

# 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



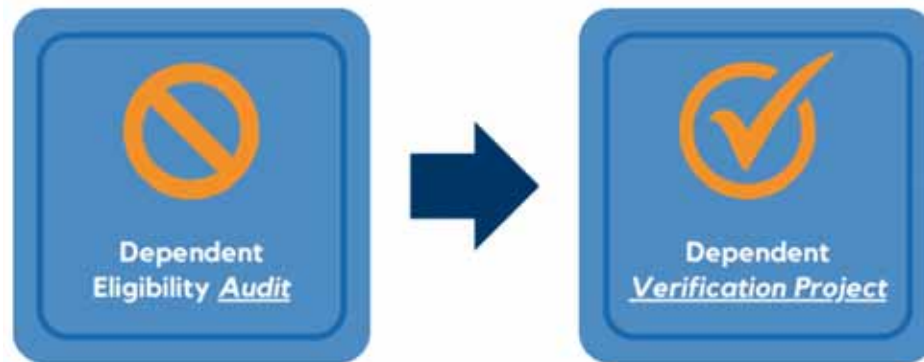
## How Did Ineligible Dependents Get on Your Plan?

- 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

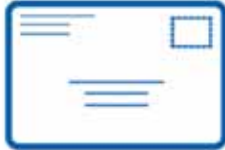
- Communication, communication, communication
  - Members need to know what's happening, why it's happening, and what they need to do
- Snail Mail
  - Email can be supplemental outreach
- Phone
  - HUMANS answering members' questions and placing outbound calls



# 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



## 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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