

Dependent Eligibility Verification Audit

Customer Profile:

Industry: Health Care

Profile: 15 Hospitals and Multiple Health Care Delivery Service Centers

Employees: 12,500

Number Of Dependents: 26,500

Overall Non Verified Percentage: 9.07%

Return On Investment (ROI) of: 31:1

Year One Benefit Cost Reduction: \$9,500,000

Benefits Achieved:

- Immediate Benefit Cost Savings
- Proper Management to Ensure Fiduciary Controls
- Reduced Unnecessary Exposure and Liability Expenses
- Elevated Quality of Benefits at a Lower Cost

Large Health Care System Reduces Health Benefit Costs

In 2011, health care costs are expected to rise by an average of 8.9% for large employers. The combination of the recession's continued impact and new costs associated with health care reform are impediments to the bottom line. In the current economic climate, continuing to provide quality benefits at an affordable rate is an increasingly difficult challenge.



Dependent Eligibility Verification is a process to better maintain a roster of eligible dependents, provide compliance to all plan rules and realize immediate and substantial cost savings. Secova recently completed an eligibility verification audit of all of the enrolled dependents for a large health care system and identified 9.07% of the enrolled dependents as ineligible to receive benefits. As a result, approximately \$9.5 million in annual cost reductions were achieved as a direct result of Secova's Dependent Eligibility Verification Audit ("DEVA") project.

Large Health Care System's Pre-Project Challenges

- **Reducing Benefit Costs - Challenge:** The large health care system determined that they were spending over \$126 million a year to provide health care benefits to almost 26,500 dependents. In analyzing historical trends and looking to future growth, this client recognized that increases in health care costs would continue to significantly outpace all other wage and price indexes. The health care system's ability to offer affordable and comprehensive benefits to employee participants and their dependents would be significantly challenged.

Immediate Benefit Cost Savings - Solution: Design and implement a DEVA program to certify the eligibility of enrolled dependents and provide significant cost reductions through termination of dependents who do not comply with eligibility requirements. The process was designed to quickly provide a return on investment (ROI) and reduce overall costs to support the continuation of affordable quality benefits.

- **Adequate Staffing & Infrastructure – Challenge:** Conducting an audit is a labor intensive and time consuming process that requires significant staff and infrastructure to verify eligibility and answer employee questions. A major concern was that this large health care system lacked the adequate internal resources to properly design, manage and conduct the audit.

Outsource with Secova – Solution: By leveraging Secova's people, systems and processes, this client was able to quickly complete the DEVA (within 6 months from implementation start to final report), create and distribute a positive messaging campaign through multiple communication channels, fully support all participants through online, print and a 24/7 participant advocacy call center and achieve maximum compliance with significant ROI.

- **Compliance and Fiduciary Responsibility - Challenge:** Fiduciaries must act prudently and must diversify the plan's investments in order to minimize the risk of large losses. In addition, they must follow the terms of plan documents to the extent that the plan terms are consistent with ERISA. Standardizing their dependent verification practices and processes across the 13 hospitals and multiple delivery service centers with a centralized record-keeping system from multiple data sources while ensuring fiduciary responsibility is a massive undertaking.

Education, Verification and Process Improvement - Solution: Initial compliance was achieved through the audit process and all existing participants were educated on not only the "how" but the "what" and "why" of the audit. Throughout the project, results were analyzed for trends and existing practices were reviewed to identify areas for improvement. Secova presented a final report at the conclusion of the project with specific process improvement recommendations and target areas to focus on for the future. Implementation of these recommendations has led to significant process improvement and has secured ongoing compliance for this client.

Methodology for Large Health Care System's DEVA Program

The health care system did not have a process, facilities or the personnel to conduct a thorough review of their dependent population. Secova was contracted to verify the eligibility of dependents enrolled under the health plan, identify savings from the removal of ineligible dependents, and evaluate current processes for enrolling and managing new dependents.

The methodology behind the dependent eligibility audit was to collect documentation on all dependents enrolled in a fair, accurate, and speedy manner. During the initial project implementation meeting, consensus was gained on the methods to educate participants on the project, the process to complete the audit and the full scope of the employee advocacy support provided by Secova's call center. Also discussed was the method of providing the health care system with cost reductions and go-forward savings through voluntary disenrollment by the participant or cancellation of dependents that do not meet eligibility requirements or fail to comply with the verification process.

Project implementation was a collaborative effort to ensure the verification process was consistent with our client's objectives and policies. Secova developed a customized communications campaign using the health care system's brand for all communication pieces, eligibility guidelines, FAQ's, eligibility instructions and return envelopes. After the materials were finalized, Secova educated the health care system's project leads and employees on what to expect during each phase of the project.

Prior to open enrollment, communications were issued to 100% of the enrolled members with dependents and documentation was collected and reviewed on all active enrolled dependents for the applicable plans to ensure equity among all participants and to achieve the optimal results. One of the key success factors for the project was to provide clear and consistent communications to each participant explaining the documents that were necessary to verify eligibility and the deadline for assembling and submitting these documents. By employing multiple outbound contacts using various methods (letters, phone calls, and emails), 24/7 call center services, and online compliance support services, the health care system was assured that its employees had sufficient notification, time and support to submit the required documentation.

Verification requirements were designed with the following objectives in mind:

- Communicate to all employee participants of the health care system the process that will be implemented to manage dependent eligibility.
 - Educate the large health care system's participants about the eligibility rules under their current group health plans so that only eligible dependents are covered.
 - Provide comprehensive participant support to individually assist each participant in complying with the verification requirements.
 - Request, collect, and retain eligibility verification documentation from all participants with dependents enrolled in their benefit plans.
- Provide the large Health Care System with significant cost reductions through cancellation of coverage for dependents who do not comply with the eligibility verification requirements.

Additionally, at the close of the open enrollment period, Secova requested verification documentation from the health care system's newly enrolled dependents. During the verification period Secova managed eligibility data, printed and distributed all communication pieces, collected and tracked member responses, offered 24/7 call center resolution and provided real time project reporting.

An appeals process for reinstatement of coverage followed the verification phase of the project and participants were required to submit their appeals with supporting documentation. Approved appeals resulted in immediate reinstatement of coverage rather than requiring the employee to wait until the next enrollment period.

Large Health Care System's DEVA Key Project Results

- **Year One Annual Benefit Cost Reduction:** The overall non-verified percentage was 9.07%. 1st year savings resulting from tier change and corresponding changes in the health care systems costs were immediate and totaled \$9,500,000.
- **Improved Data Usage:** Throughout the process, additional information was collected on dependent sub-types to better define and track compliance requirements going forward. Customized reports and returned data elements provided a significantly more accurate picture of their dependent population. As a result, the health care system was better able to model future claims expenditures and maintain ongoing compliance for the plan.
- **Customized Data Analysis & Review:** A customized end of project report was developed upon completion of the appeals phase. This report provided a detailed analysis of the verified and unverified dependents followed by a savings analysis illustrating the large health care system's annualized benefit cost reduction. This report included tables and graphs illustrating areas for improvements and recommended process changes to close eligibility gaps.
- **Streamline DEVA Process:** By standardizing the methodology, timing, and data requirements before the audit, Secova was able to develop a detailed program to better maintain an eligible roster of dependents and achieve measurable results that directly impacted the large health care system's bottom line.

Project Findings Warranted Ongoing DEV Management

Based on the initial DEVA results (over \$9.5 million) and Secova's analysis and recommendations, the large health care system introduced an ongoing dependent eligibility verification program to monitor, manage and control all new and ongoing dependent enrollments.

With 2,570 dependents found ineligible after verification, there were identified weaknesses in the health care system's existing dependent eligibility verification process. The total number of ineligibles included 1) 902 dependents who were voluntarily dropped during open enrollment; 2) 365 dependents who were voluntarily dropped during the audit period and after open enrollment; and, 3) 1,303 dependents were dropped because no documentation was received or the documentation submitted was insufficient to confirm eligibility.

The following initiatives were included for the ongoing DEVA program:

- Request, collect, audit and maintain the required eligibility verification documentation from all health plan participants requesting a new dependent enrollment in an applicable plan.
- Recertify on a scheduled basis the eligibility verification documentation for all dependents enrolled in an applicable health plan.
- Develop and maintain an ongoing dependent eligibility compliance education communications program.

AUDIT

IMPLEMENT

MANAGE



SECOVATM

5000 Birch Street East Tower Suite 300
Newport Beach CA 92660
(800) 257 - 0011
www.secova.com

Secova's Proven Process

Through our best practice Dependent Eligibility Verification Audit (DEVA) Audit process, Secova delivers custom solutions focused on education, communications, and participant advocacy support to ensure a positive experience for employees while simultaneously delivering results for our clients.

- **Customized Solutions** - Secova's operating philosophy is structured to rapidly configure our combined strengths in "People, Process and Platform" to offer a variety of audit styles built around our comprehensive resources and your existing culture. Our consultants integrate with organizations to develop, design, and implement a customized solution to streamline existing processes, reduce the workload on HR, and capture lost dollars.
- **Communications Methodology** - Secova project communications focus on compliance education and are structured to achieve a positive and timely response from your employees. Working with your team, our objective is to encourage participation and communicate a sense of shared responsibility for providing quality, affordable benefits. Our methodology utilizes multiple channels of communication (US mail, phone, fax, email) to provide your participants with convenient options to verify dependent eligibility with timely results.
- **Participant Advocacy Support** - Secova's proprietary Dependent Eligibility Verification Audit System offers anytime, online access and is supported by our 24x7x365 participant advocacy call center to ensure that your participants are receiving the assistance they need, when they need it.



The Secova Difference

Secova's depth of experience combined with our knowledge of working in complex benefits environments distinguishes us from our competitors and provides us with the know-how to meet your expectations and achieve your desired goals; on time and within budget.

Secova is an HR and Benefits Management Services company focused on helping clients control and drive down the costs of their health and welfare benefits offerings. Our clients include organizations from both the public and private sector, including hospitals and hospital systems throughout the U.S. Over 40% of Secova's client base is ranked among 2010's Fortune 500 List and contains 10% of the companies listed within the Dow Jones Industrial Average.

Maintaining high-quality, affordable health care is vitally important to us, which is why you need a partner who recognizes and aligns with those same priorities. Let Secova Design an Innovative DEVA solution that Drives Immediate Results.



SECOVATM

5000 Birch Street East Tower Suite 300
Newport Beach CA 92660
(800) 257 - 0011
www.secova.com

SECOVATM

(800) 257 - 0011

info@secova.com | www.secova.com