



Evaluating Dependent Eligibility Management Alternatives and Solutions

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Evaluating Your Dependent Eligibility Alternatives

While the benefits of performing a Dependent Eligibility Audit (DEA) have been analyzed by qualified financial and regulatory legal experts, [well documented](#) in respected publications, and recognized for staggering [published ROI by industry](#), there are still a number of [common mistakes](#) and questions around choosing the right DEA solution.

This resource was created as a guide to help employers, plan administrators and consultant advisors to make an informed decision concerning key aspects of a DEA. It is not intended to provide a vendor side-by-side, but rather to be a resource to help determine the best “fit” DEA approach for the company, establish the vendor’s capabilities, evaluate these against best-in-class solution offerings, and develop an effective and defensible scorecard.

The resource will also address how to:

- ❑ Establish that there is a critical business need to reduce health plan costs and address potential employee fraud
- ❑ Define the economic value proposition to your company
- ❑ Develop and execute a strategy that works
- ❑ Cut through the “smoke and mirrors” (tips that will help you get to the “real deal” and uncover fees that you might incur later

There are four DEA approaches used in the industry today:

- ❑ **Comprehensive “Proof”:** This approach is *considered best practice* and requires that 100% of the employees who cover dependents on the health plan(s) provide proof that they meet the eligibility requirements stated in the plan documents. Unlike a sample approach, this approach is non-discriminatory and typically renders a reduction in ineligible headcounts of 5 to 11%. The comprehensive approach is more intrusive than that of the affidavit and survey. However, it guarantees almost 100% accuracy and assurances that ineligible employees will be identified and can be removed from the health plan.
- ❑ **Affidavit:** This approach is a merit-based approach and requires that an employee merely promise that the dependent in which they are covering is indeed eligible based on the health plan rules, and they are typically required to sign the Affidavit and sometimes notarize it. This approach, when utilizing a strong “boo” factor, can render 1 to 3% of the dependents being “self-declared” as ineligible by the employee. The Affidavit approach is less intrusive; however, the results are significantly lower than the best practice approach. The remaining 8 to 10% of ineligibles will remain on the health plan.

- ❑ **Survey:** This approach is also a merit-based approach and requires that an employee complete a survey that asks a variety of questions about their dependent(s) and their understanding of the health plan rules. The approach concludes that either the dependent is eligible or is ineligible, and may also require a notarized employee signature. The survey approach, as with the affidavit, is less intrusive and renders similar reduction in dependents although the results are not as well-documented for this approach as it is relatively new and not as commonly used.
- ❑ **Sample:** This approach can be utilized with any of the approaches described directly above. An employer would select a population (e.g., children under age 19 only, non-union only, a percentage of the entire employee population that covers one or more dependents). It is difficult to qualify the expected results without knowing the details of the desired approach and outcome for this approach.

The value of offering amnesty to your employees:

- **Amnesty:** As industry leaders, our experience supports that allowing amnesty during the audit and removing the punitive characteristics to the greatest extent feasible will foster more positive employee behavior that will in turn result in your employees having a greater chance of successfully completing the audit. The objective of the audit is merely to identify the dependents for whom an employee cannot provide proof of eligibility or to have the employee to self-declare that a dependent is ineligible. This will minimize or completely circumvent the employee dissent and stress levels that can be associated with an audit.

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Key Questions to Establish Vendor Capabilities

Technology*

What technology is utilized to perform dependent eligibility audits? Describe the functionality and capabilities in detail.

Are there multiple systems used to conduct the audit? If so, describe the integration methodology.

Does the technology utilize a rules-based engine that can be configured based on the plan definitions? Describe the methodology.

Is there client web portal access for both the plan administrator and the employee? If so, please describe the information available and how/when it is made available.

What telephone technology is utilized in the call center to manage call volumes and monitor responsiveness to employees? Describe the functionality and capabilities in detail.

Is the audit status reporting made available real-time or is it a snap-shot of a particular period? Please describe.

Experience

How long has the organization been conducting audits, and what percentage of the total revenue is produced from audits?

Is your organization affiliated with an insurance broker and/or do you distribute insurance products? If so, please describe the relationship and/or products distributed.

How many dependent eligibility audit projects have you conducted. Please detail the number of audits by type of audit.

What are the average results for the audits that you have completed by industry?

Have any projects been suspended or terminated prior to completion? If so, please describe.

Provide five client references for customers who have completed a dependent eligibility audit: two of the same industry and size, one smallest and largest, one with unions.

Is the organization SAS70 Type II certified? If so, provide a copy of the audit results summary for the most recent calendar year.

Audit Models

What types of audits does the organization conduct (e.g., affidavit, survey, sampling, comprehensive evidence-based audit)?

Describe the phases and timeframe associated with each type of audit conducted and experience with each.

What are the pros and cons to each audit model?

Does the organization offer gatekeeper services for managing ongoing enrollment of ineligible?

Service and Support

What is the organization's customer and employee support methodology? Describe in detail (e.g., implementation, communication campaign, web access, reporting, escalation)?

What tools are available to the client and the employee during the audit (e.g., method of communicating audit status and results, tracking of documents received, inquiry timeliness)?

What are the performance measurements, guarantees and fees at risk for each audit model?

Audit Fees

Are fees all inclusive or is there a charge for additional costs (e.g., postage, printing, extra mailings, amnesty phase or appeals/extension phase, data exchange, bilingual services)?

Provide a project fee based on a per dependent cost and a per dependent covering employee cost, defining the per dependent cost.

If there is a shared savings fee arrangement are all fees, including startup/implementation subject to the shared savings fee approach?

**Real-time demonstration of technology capabilities that include, at a minimum, the solution used to conduct the audits and reporting functionalities.*

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DEA Vendor Evaluation Scorecard

Now that you have a prioritized list of features and requirements, categorize them into the following 12 categories and then assess your options.

Criteria	% of Total	Score
1. Vendor Credibility - How long have they been around, how many customers, are they financially stable, do you trust them, who are their references?	15%	
2. Target Audience Fit - How many of our clients, prospects, competitors and substitutes have they worked with? If none, you do not want to be their guinea pig	15%	
3. CORE Functionality - (SaaS, workflow, real-time reporting, benefits eligibility, etc.) Are the services they provide part of their core expertise or peripheral?	5%	
4. Employee Management - What is the philosophy around employee communications onboarding, consumerism, and wellness?	5%	
5. Results - How many projects do they start but not complete? Do they publish their SLAs (Service Level Agreements)? Do they publish their results by industry? Are the results for your industry best-in-class or mediocre?	10%	
6. Technology Solution Fit - Is it the platform for health plan management? Does it work within your requirements and needs? SaaS? Multi-tenant? What is the report writer? Which payroll, benefits, training, assessment components are included? Which vendors are integrated?	5%	
7. Sizzle Features - What are the sizzle features? Add your list of feature requirements here.	15%	
8. Methodology - What is the philosophy of the company? Does the process align with your HR programs and policies?	5%	
10. Analytics and Reporting - What daily, weekly and monthly reports and metrics will you receive? Does it have one-click dashboard reporting capabilities?	5%	
11. Cost and Implementation Time/Resource Estimates - What is the ROI? What are the key milestones and timelines?	5%	
12. Cultural Fit - Do the people and philosophies fit the needs of your employees and managers?	15%	

Key Characteristics:

- ❑ Employee communication campaign can be tailored to the client's corporate culture, unique DEA requirements, and targeted outcomes.
- ❑ Can receive and securely house verification documents evidencing compliance with SPD eligibility requirements.
- ❑ Support employees & resolve questions throughout the audit process utilizing an inbound and outbound call center and secure web-based solutions.
- ❑ Capture and image documents and data evidencing qualification of dependents for benefits eligibility for all health plan(s).
- ❑ Ensure objective eligibility determinations through an automated, rules-based, data-driven adjudication platform.
- ❑ Review the exceptions (i.e., dependents who fail by a fully dedicated, specialized expert).
- ❑ Provide real-time update of workflow and results throughout the audit via a web dashboard.

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Define the Economic Business Proposition

- ❑ What should you expect to see in ineligible dependent rate reduction given your industry and culture?
- ❑ What are the cost per dependent for the audit? (No matter how fees are presented, equalize the fees.)
- ❑ What is the methodology used to determine the ROI?
- ❑ What percentage of ineligible dependents will achieve a 1:1 or break-even ROI?
- ❑ When will the payback be realized?

Company	
Employees Participating in Health Plans	16,582
Employees with Dependents	7,712
Average Number of Dependents Per DCE	2.17
% of Employees w/ Dependents	46.51%
Cost Per Dependent Per Month	\$166.95
Total # of Dependents	16,698
# of Ineligible Dependents	1,772
# of Calls Received	9,442
Outbound Mailings-Employee Letter Campaign	37,037
Documents Received	40,683
Savings:	Projected Audit Savings (10.61% Ineligible)
Projected Savings – 1 st Year (Cost of Audit Deducted from Savings)	\$3,342,992
Projected Lifetime Savings (over 5 Years)	\$10,441,702
ROI 1 st Year	1620%
ROI Years 2-5	5060%
Project Payback in Months	0.70
Project Break-even - # of Ineligible Dependents	103
Project Break-even - % of Total Dependent Population	0.62%

- Contact HRAdvance for your complimentary RFP questionnaire.



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