

The 5 Most Important Things an Effective Dependent Audit Should Include

Presented by:

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Pioneering Specialists in Group Health Care Post-Payment Administration for Over 20 Years

- First with 100% claim audits
- Introduced the use of claim audits for recovery
- Originated linking of enrollment reconciliation with claim audits
- Started dependent audits 15 years ago
- Revolutionized data intake with payer-defined data – always successful
- Unblemished track record – no HIPAA violations or employee issues

Introduction

Not all Dependent Eligibility Audits are created equal.

There are many vendors offering Dependent Audits. While they all profess to do the same thing, there are significant differences in:

- **How** dependent audits are performed; and
- The **results** that the dependent audits achieve.

Cost Management Trend

Dependent Eligibility Audits (DEAs) continue to be a strong cost-management strategy.

- Despite the fact that they do impact employees.
- Health Care Reform has not lowered demand.
- Employers want to ensure that they are only covering eligible dependents.
- 67% of large companies plan to conduct a dependent audit in 2012; another 13% plan to do one in 2013.

Towers Watson / National Business Group on Health. "Performance in an Era of Uncertainty" March 20, 2012. 17th Annual Towers Watson / National Business Group on Health Employer Survey on Purchasing Value in Health Care.

<<http://www.towerswatson.com/assets/pdf/6556/Towers-Watson-NBGH-2012.pdf>> October 16, 2012.

The 5 Most Important Things an Effective Dependent Audit Should Include:

1. Customization
2. Effective Communications
3. Value-added Information Capture
4. Plan for Success – High response rate; no appeals
5. A Strategy for Preserving the Savings Post-DEA

1. Customization

Employers should have the ability to decide important aspects of the audit, i.e., verification form, eligibility rules, and documentation requirements all reflecting the corporate culture.

- Documentation requirements vary widely across employers
- Number of documents to verify eligibility varies for each employer
- Amnesty
- Category and timing of removals

2. Effective Communications

- Communication strategies take many forms:
 - Pre-audit announcement
 - Amnesty communication
 - Mailing cover letters
 - Employer communications during the DEA
 - Web-based
 - Disposition communications
- Call Center inbound and outbound calls
- Each “touch” with an employee should be approved by the employer to ensure that it reflects their corporate culture and philosophy.

3. Value-added Information Capture

The Dependent Eligibility Audit is a perfect opportunity to collect supplemental information.

- Third Party Coverage:
 - Other Insurance
 - Medicare
- Benefit Plan Design:
 - Spouse employment and insurance
- The information, if collected, can be reported to the claims administrator for future cost avoidance and/or to the benefit design team for future plan design changes.

4. Plan for Success

- While the industry focuses on removal rates, the only metric that matters is **Response Rate**. Only a high response rate can identify the true ineligible.
- The industry includes appeals forms with their DEA mailings – this is planning for failure and will add hidden costs.
- Buyers beware: Vendors and their references should be asked:
 - What their average response rate is; and
 - Will they offer a Response Rate Guarantee

“A vendor should be asked to work as hard to obtain a high response rate as they did to win the business.”

5. A Strategy for Preserving the Savings Post-DEA

- Continue to verify spouses and dependents for new hires and QLEs.
- Provide the health plan administrator with newly collected information to ensure future savings.
- Reverify spouses every 2-3 years, and any dependents not verified since last audit to confirm marital status.
- Dependents with documentation on file should be exempt from future audits.

“Til death, or an economic recovery, us do part.”

As the economy improves, the **divorce rate** is expected to rise.

- “The **correlation between economic upturns and rising divorce rates** is something family attorneys see all the time. ‘When the economy goes down, many people just don’t have the money or will to do it, ... but when they feel that financially they can get out of a bad marriage, they’re more willing to take on the fight.’”

Babad, Michael. “Til Death, or an Economic Recovery, Us Do Part” April 25, 2011. The Globe and Mail.
<<http://www.theglobeandmail.com/report-on-business/top-business-stories/til-death-or-an-economic-recovery-us-do-part/article624249/>> October 16, 2012.

Gailor, Carole. “As Economy Grows, So Does Divorce Rate” April 25, 2011. Raleigh Family Lawyers Report.
<<http://www.gailorwallis.com/news/Raleigh-Family-Lawyers-Report-As-Economy-Grows-So-Does-Divorce-Rate.html/>> October 16, 2012.

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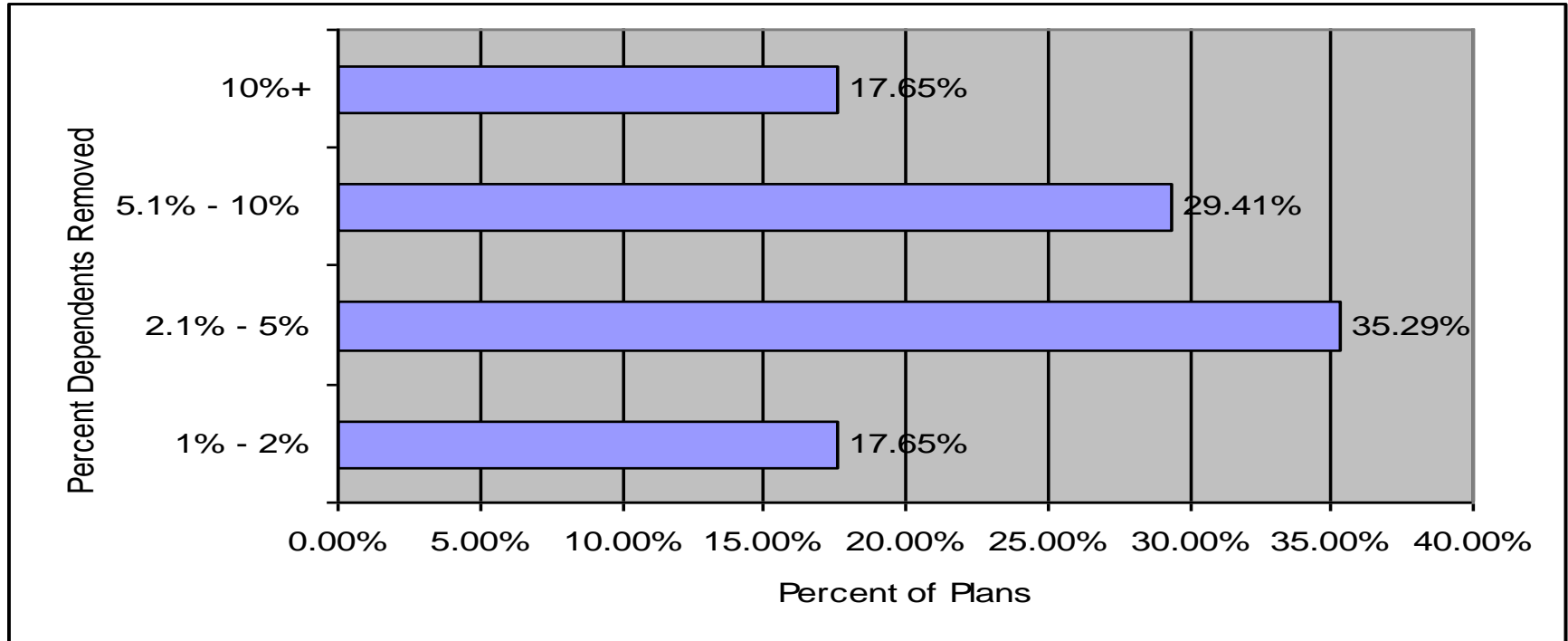
As the economy improves, the **divorce rate** is expected to rise.

- “There’s a sort of pent-up demand for divorce after people get through tough times, ... We saw that in what happened after the Great Depression, when the Depression lifted and divorce increased toward the end of the 1930s.”
- “Divorce rates in the U.S. dipped during the recession, The Financial Times reports, as unemployment surged and the housing market collapsed.”

Babad, Michael. “Til Death, or an Economic Recovery, Us Do Part” April 25, 2011. The Globe and Mail.
<<http://www.theglobeandmail.com/report-on-business/top-business-stories/til-death-or-an-economic-recovery-us-do-part/article624249/>> October 16, 2012.

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Ineligible Dependents: How Do You Compare?



Average response rate for the clients included in the data above was 98%.

For More Information, Contact

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We offer no-cost consultations
to answer questions and discuss options.

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- September 2012 - Old Question, New Twist: Is Self-funding Right for Your Group Health Plan?
- August 2012 - Are You Ready to Manage Your Health Plan Costs?
- June 2012 - Group Health Brokers' Future: Disintermediation or Re-intermediation
- May 2012 – Five Levers of Management Control
- April 2012 – How the AMA Can Help You with Plan Oversight
- March 2012 – Health Data Control
- February 2012 – Health Reform: A Contrarian's Perspective
- January 2012 – The Road to 100% Transparency
- December 2011 – 2012: What Does it Hold for Self-funded Health Plans?
- November 2011 – Overpayment Collection
- October 2011 – Finding Provider Fraud

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