

Whose Kid Is This? And Other Good Reasons to Conduct Dependent Eligibility Audits

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International Foundation
OF EMPLOYEE BENEFIT PLANS 

Good Reasons to Conduct Dependent Eligibility Audits

Introduction

Who is an Ineligible Dependent?

How do Ineligible Dependents get on your Plan?

How to Find and Remove Ineligible Dependents

Savings and Other Reasons

Then What?

Questions

Who Is an Ineligible Dependent?

- Let's start by defining an ELIGIBLE Dependent
 - Spouse/Partner OR Child
 - Eligible for benefits according to the Plan's Eligibility Rules
- Eligibility is usually based on:
 - Relationship (marriage, child, child by marriage)
 - Age (up to age 26)
 - Legal Situation (foster parent, QMCSO, guardianship)

Who Is an Ineligible Dependent?

- Examples of INELIGIBLE Dependents*
 - Grandchildren
 - Nieces/Nephews
 - Housekeepers
 - Girlfriends/Boyfriends
- Biggest Category: Ex-Spouses



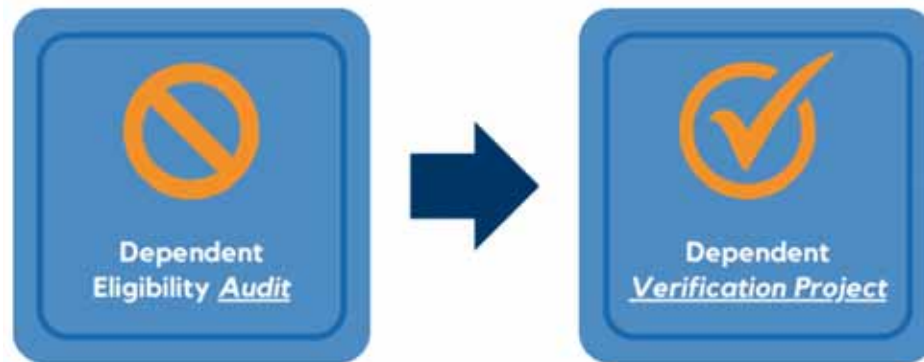
How Did Ineligible Dependents Get on Your Plan?

- Change
- Misunderstanding
- Human Error/Digital Noise
- Fraud



How to Remove Ineligible Dependents

- Dependent Eligibility Audit:
Survey members and ask for proof documents



Your **REASON** is to find and remove ineligible; your **GOAL** should be to reach all members and verify all eligible dependents.

- Include ALL members with dependents (no sampling)

Dependent Eligibility Audits: Outreach

- Communication, communication, communication
 - Members need to know what's happening, why it's happening, and what they need to do
- Snail Mail
 - Email can be supplemental outreach
- Phone
 - HUMANS answering members' questions and placing outbound calls



Dependent Eligibility Audits: Responses



SMART PHONE
FRIENDLY
WEB PORTAL



POSTAGE PAID
ENVELOPES



FOLLOW-UPS/
REMINDERS



BILINGUAL
COMMUNICATION

- Phone
 - HUMANS answering members' questions and placing outbound calls

Dependent Eligibility Audits: Best Practices



TIMING
NOT SO FAST!



TECH
NOT SO FANCY!



PROOF
DOCUMENTS



PHONE

- HUMANS answering members' questions and placing outbound calls

Cost Savings

\$5,400

AVERAGE ANNUAL
DEPENDENT COST

\$8,900

AVERAGE ANNUAL
SPOUSE COST

Cost Savings

- EXAMPLE A: Fund with 500 Members

Percent of Dependents Removed	Number of Dependents Removed	Estimated Annual Savings*	Estimated Fee	Return on Investment
5%	35	\$189,000	\$11,000	\$17 : \$1

Cost Savings

- EXAMPLE B: Fund with 1,000 Members

Percent of Dependents Removed	Number of Dependents Removed	Estimated Annual Savings*	Estimated Fee	Return on Investment
5%	70	\$378,000	\$19,000	\$20 : \$1

Cost Savings

- EXAMPLE C: Fund with 6,000 Members

Percent of Dependents Removed	Number of Dependents Removed	Estimated Annual Savings*	Estimated Fee	Return on Investment
5%	414	\$2,235,600	\$71,000	\$31 : \$1

Other Good Reasons to Conduct Dependent Eligibility Audits



Preserve Positive
Member Relations



Update Contact &
Demographic Info



Fiduciary
Responsibility

After the Dependent Audit

- Internal eligibility maintenance
- Outsourced eligibility maintenance
- Re-verify spouses *AT LEAST* every 3 years!

Key Takeaways

- Eligible vs. Ineligible dependents
- Why do a dependent audit?
- What's the best way to do a dependent audit?

THANK YOU!

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