

STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

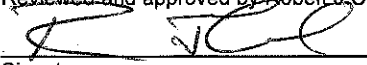
DATE: January 19, 2012
TO: Group Insurance Board
FROM: John Vincent, Director
Office of Internal Audit
SUBJECT: Dependent Eligibility Verification Pilot Project

This memo is for informational purposes only. No Board action is required.

At the request of the Division of Insurance Services (DIS) and with the support of the Group Insurance Board, the Office of Internal Audit has overseen a random sample dependent eligibility verification (DEV) pilot project. The purpose of this project was to determine whether a full audit was warranted, based on testing a random sample of dependents in the State of Wisconsin Group Health Insurance Program or the Wisconsin Public Employers' Group Health Insurance Program (collectively, "the programs"). This memorandum presents the findings of the pilot project and discusses measures Employee Trust Funds (ETF) will implement going forward as a result of the findings.

EXECUTIVE SUMMARY

According to the results of the DEV pilot project, existing policies and procedures appear to be sufficiently protecting against the enrollment of ineligible dependents in the programs. Therefore, based on the risks presented, a full audit of dependent eligibility in the programs is not recommended. The programs provide benefits for more than 135,000 dependents. For the DEV pilot project, 1,000 of these dependents were randomly selected for review. The review did not reveal any significant risk of ineligible dependents being enrolled in the programs. Of the dependents that were reviewed, four were determined to be ineligible. In addition, ETF was unable to obtain information sufficient to establish eligibility concerning two dependents, despite repeated requests for information. Assuming these two dependents were also ineligible, the total number of ineligible dependents was 0.6% of the dependents that were reviewed. This percentage is significantly less than the 2%-8% range experienced by other employers.

Reviewed and approved by Robert J. Conlin, Secretary

Signature _____ Date 1/20/2012

Board	Mtg Date	Item #
GIB	2.7.12	4D

However, even with these findings, ETF has identified additional cost-effective measures that it will take to further protect against the enrollment of ineligible dependents. These measures will enhance the notice provided to employers and program participants concerning the need to report changes in status that effect beneficiary eligibility.

FINDINGS BY PUBLIC CONSULTING GROUP

The Department contracted with Public Consulting Group (PCG) to assist with the DEV pilot project. On August 24, 2011, PCG issued its final report, following its review of the sample dependents. That report indicated 91 dependents, or approximately 9%, appeared to be ineligible. PCG determined a dependent to be ineligible if the subscriber voluntarily requested removal of the dependent based on PCG's communications, failed to adequately respond to PCG's communications, or appeared to experience a change in status that resulted in loss of dependent coverage eligibility.

FINDINGS BY ETF

ETF analyzed PCG's findings to better assess the eligibility of the 91 dependents that appeared to be ineligible. ETF invested more than 200 hours of staff time reviewing available information and further communicating with members and employers. As a result, ETF determined that of the 91 dependents identified by PCG, only 4 were ineligible for coverage. Each of these four cases resulted from a divorce when the former spouse or stepchild (child of the former spouse) remained on the contract because the divorce went unreported to the employer and ETF.

It should also be noted that the ineligible dependent did not cause the contract to change from a "family" to a "single" contract in any of these four cases. In other words, neither the employer nor the subscriber premium contribution changed as a result.

REDUCING THE NUMBER OF INELIGIBLE DEPENDENTS

Current policies and procedures minimize the risk of providing coverage for ineligible dependents. ETF's communications with employers and policyholders clearly delineate the requirements for dependent eligibility. Based on the DEV pilot project, it appears those requirements are largely being followed. Furthermore, the involvement of the employer in the application process likely has a sentinel effect protecting against both intentional and unintentional enrollment of ineligible dependents.

Nevertheless, ETF has identified additional steps to take in order to improve this already high level of compliance. DIS will review the timing and content of communications it provides to members and employers to ensure that both parties are sufficiently aware of the need to report changes in status, such as divorce, to the employer and ETF. This

review will also ensure that ETF is adequately notifying members and employers of the possible consequences of carrying an ineligible dependent on the policy.

In addition, ETF will continue to assess subscriber compliance through periodic monitoring and follow-up based upon individual circumstances.

I will be available at the Board meeting to answer questions you may have.