DEPENDENT AUDITS RISING AS HEALTH CARE COSTS SOAR

In survey after survey, employees say that their health and benefits plans are among their top reasons for working where they do. At the same time, organizations are under increasing pressure to contain the rising costs of their plans without reducing their quality — a key lever of talent attraction and retention. More organizations are discovering that dependent audits can provide tremendous returns while preserving key offerings in an employee's health care plan. Lexi Trampe, who manages Mercer clients through this process, provides insight into this growing trend.

Please describe dependent audits, and explain why they are becoming so popular.

Lexi Trampe: Plain and simple, cost savings. Dependent audits monitor and verify the eligibility of employees and their dependents enrolled in a company's health plan. At first glance, you might not be too concerned about a few ineligible individuals on a plan until you realize that the average cost of each covered dependent is $4,570. And, in our audits, we often find many, many individuals who should no longer be on a company's plan. This can add up to thousands, even millions, of dollars.

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You mentioned that audits can save a company substantial sums. Can you elaborate?

LT: Sure. In 2015 alone, Mercer was asked to conduct dependent audits at 53 companies: Some were full audits, some were random samples and some were focused on spouses only. Still, out of more than 211,000 dependents, 23,314 were removed because they were no longer eligible according to the plan. Most companies can expect to find 3% to 10% of plan members to be ineligible. In total, these firms saved more than $100 million, not to mention savings from potential costs should an ineligible member experience a serious illness and subsequent costly care, which companies are reluctant to try to recoup after the fact.

There's also another cost to ineligible members on a plan: Many small and midsize employers are fully insured and pay a fixed monthly premium based on the number of insured or family structure. Even if an ineligible member never files a claim, just the additional dependents on a plan could increase the company's fixed premium.

Dependent audits are popular with small and midsize organizations. Why is that?

LT: Actually they are becoming more and more common with companies of all sizes, because health care costs are indiscriminately striking all. However, yes, we are seeing a substantial increase in small- and mid-market-sized clients, who say they have fewer resources to conduct the labor-intensive implementation, documentation, communications and data search. Plus, we provide tools that minimize disruptions and HR staff time, and ensure a quick, efficient, participant-friendly process.

One additional aspect that companies really like: They are looking for cost savings — and in particular, quick wins. In just four months, we can conduct a complete audit, and companies can come away with a substantial return on their investment.

Why do some dependents remain on the primary insured plans?

LT: There are many reasons, and plans have different rules. For many people, life moves fast, and it's sometimes difficult to keep up with the details and tasks involved with divorce, new jobs for spouses and children aging out. Sometimes employees have unofficial custody of their grandchildren and list them as legal dependents. Then, of course, there are some employees who know their dependents are not eligible.

Would you quickly walk us through the process, especially the communication aspect?

LT: First and foremost, communication is vital to a successful audit. Although some employees may have been deliberately deceiving the company, often employees are confused by life changes and sometimes by complex terms. A successful audit not only saves money but limits disruptions and thoroughly explains the reason for verification.

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Mercer audits include written materials that completely explain the rationale, verification documents sought, and more. Perhaps more importantly, we also offer a call center of experienced professionals who patiently explain everything a member needs to know. In fact, nearly 80% of employees phone in to the call center to check their status or to ask for help in acquiring documents. We also include state-of-the-art tools, such as an audit website and helpful links to find requested documents, which limit an employee's time supplying documents. In short, we handle the hard, time-consuming work so that HR can focus on doing what they do best.

Tell us about a client who went through an audit.

LT: Due to privacy concerns, I'll refrain from naming the company, but it is a successful US firm with just under 5,000 employees. Like many other organizations of its size, it was faced with making difficult plan decisions if it couldn't lower benefits costs. The company sought cost savings and wanted a solid return on its audit investment. Mercer conducted a dependent audit that included an amnesty component and document verification period for its employees and their dependents. And of course, communication — both written and personal — was pivotal to the project's success.

The company was surprised that it was paying for so many individuals who should not have been on the plan. Specifically, during amnesty, 234 dependents were removed from the plan. This was done with compassionate and thorough communication to enhance understanding and acceptance. Later, during two document verification periods, more than 100 additional dependents were removed. This saved the company more than $1 million annually.

Besides cost savings, why are dependent audits important?

LT: Dependents are expensive to cover, and many participants do not understand their plan rules. A verification audit or ongoing program can help correct honest mistakes, such as mistyped information, misunderstood court orders, and incomplete and incorrect verification documents.

Other advantages include a stronger, more member-friendly plan for those eligible; better understanding of plan rules by its members; fewer denied insurance claims; reduced legal risks; and avoiding the potentially uncomfortable situation of discovering a substantial claim made by someone who should not have been on the plan in the first place.

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