work. It begins with determining and verifying the medical plan's eligibility, includes mailing documents to employees for completion, record keeping, outbound calling and database management. For our clients, Next Generation Enrollment will manage this process in its entirety and proposes to offer the following assistance to fully implement this cost-cutting solution:

- ▶ Review of the plan documentation to determine eligibility
- ▶ Consultation to determine Employer Specific documentation required from employees to keep dependents covered on the medical plan (i.e. marriage certificate for spouse, birth certificate for children, proof of full-time student status, court orders, etc)
- ▶ Weekly conference call with client to ensure open communication.
- ▶ Initial drafting of client-specific documentation to be mailed to employees for completion
- ▶ Mailing of approved documentation
- ▶ Full Call Center Support, both inbound and outbound, to assist employees with questions, concerns, and reminders that documentation is due
- ▶ Collection and tracking of Dependent Verification Information
- ▶ Secure and HIPAA compliant record keeping and database management. Records are filed alphabetically and returned to your organization at the completion of the audit
- ▶ Assistance with determining dependent COBRA eligibility

FOR MORE INFORMATION, PLEASE CONTACT:

Bradley Taylor
Next Generation Enrollment, Inc.
455 Pettis Ave.
Ada, MI 49301
Phone: 616-676-4801 ▶ Fax: 888-277-4146
bjtaylor@nextgenerationenrollment.com
www.nextgenerationenrollment.com

SAMPLE TIMELINE

- ▶ Begin pre-planning (employer & NGE): **October 3, 2011**
- ▶ Pre-audit announcement (delivered internally by employer): **Week of October 17 2011**
- ▶ Initial audit letter mailed by NGE to Employees on: **October 24, 2011** and therefore, the official Dependent Eligibility Audit start date
- ▶ First automated outbound phone call placed by NGE on: **November 14, 2011**
- ▶ Follow-up letter mailed by NGE on: **November 28, 2011**
- ▶ Customized memo for each employee detailing what documentation is outstanding (delivered by employer): **December 12, 2011**
- ▶ Second automated outbound phone call placed by NGE on: **December 19, 2011**
- ▶ Deadline for employees to postmark required documentation: **December 23, 2011**
- ▶ Appeals letters mailed by NGE notifying employee that a dependent has been removed from the medical plan or confirmation e-mail/postcard from NGE thanking employee for completing audit: **December 29, 2011**
- ▶ Appeals period and deadline to postmark documentation: **December 29, 2011 to January 9, 2012**
- ▶ Final conference call to discuss appeals, review final audit results: **Week of January 16, 2012**

CASE STUDIES

Illinois-based Hospital, Audit completed on April 1, 2010

- ▶ **978** employees received the original dependent audit mailing
- ▶ **1,940** total dependents were audited during the course of this Dependent Eligibility Audit
- ▶ **216** dependents were deemed ineligible at the completion of the dependent audit
- ▶ **Percentage of dependents found to be ineligible: 11.1%**

Ohio-based Hospital System, Audit completed on April 12, 2010

- ▶ **6,207** employees received the original dependent audit mailing
- ▶ **13,294** total dependents were audited during the course of this Dependent Eligibility Audit
- ▶ **1,119** dependents were deemed ineligible at the completion of the dependent audit
- ▶ **Percentage of dependents found to be ineligible: 8.4%**

Indiana-based Hospital, Audit completed on June 1, 2010

- ▶ **561** employees received the original dependent audit mailing
- ▶ **1131** total dependents were audited during the course of this Dependent Eligibility Audit
- ▶ **69** dependents were deemed ineligible at the completion of the dependent audit
- ▶ **Percentage of dependents found to be ineligible: 6.1%**

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HOW ARE INELIGIBLE DEPENDENTS TREATED?

NGE would recommend an "Amnesty" style audit. With this approach, employees are free to remove dependents without punishment or disciplinary action and without having to pay any claims costs or premium rates. The entire timeline would be amnesty based so employees are able to remove dependents at any point during the audit without consequences. With this approach, the objective of cleaning up the eligibility is met without sacrificing employee morale or creating any unwanted conflict. Employees perceive the audit as a positive experience because there are no indications that the employer is distrusting of the employee. The amnesty style audit proves that the intent is truly just a cost-reducing measure.

CLIENT TESTIMONIALS

"Employees generally accepted the audit as a part of us "doing business." I did not hear complaints. They understood the reasons for the audit. The audit went better than my expectations. NGE did a first class job. They did exactly what they said they would do. I would strongly recommend them."

—Gary Privasky

Muskegon Public Schools

"I did not receive one complaint from our employees. Our employees followed the directions given to them (providing the required supporting documents for their dependents) and as required, they directed all their questions/inquiries directly to NGE vs. calling our HR department. 100% of our employees provided the required documentation to NGE. I believe that was due to the fact that prior to the audit, I sent information to the employees about the audit, what they could expect and what would be expected of them. Prior to the letter going out, I contacted our union presidents to give them advance notice of the upcoming audit, the purpose for it, etc so they were not blindsided when/if they got questions. I checked back with the union presidents and was happy to learn there were no major concerns or problems — just general curiosity but no complaints were forwarded to me for resolution. I made sure that while the letters were clear about the consequences of not providing the requisite documentation, I also made sure the letters were not "threatening" — I was trying to garner cooperation vs. intimidation. I feel that made a difference in how the audit was perceived. I did not receive one complaint or concern about NGE. Rather, I received several comments from employees about NGE being courteous and helpful to them when they called with questions or clarifications. I (our organization) did not personally experience any concerns with NGE before, during or after the audit."

—Mary Ellen Currie

Calhoun Intermediate School District