

Dependent Eligibility Audit Program

Presented by:

 American Fidelity Assurance Company
A member of the American Fidelity Group.



A Big Cost Savings Technique At *Virtually No Cost!*

Dependent Eligibility Audit Programs



What Is An Audit?

- Determines if all dependents listed on the District's medical/dental/vision plans are qualified.
- Eligibility determined according to District's negotiated contract language.
- Visual inspection of all legal dependent documentation.

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What Is The Potential Cost Savings For Employers and Employees?

- Eliminating non-qualified dependents can potentially reduce the premiums costs for those affected individuals.
- Eliminating ineligible dependents can reduce risk experience.
- Reduced usage can have a positive affect on future medical premium increases.



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What Is The Potential Cost Savings For Employers and Employees?

- Audits generally find 2 percent to 15 percent of ineligible dependents. (Sarah Taylor, Benefits Expert with Hewitt Associates**)
- Sifting out freeloader can create substantial cost savings for employers, considering that employer costs rise as much as 12 percent a year. (Randall Abbott, senior consultant with Watson Wyatt Worldwide, consulting firm**)



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Audit Successes

- Ford Motor Co., pared over 60,000 ineligible dependents from insurance roll since 2000.
- Spokeswoman Marcy Evans won't say how much the audits saved, but it is likely well into the hundreds of millions of dollars.



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Audit Successes

- Chrysler Group followed Ford's model, and in the first three years dropped 26,000 individuals who were not entitled to insurance.**

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School Districts Are Auditing

- Oakland USD saves over \$2,000,000 in annual premiums after conducting their audit in 2004 according to local Oakland newspaper.

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Clovis USD 2006 Audit

- According to Bill McGuire, Associate Superintendent of Administrative Services...
 - 180 dependents were dropped.
 - \$200,000 saved in annual premiums.
 - Claims costs were in excess of \$50,000 on non-eligible dependents.
 - District benefits Committee has endorsed this type of audit process to continue in upcoming years.

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How An Audit Works

- Employees notified of audit thru
 - Letters
 - Handouts of current eligibility guidelines
 - Sample Q&A pieces
 - Other pertinent timing information.

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Document Requirements

- Marriage licenses
- Birth certificates
- College transcripts
- Non financial pages of tax forms
- State certificates
- Guardianship papers

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The Appointment/Meeting

- HIPAA compliant meetings preserve privacy.
- Visual inspection only of employee documents.
- Audit forms verifying accuracy signed by counselor and employee.
- Employer given signed audit forms and audit report.

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Who Are Ineligible Dependents?

- Ex-spouses
- Adult children who are married or no longer in college
- Nieces and Nephews
- Siblings
- Grandparents
- Grandchildren not under legal guardianship

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Who Is Adopting/Supporting Audit Programs?

- Several of the California state run School JPA's adopt by-laws to conduct audits every 3-4 years.
- Allows them to provide much needed service, while remaining competitive.
- Unions are adopting process in an effort to reduce cost to employees.

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Fresno USD JHMB '07 Audit

- Per Larry Moore, Fresno Teachers Association President...
 - “It is about time we did this. We need to know that the costs our members are paying are only for eligible dependents”.
- Fresno USD expects between 335 to 400 plus drops by the time audit is finalized in January 2008. *How Much Savings Is That...*

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Is There Any Doubt?

- Why Not Do It Ourselves?
 - Soft audits have loopholes.
 - Same last name doesn't guarantee eligible dependents.
 - Districts believe they have accurate and current information on all their employees.
- We Don't Need It!
 - District perception is that they do not need to conduct an audit if they have composite rates.
 - Current risk determines future premiums. Reducing risk to your plan is as important as saving premium.
 - *"We believed they would not find much for us. The results of the audit were so successful and well received by employees; the district benefit committee has endorsed this type of audit every year in the future".* Bill McGuire, Associate Supt. Of Administrative Services, Clovis USD

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Just Do It!

- As state budgets stretch, reductions are expected in the 2008 California school spending. According to Governor's office, each dollar spent is examined more and more.
- As health care costs continue to grow and school districts experience successful audits, we confirm a popular trend has begun.

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