

Employers Taking a Close Look At Who Is Covered Under Their Health Plan

Issued by: International Foundation of Employee Benefit Plans

A Quarter of Employers Use Eligibility Audits to Control Health Care Costs

Brookfield, Wisconsin, Feb. 19, 2009 — Employer-provided health care plans are a prized benefit among employees and a costly benefit for employers. Continually rising health care costs have caused many employers to reexamine their plans, looking for money-saving options.

With cost-savings in mind, some employers are conducting dependent eligibility audits to accurately determine who is covered under their plan. **A recent survey conducted by the International Foundation of Employee Benefit Plans found that 26% of U.S. employers conduct eligibility audits for their health care plans.**

“Employers conduct an eligibility audit to ensure that every person covered by their health plan is an approved dependent,” said Julie Stich, Senior Information/Research Specialist with the International Foundation of Employee Benefit Plans. “When the audit is conducted, employers often discover many people—former spouses, adult children, non-immediate family members—who are covered under the health plan even though they do not qualify as a dependent.”

“Removing ineligible dependents from the plan can ultimately save the employer hundreds of thousands of dollars and, given the current economy, I expect the percentage of employers conducting eligibility audits to grow,” said Stich. “In the past, some employers may have hesitated to conduct an audit because of the possibility of their employees’ negative reactions. With the current financial situation, however, cost-saving will likely be the employers’ main concern.”

Survey results reported in *Employee Benefits Survey: U.S. and Canada, 2009*, indicate that employers are working to keep their health care costs in check by utilizing a number of cost-management techniques.

- Popular cost-management methods reported by the survey respondents include cost-sharing provisions such as deductibles, coinsurance and copays (74%), annual and/or lifetime maximum benefits limits (56%) and prior authorization (55%).
- Other less popular cost-management options include health care claims/utilization analysis (39%), health care claims audits (26%) and opt-out incentives (15%).
- Predictive modeling, a strategy that uses claims data and lifestyle analytics to identify potential catastrophic claims and disease states, is used by 12% of the survey respondents.

Another cost-saving option considered by employers is voluntary (employee-pay-all) benefits, which are group benefits offered at the workplace but paid for by employees. These benefits are used to expand benefit options without increasing costs. Voluntary benefits may include coverage supplemental to the employer’s current offerings or, for those employers who are unable to provide health care coverage, they may include standard health insurance. The survey found that 39% of employers have voluntary health insurance, 40% offer voluntary dental insurance and 37% have voluntary vision insurance.

“Voluntary benefits can be a great option for employers with tight budgets who still want to help their employees obtain health care coverage or other types of insurance,” said Stich. “Because group insurance premiums are typically less expensive than the premiums for an individual policy, offering voluntary benefits at the workplace can help employees who want the coverage but also need help making ends meet.”

Employers are also implementing a number of cost-management techniques for prescription drugs. The most popular technique among the respondents was using a mail-order drug service, with 85% of employers reporting they use this approach. Other popular methods include promoting generic drugs

(71%), the use of drug formularies (68%), three or more tiers for cost sharing (59%) and the use of a pharmacy benefit manager (50%).