A Different Kind of Fraud

Les Masterson, for HealthLeaders Media, August 6, 2008

There is a way employers can reduce healthcare costs by 2%-5% without shifting costs to consumers, revamping benefit plans, or implementing health management programs. This money-saving procedure is the dependent eligibility audit.

There are two downsides though: You will find that your employees have been stealing from you, and you may be seen as the bad guy.

Brennan Clipp, senior vice president of sales and marketing at HRAdvance, a Dallas-based eligibility solutions provider that delivers technology-based programs to health plans and employers, says dependent eligibility audits usually find more than 10% of those covered by health plans are ineligible.

For those who are uneasy about implementing this kind of audit, Clipp says to look at it this way: Employers have fiduciary responsibilities to manage their plans and eligibility. For those who think eligibility audits are too confrontational, Clipp has this analogy: "It's fraud. When someone intentionally does it, we say it is not much different than walking out the door with a $3,000 printer."

If employers aren't keeping tabs on who is covered by their plans, the majority of employees—who play by the rules—will be hurt by higher premiums, reduced coverage, and even lower pay raises.

Clipp says an effective dependent eligibility audit has four components:

- A comprehensive communication campaign
- A technology platform that performs the audit services
- A call center with both in-bound and out-bound call capabilities to answer employee questions
- Executive buy-in and approval

The largest groups of ineligibles are ex-spouses, boyfriends, and girlfriends, followed by nieces and nephews. There are also many cases of parents, grandparents, and even friends' children on plans.

The ineligible dependent problem comes about because most human resources and benefits departments do not perform checks or require tax returns, birth certificates, and marriage certificates at the time of enrollment. This leaves them open to fraud. The biggest offender of ineligible dependents may surprise you—hospitals. Clipp says HRAdvance has found that as many as 20% of dependents are ineligible in some hospitals. One example of an audit conducted by HRAdvance was of a hospital with 8,400 employees. There were 4,696 employees enrolled in health plans, and 2,513 employees covered 5,115 dependents.

The audit found that 19.59% of the 5,115 dependents were ineligible. By removing them from health insurance, the hospital realized more than $2 million in savings the first year. One of the first concerns an employer may have with such an audit is employee backlash. There are ways to avoid disciplinary action and instead use the audits as a way to teach employees about who is eligible and who is not.

Clipp says 98% of clients just want to educate staff and remove the ineligibles from the insurance. There are the rare exceptions of companies that fire employees because of ineligibles on their insurance plans.

Which approach is best for your company is up to you. But I would keep in mind this question: Is it worth potentially alienating staff by conducting an audit that results in firing employees and/or demanding payment for health services rendered, or does it make more sense to use the audit to educate employees and remove ineligibles?

I would suggest starting off slowly and using it to educate. You can then remove the ineligibles from the health plans and warn the offending employees not to do it again. Once that is complete, implement an educational program for each employee so there is no future confusion about who is eligible. With that in place, conduct an occasional audit (every two years or so) and discipline violators the next time.

Taking this route should not alienate employees and is as much about education as it is about saving money.

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