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**CORRESPONDENCE MEMORANDUM**

**DATE:** November 17, 2015  
**TO:** Audit Committee Members  
**FROM:** Yikchau Sze, Director  
Office of Internal Audit (OIA)  
**SUBJECT:** Dependent Spouses & Domestic Partners Health Insurance Eligibility Audit

**This report is for Audit Committee review and discussion. No action is required.**

Attached is the audit report of the Dependent Spouses & Domestic Partners Health Insurance Eligibility Audit. The results of this audit have been discussed with the Office of the Secretary and the Group Insurance Board.

This audit was originally planned for 2013–2015 and extended into the Audit Plan for 2015–2017. This audit was requested by the Division of Insurance Services, now the Office of Strategic Health Policy.

The objectives of this audit were to:

- Determine whether employees or annuitants report a divorce or termination of domestic partnership in a timely fashion to employers or the Department of Employee Trust Funds (ETF) to remove the ex-spouse, stepchild(ren), or former domestic partner and dependent child(ren) timely from the State of Wisconsin Group Health Insurance Program and the Wisconsin Public Employers' Group Health Insurance Program (collectively, "the programs"),
- Quantify the financial effects on both the programs and the employers as a result of delayed coverage termination and
- Determine whether COBRA notifications were sent in a timely fashion by employers to the qualified beneficiaries.

The scope of this audit included all Wisconsin state and local employees and annuitants enrolled in the group health insurance programs with a covered spouse or domestic partner as a dependent in the 2014 benefit year.

The OIA identified that 36% of divorced program participants (102) did not report their divorce in a timely fashion to their employers or ETF; 7% (20) remained unreported at the

Reviewed and approved by Robert J. Conlin, Secretary

Electronically signed 11/27/15

Board	Mtg Date	Item #
AUD	12.10.15	4

time of this audit. Based on this audit result, OIA concluded that about 0.2%<sup>1</sup> of spouses as dependents enrolled in the programs were not being removed in a timely fashion from the group health insurance programs. Studies suggest that roughly eight percent of dependents enrolled in health care plans are ineligible for coverage and 40% of those ineligible dependents are spouses. The most common reason for spousal ineligibility is divorce.<sup>2</sup>

The potential financial effect on the group health insurance programs is estimated at \$592,781 to the programs -- 88% of which, or \$521,647 could be an employer cost.

OIA also identified improvement opportunities in COBRA compliance.

Management agreed with the audit findings and will take the following corrective actions to address the issues.

Delayed removal / non-removal of ex-spouses and stepchildren from health plans:

- Externally, ETF will work closely with employers on the following preventive measures to reduce the ineligible health care coverage for ex-spouse and stepchild
  - Work with Department of Administration – Division of Personnel Management (DOA – DPM) to suggest each state agency implement a work rule that would mandate employees to properly remove spouses or dependents from the state health insurance upon divorce or other qualifying event
  - Review and potentially modify both the state and local health insurance contracts with health providers to provide that timely notice of qualifying event must be given to the employers. This contract modification may assist employers to establish work rules to enforce the timely reporting requirement
  - Provide training using multiple avenues to raise members' and employers' awareness of their reporting responsibilities
- Internally, ETF will identify controls that can be relied on or developed to proactively detect the occurrence of a qualifying event

COBRA compliance:

- Provide continued education to employers
- Update both the state and local employer health insurance manuals to cover the employer requirements on this topic in greater detail

This audit was conducted by Jackie Van Marter, Auditor-Advanced, who will be available at the Audit Committee meeting to answer any questions.

Attachment: Audit Report

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<sup>1</sup>36% non-compliance rate applied to estimated total divorced participants of 672, divided by 137,064 dependents in the programs in 2014

<sup>2</sup> Government Finance Review June 2015, page 31—Controlling Health-Care Costs with Dependent Eligibility Audits by Mark Mack



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## Audit Objectives

1. Determine if individuals covered by a health insurance plan administered by the Department of Employee Trust Funds (ETF) and the Group Insurance Board (GIB) insuring a dependent spouse or a domestic partner are notifying their employer timely to terminate the coverage of the spouse or domestic partner after a divorce or termination of domestic partnership.
2. Determine if COBRA notification is sent timely by the employer to the divorced spouse and stepchildren or domestic partner and dependent children.

## Audit Scope

All Wisconsin state and local employees and annuitants enrolled in the State of Wisconsin Group Health Insurance Program and the Wisconsin Public Employers' Group Health Insurance Program for the 2014 benefit year with a covered dependent spouse or domestic partner.

## Background

ETF administers the State of Wisconsin Group Health Insurance Program and the Wisconsin Public Employers' Group Health Insurance Program (collectively, "the programs"). The GIB has statutory authority for the programs' administration and oversight. The programs were codified by Chapter 40 of the Wisconsin Statutes. Coverage is available to employees of state and local participating employers, annuitants, continuants, and eligible dependents. Pharmacy benefits are self-insured by ETF and administered by NAVITUS Health Solutions.

The programs had approximately 248,732 members enrolled in one of the 18 participating health plans in 2014. COBRA and many annuitant participants pay their entire premium. Premiums are paid in advance of the month's coverage with active employee's portion being directly deducted from their pay. Annually, during "It's Your Choice" open enrollment, eligible employees, annuitants, and continuants have the opportunity to change health plans or coverage levels (single to family or family to single), and elect or cancel coverage for the coming year.

To enroll or make a change in health insurance coverage, the *Health Insurance Application/Change Form* (ET-2301) is completed by the subscriber. By signing the form, the subscriber attests to providing complete and true information and agreeing to the Terms and Conditions. Specifically, item 7 of the Terms and Conditions states in pertinent part: "I understand that it is my responsibility to notify the employer, or if I am a retiree or continuant to notify ETF, if there is a change affecting my coverage, including but not limited to, a change in eligibility due to divorce, marriage or domestic partnership ... Furthermore, failure to provide timely notice may result in loss of coverage, delay in payment of claims, loss of continuation rights and/or liability for



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claims paid in error. Upon request, I agree to provide any documentation that ETF deems necessary to substantiate my eligibility or that of my dependent(s).”

Although it is the health plan subscribers’ responsibility to provide timely notice to employers for a change in eligibility, employers play a key role in verifying employees’ eligibility. Employers must review and approve the *Health Insurance Application/Change Form* (ET-2301) and verify employee’s eligibility for group health insurance coverage. Such requirements are specified in both State Agency Health Insurance Administration Manual and Local Health Insurance Administration Manual.

It is in the employers’ best interests to ensure the timely removal of ineligible participants from health coverage and timely issuance of continuation notice. The reasons being a) up to 88% of health insurance premiums is contributed by employers; b) health insurance coverage continues until continuation notice is given (Wis. Stat. 632.897). As a result of health insurance coverage continuing, the programs incur medical and pharmacy costs that would otherwise be uncovered.

In 2011, ETF retained Public Consulting Group (PCG) to perform a Dependent Eligibility review. PCG conducted the eligibility verification via mail confirmation from 1,000 randomly selected dependents. The results of this review indicated that 91 dependents, or approximately 9% of the dependents surveyed appeared to be ineligible (including sampled individuals who failed to respond). PCG estimated that the cost savings to ETF for each ineligible dependent could be about \$4,114. Extrapolating these figures to the entire population of dependents (135,000) covered by the programs at that time, PCG predicted a one year savings of about \$50 million. To follow-up with PCG’s finding, ETF reviewed available information and further communicated with members and employers. As a result of this subsequent investigation, four dependents were confirmed as ineligible for coverage. Each of these four ineligible cases was the result of a former spouse or stepchild remaining on the subscriber’s health insurance plan when a divorce went unreported to the employer and ETF. ETF reported these findings to the GIB in February 2012 and discussed steps ETF would like to take to reduce the number of ineligible dependents. Those steps included ETF reviewing the timing and content of communications to members and employers to ensure that all parties are sufficiently aware of the need to report changes in status, such as divorce, to the employer and/or ETF. In addition, ETF would assess subscriber compliance through periodic monitoring.

This Dependent Spouse and Domestic Partners Health Insurance Eligibility Audit was requested by ETF’s Division of Insurance Services and reflected ETF’s continual assessment of subscriber compliance related to dependent eligibility. This audit was originally planned for 2013–2015 and extended into the Audit Plan for 2015 – 2017.



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### Conclusion

The Office of Internal Audit (OIA) identified 284 divorced participants in the programs in 2014. Of the 284, 36% did not report divorce timely with seven percent continuing as unreported at the time of this audit. Extrapolating the non-compliance rate of 36% to the 672 total possible divorced health care participants in the programs, the overall non-compliance rate is about 0.2% in 2014.

Studies suggest that roughly eight percent of dependents enrolled in health care plans are ineligible for coverage and 40% of those ineligible dependents are spouses. The most common reason for spousal ineligibility is divorce, where the ex-spouse was never removed from the health plan.<sup>1</sup> The spousal ineligibility percentage of the programs administered by ETF is significantly lower than this 3.2% suggested by the studies. However, with the 7% non-reporting rate of the identified divorced health care participants, OIA recommends ETF work closely with employers to improve the timeliness of removing ex-spouses from health plans.

The potential financial impact to the programs could be estimated at \$593 K, 88% or \$522 K could be the costs to the employers.

OIA also identified improvement opportunities in COBRA compliance.

Termination of health care coverage of Domestic Partners after the termination of the Domestic Partnership were timely and resulted in no reportable exceptions.

### Findings, Recommendations and Management Response:

1. Of the 284 divorced participants identified by OIA in 2014, 36% did not report divorce timely with seven percent continuing as unreported at the time of this audit. Although it is the employee's responsibility to notify his/her employer of the occurrence of the divorce, ETF needs to recognize that when a divorce occurs, other activity could be present in the subscriber's Wisconsin Retirement System account. This other activity, if identified and communicated between ETF's work units, could proactively reduce the number of days ineligible dependents remain on the health insurance plan.

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<sup>1</sup> Government Finance Review June 2015, page 31—Controlling Health-Care Costs with Dependent Eligibility Audits by Mark Mack



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### **Recommendation:**

OIA recommends using the following list as triggers/red flags to proactively identify divorced health care participants. (In form order)

ET-2320	Beneficiary Designation
ET-2321	Beneficiary Designation – Alternate
ET-2367	Order to Divide Wisconsin Deferred Compensation Program Account
ET-2368	Supplement to Order Wisconsin Deferred Compensation Program Account
ET-2372	Affidavit of Termination of Domestic Partnership
ET-2376	Domestic Partner Termination Letter
ET-2561	Report for QDRO Year Earnings/Contributions
ET-2815	Address/Name Change Form
ET-4115	QDRO Introductory Letter
ET-4322	Military Service Certification and Affidavit - QDRO
ET-4524	QDRO Present Value Worksheet
ET-4535	QDRO Split Calculation Spreadsheet
ET-4536	QDRO Data Entry Form
ET-4923	QDRO Rejection Notice
ET-4924	Statement of Account after Division per a QDRO
ET-4925	How Divorce Can Affect Your WRS Benefits
ET-4926	QDRO to Divide WRS Benefits
ET-4928	QDRO Acknowledgment
ET-4933	QDRO Military for Non-Annuitant
ET-4935	Foreign Jurisdiction QDRO to Divide WRS Benefits

Additionally, OIA found that legal correspondence often had information that a divorce had occurred.

### **Management Response:**

For background, the Department of Employee Trust Funds (ETF) recently made organizational changes that affected the delivery of services to employers. Previously, health insurance eligibility and review was the responsibility of ETF's Division of Insurance Services, which included a bureau called the Insurance Administration Bureau (IAB). Organizational changes in early 2015 merged IAB with the Employer Services Section (ESS), which is in the Division of Retirement Services (DRS). At the time, IAB worked with employers on health insurance enrollment and ESS worked with employers on enrollments for the Wisconsin Retirement System (WRS). Now all employer functions, such as enrollments, are in one unit within ETF (the combined units are now housed in DRS), which will provide more opportunities for efficiencies and service delivery coordination for employers.



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Although the employers are in the best position to monitor changes to their employee's circumstances and enforce the required changes on the employee's health insurance application and coverage, DRS agrees with this recommendation. The recommendation could help provide another control to prevent former spouses from receiving coverage. Due to the current limitations of ETF's legacy systems, DRS ESS plans to partner with the Benefit Administration System (BAS) Team and evaluate what triggers or flags can be built into the BAS to prompt action with the employer and member if there was a divorce or termination of domestic partner affidavit but no subsequent action was taken by them to remove the spouse or partner from the member's health insurance coverage.

Currently, ETF's legacy systems are not integrated. For example, the information technology system (IT) containing health insurance data is not connected to the IT system containing retirement data. This will change with the implementation of the BAS. In the meantime, the Division of Retirement Services (DRS) will conduct a cost benefit analysis to determine the costs of adding a procedure in the DRS Member Services Bureau (the area that processes Domestic Relations Orders for retirement purposes) to review the health insurance application and IT system to determine if the employer and employee removed the spouse from coverage after the divorce. Depending on the feasibility of that procedural change, another potential temporary solution is to prepare a report listing the divorces processed for retirement purposes that ESS staff can use to review health insurance coverage changes related to the divorce.

Court issued Domestic Relations Orders are not always submitted to ETF in the timely manner. For retirement benefit purposes, ETF is not aware of the divorce until it receives the DRO from the member or the court. Therefore, in addition to checking the IT systems to determine health insurance coverage after ETF receives a DRO, DRS intends to research the feasibility of using the queries from the Wisconsin Circuit Courts Access System, which provides divorce action information online, and cross checking it against the data in ETF's systems.

Responsible Staff:

Timeframe for completion:

Rory McGarry - ESS

October, 2017

2. The 36% late reporting represents 57 different employers. Among these 57 employers, seven accounted for 66% of total late reporting, or 67 late incidents.

### **Recommendation:**

With the annual "*It's Your Choice*" (IYC) open enrollment approaching, OIA recommends using this platform to communicate, educate, and increase awareness



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of compliance requirements. Additionally, ETF could highlight the compliance topic on ETF's web site to enhance members', retirees', and employers' awareness to their responsibility.

### Management Response:

The Employer Services Section (ESS) agrees with this recommendation. ESS will ensure this topic is included in the 2017 IYC open enrollment period materials since 2016 IYC material was already distributed to employers. Additionally, ESS will work on getting this topic highlighted in all future communications on the ETF website. This will include revisions to both the state and local health insurance employer administration manuals.

In addition, the Office of Strategic Health Policy (OSHP) and ESS plans to work with the Department of Administration – Division of Personnel Management (DOA – DPM) to suggest each state agency implement a potential work rule that would mandate employees to properly drop spouses or dependents off of the state health insurance upon divorce or other qualifying event. OSHP also plans on reviewing and potentially modifying both the state and local health insurance contracts with health providers to provide that timely notice of qualifying event must be given to the employers. This contract modification may assist employers to establish work rule to enforce this timely reporting requirement.

Responsible Staff:

Timeframe for completion:

Lisa Ellinger - OSHP;  
Rory McGarry – ESS

November, 2017

### 3. Compliance of COBRA notification

Employers have no more than five days after becoming aware of the divorce to notify the ineligible dependents that coverage is ending and provide a *Continuation-Conversion Notice* (ET-2311). For the 284 divorces reviewed, OIA noted 54% without form ET-2311 present in Step2000. This 54% excludes the 17 members (seven percent) who have not informed their employer of their divorce.

For the 46% that form ET-2311 was present in Step2000, OIA compared the “Date notice provided” to the “Employer Received Date” in myETF Benefits to verify that the employer submitted the notification timely (within the five days as required). Employers, who were in compliance with sending COBRA notification, were also found to be compliant with sending the notification within the required five-day limit.





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OIA recommends ETF enhance communication and provide clear instructions to employers to improve COBRA compliance.

### **Management Response:**

While the Employer Services Section (ESS) agrees with this recommendation, ESS is currently providing training through webinars on COBRA compliance to employers. However, ESS plans to cover this topic in greater detail in the “Health Insurance Eligibility” and “MyETF Benefits” employer webinars. ESS plans to continue these employer webinars year round.

In addition, ESS plans to update both the state and local employer health insurance manuals in order to cover the employer requirements on this topic in greater detail.

Responsible Staff:

Timeframe for completion:

Rory McGarry - ESS

January, 2016



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*The remainder of this report provides more detailed information about the audit procedures and the testing results.*

### **Methodology and Foundational Information**

This audit was conducted to determine whether individuals were reporting divorce occurrences to their employer timely by locating an independent source of verifiable information. For this, OIA obtained the health insurance archive database for individuals with a dependent spouse. The independent verifiable information database used was divorce cases obtained through the Wisconsin Court System Circuit Court Portal (CCAP) website. These two databases were compared to identify name matches, validate the relationship, and confirm divorce action outcome.

#### Summary of Audit Steps:

- Health plan members with dependent spouses were obtained for 2013 year end and 2014 year end. The 2014 file was selected in its entirety. The 2013 file was used to account for employees who dropped insurance coverage during 2014. Together these became the representative database for individuals with health insurance coverage with a dependent spouse during 2014. The total family contracts were approximately 65,000.
- The divorce database was obtained from the CCAP website with the parameter of divorces filed in family court during 2014 with an extraction date of March 26, 2015.
- Health insurance participants and divorce petition file names were compared in Audit Command Language (ACL), with health insurance participants as primary and divorce petition records as secondary. These two files were joined by last then first names.
- Over 2,000 name matches were identified. Matched names were authenticated by comparing CCAP with myETF Benefits and Step2000, validating the information in all systems to authenticate the identical name of the subscriber and ex-spouse, the birth date where available in CCAP, if necessary resident address, and whether the divorce petition concluded in a divorce, dismissal, or remains without conclusion of law.
- For those verified as participating in the Group Health Insurance Program and divorced, each was reviewed to determine:
  - ✓ Status of employment; state, local or annuitant
  - ✓ Event date (divorce date)
  - ✓ Employer notified date – the date the employer was actually notified (ET-2301 submitted)
  - ✓ Number of days from event date to notification of employer
  - ✓ Actual date of termination of coverage in MEBS
  - ✓ Number of days from event date to termination of coverage
  - ✓ Number of days from notification to termination of coverage



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- ✓ Health insurance coverage and premiums paid on a monthly basis (family plan)
- ✓ Health insurance costs starting from first of month after event date
- ✓ NAVITUS prescription payment starting first of month after event date
- ✓ COBRA *Continuation-Conversion Notice* present as verifiable evidence that notification was sent to ex-spouse and stepchildren (ET-2311)
- To ensure capturing all possible matches, OIA performed fuzzy duplicates. A test available in ACL to look for near matches. Near matches include names mistyped or spelled with letters reversed. This test was conducted with 100% of the insurance database and 100% of the divorce database. No new member matches were identified.

### Testing Results

OIA identified 284 health plan participants with divorces in 2014. These 284 individuals represent 23 state employers, 34 local employers plus annuitants. The table below shows each category in 30-day increments with their representative counts. Overall, 64% of the confirmed divorces reported their status change to employers and changed their health insurance coverage within 30 days.

Individual Notification Timeliness by Employer Categories in 30 days increments

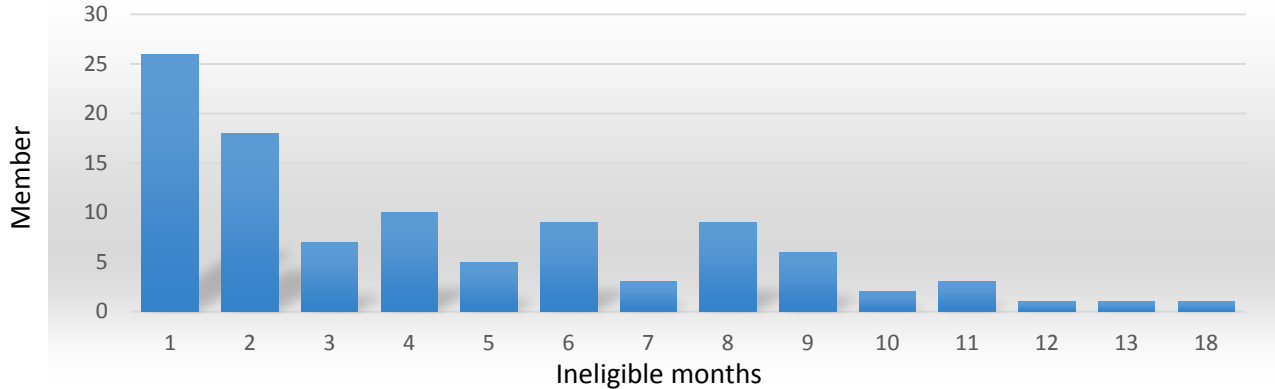
Health Plan Notification Summary	Total No. State Employees	Notified Prior to Event	Notified < or = 30 days	Notified 31 or < = 60 days	Notified > 60 days	Not Notified to Date	Average No. of Days Excluding Not Notified
State	224	14	128	21	44	17	52
Local	48	4	25	5	11	3	55
Annuitant (over 65)	12	3	8	0	1	0	31
Total Events	284	21	161	26	56	20	
<b>Examined as %:</b>	<b>100%</b>	<b>7%</b>	<b>57%</b>	<b>9%</b>	<b>20%</b>	<b>7%</b>	



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The graph below shows the distribution of the 102 late notifications



Extrapolating the costs of non-compliance at the estimated per member per month basis to the programs, the potential financial impact to the programs could be estimated at \$593 K, and 88% of this \$593 K, \$522 K could be the costs to the employers.

The table below shows that among the 284 divorces, 200 or 70% represent seven employers. When these same employers are analyzed for compliance (less than or equal to 30 days) versus non-compliance (greater than 30 days), 34% are non-compliant. Among the seven employers with the greatest volume of late reports, the Department of Corrections stands out with 48% non-compliance (reporting later than 30 days).

### Employers with the highest number of late notifications

EMPLOYERS (ER):	Timely	> 30 days	Total	Non-compliance ( > 30 days ) % of Individual ER Counts to Total ER Counts	
				% of Individual ER	% of Individual ER Counts to Total ER Counts
Corrections, Dept. of	27	25	52	48%	18%
University of WI	52	22	74	30%	26%
Workforce Develop, Dept. of	7	3	10	30%	4%
Health Services, Dept. of	16	4	20	20%	7%
UW Hosp. & Clinics	16	4	20	20%	7%
Transportation, Dept. of	10	5	15	33%	5%
Madison, City of	5	4	9	44%	3%
	133	67	200	34%	70%
All Others	49	35	84		30%
<b>TOTAL</b>	<b>182</b>	<b>102</b>	<b>284</b>	<b>36%</b>	<b>100%</b>



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### **Data Limitation of this Dependent Eligibility Audit:**

- Divorces filed in CCAP do not always conclude in an actual divorce; cases may be dismissed; others may not be completed until a future calendar year.
- Divorces resulting in a judgement of law in 2014 from previous years would be absent from CCAP cases listed for 2014.
- CCAP divorce filings were still being added after the extraction date of March 26, 2015.
- Some divorced individuals may choose to revert to their birth name which ACL would not be able to match unless both ETF's records and CCAP's records were updated simultaneously.
- The State Vital Records Office, Division of Public Health, Department of Health Services sells a divorce database. It is an index which contains only the husband's full name, wife's first, middle and maiden name, and date of decree and county of decree. However, for validation purpose, two pieces of verifiable information are required. Absent from this database are those elements that could serve as the second piece of verifiable information: birth dates, social security numbers, addresses and/or the court case number. A divorce certificate is missing these same elements.
- Additionally, annulments were not included in this audit. Although there were only 20 for the entire State of Wisconsin for 2014, this resource is absent.

Due to the above mentioned limitations, the divorce database that the OIA constructed to identify health plan participants with divorces in 2014 is not a complete database.

### **Financial Impact of Late Notification**

The financial impact were calculated on per member per month basis. The ineligible month starts from the full month following the lapse of 30 days from the event date.

To estimate the overall impact to the programs for the year 2014, the following assumptions were made:

- Dependent spouse and stepchildren were considered removed effective 7/31/2015 for those members who have failed to notify their employer at all
- Population of divorces for government employees - 672 members (see the 'Reasonableness test' discussion below),
- The premium of single coverage were converted to per member per month cost at 1.2 conversion factor

Applying the 36% non-compliance rate to the population of divorces for government employees of 672, at the converted per member per month cost of \$562, the potential financial impact to the program is about \$593 K for 2014. Apply 88% of employer premium contribution, the potential costs to the employers could be at \$522 K.



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### **COBRA Verification**

Per the “State and Local Agency Health Insurance Administration Manual”, Chapter 9 – COBRA section 905 states: Employers are to provide COBRA notification to qualified beneficiaries in no more than five days of being notified of the “qualifying event.” To verify compliance to COBRA notification requirements, the 284 records were reviewed in Step2000 for the presence of the *Continuation-Conversion Notice* form ET-2311. This same form was used to verify that employer sent notification within the five days as required. OIA noted that for the 284 divorces reviewed, 54% did not have form ET-2311 present in Step2000. However, since the expectation of sending a copy of COBRA notification to ETF for imaging is not clearly communicated in the employer instruction section of form ET-2311, OIA cannot conclude that the non-present of form ET-2311 was due to employer non-compliance.

### **CCAP Test**

The CCAP court records were reviewed in late May 2015 to determine whether the number of divorce cases filed remained constant compared to the extraction date of March 26, 2015. This review established that the CCAP database continues to expand.

### **Reasonableness test**

The State of Wisconsin had a population of approximately 5,645,556 individuals based on records for 2014 provided by the State Vital Records Office, Division of Public Health, Department of Health Services. From the report, “Wisconsin Marriages and Divorces” for 2014, the State of Wisconsin had 15,243 divorces, a rate of 2.7 per 1,000. To test our results, using the “Members” tab from the 2014 ETF January Health Insurance spreadsheet, the total 248,732 (whole population of individuals covered by the Group Health Insurance Program) was multiplied by the 2.7 divorces and divided by 1,000. The result is approximately 672 divorces. The actual outcome of this audit was 284 confirmed divorces with another 20 individuals that terminated employment prior to their divorce being finalized. The discrepancy can be attributed to the limitations discussed on page 11.

### **Domestic Partnerships (DP)**

Domestic Partnerships were reviewed by obtaining the 2014 year end database, taking a sample of 95% accuracy, and comparing each record against Step2000 and myETF Benefits. Step2000 participant folders were reviewed for the following documents: ET-2371 “Affidavit of DP”, ET-2372 “Affidavit of Termination of DP”, and ET-2373 “Acknowledgement of Receipt of DP Affidavit” (after 12/2009), ET-2301” *Health Insurance Application/Change Form*”, and if DP terminated ET-2311 “COBRA *Continuation-Conversion Notice*”. Within the test sample, no reportable exceptions were noted.



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### **Observation:**

#### **a. Lack of awareness of employee status changes make it difficult for employers to comply with the administrative rule**

A deficiency of not having timely access to divorce information stands out in the COBRA situation. The employer cannot follow through on a life event requirement without awareness. COBRA states that once a divorce is final, notification should be sent by employers to the removed ex-spouse and stepchildren of the employee. Eighteen members who removed their spouse and stepchildren during “It’s Your Choice” do not have COBRA notification displayed in Step2000. In myETF Benefits, these same ex-spouses continue to display married for their marital status and only two members show divorce status.

From Chapter 9 – COBRA, Continuation and Conversion, Section 902, Note: “When a voluntary change in coverage from a family plan to a single plan is done in anticipation of a divorce, the spouse and dependent children are eligible for continuation coverage when the divorce is final. The effective date for continuation coverage in this case is the date of the entry of the judgment of divorce. This is usually when the judge signs the divorce papers and the Clerk of Courts date-stamps them.”

#### **b. Unfamiliar with the six months waiting legal requirements**

If an employee would like to enroll a new spouse or domestic partner that is different from the previous spouse or domestic partner, the new spouse/domestic partner must wait six months before being eligible for coverage. One occurrence was identified where the divorce was finalized 11/2014 and the subscriber entered a domestic partnership 3/2015. Due to the required six-month waiting period, granting this domestic partnership and the change in health coverage from single to family was not compliant. OIA notified the Employer Services Section, who agreed this was in error (5/21/2015) and it was corrected. No health plan services or pharmacy benefits were received by the Domestic Partner during the period of ineligibility.



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### Appendix – Reference Material

- 40.03(6) (d) Powers & Duties -- Group Insurance Board – May take any action as trustees which is deemed advisable and not specifically prohibited or delegated to some other governmental agency, to carry out the purpose and intent of the group insurance plans provided under this chapter, including, but not limited to, provisions in the appropriate contracts relating to:
  1. Eligibility of active and retired employees to participate, or providing the employee the opportunity to decline participation or to withdraw
  2. The payments by employees for group insurance
  3. Enrollment periods and the time group insurance coverage shall be effective.
  4. The time that changes in coverage and premium payments shall take effect.
  5. The terms and conditions of the insurance contract or contracts, including the amount of premium
  6. The date group insurance contracts shall be effective.
  
- Health Insurance Application/Change Form (ET-2301) – Terms and Conditions states, “I understand that it is my responsibility to notify the employer,” ... “change affecting my coverage, including a change in eligibility due to divorce...” Also, Cancel Coverage states “select a reason for your cancellation and provide the change in status event ...” “Cancellation is effective the end of the month on or following receipt of the application by ETF.”
  
- State and Local Agency Health Insurance Administration Manual, Ch. 5 – Changing Coverage – reason for, “family status change/event” ... “such as a divorce or termination of DP,” “The employee must either go online to” ... “or submit a *Health Insurance Application/Change Form* (ET-2301) to their employer.”
  - ✓ Divorce or Termination of DP: The change form must be submitted within 30 days of the divorce or termination of DP and coverage termination is effective the first of the month on or after receipt of the change form.
  - ✓ Removing Dependents section states, “In the event the employee reports the divorce beyond 30 days of it being finalized, the ex-spouse will be removed prospectively. Coverage for the ex-spouse and any stepchildren will not end until the end of the month of the divorce or the end of the month the COBRA *Continuation-Conversion Notice* (ET-2311) was provided to the former dependents, whichever is later.”
  
- ETF brochure - *What do I Need to Do When My Marriage or Chapter 40 DP Terminates?* “You must file a Group Health Insurance Application/Change form (ET-2301) to delete your spouse/domestic partner as your dependent.”





## Dependent Spouses & Domestic Partners Health Insurance Eligibility Audit

September 2015

- COBRA coverage for persons insured under individual and group policies: Declares, if a qualifying event (divorce or termination of Domestic Partnership) causes coverage to cease, coverage by terminated individual can be elected under COBRA law for a period of up to 36 months from the date of the qualifying event or the date of notification by the employer. It is the employer's responsibility to send the COBRA *Continuation-Conversion Notice* form (ET-2311) to ex-spouse and stepchildren within five days after an employer is made aware of the individual's eligibility for continuation coverage.