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Dependent Audit Verification Savings Information

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Dependent Audit Verification Savings Information

Submitted by Robert Pirro

9/17/2010

Question:

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1. Will the "potential statewide savings" information from the Dependent Audit Verification initiative, which, according to an August 27 email from Human Resources, "will be released at a later date in time," take into account the costs of hiring a private contractor to conduct the audit and the costs the state expects to be bear as some of the 3,690 individuals statewide who have been or will be dropped from insurance coverage seek treatment at state-subsidized hospital emergency rooms?
2. How many of the 3,690 individuals statewide who have been or will be dropped from insurance coverage are children?

Rationale:

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1. Faculty and staff need as complete a picture as possible of the costs and savings that will presumably result from this audit.
2. The costs of this audit need to be placed in a human as well as a monetary context.

SEC Response:

10/14/2010: From Paul Michaud: Based on the information I received from Tom Scheer at the Board Office and reviewing the bar charts that were sent to me, this is the best interpretation I can give you.

Of the 3,349 statewide dependents removed from our plans, 40.3% were categorized as college students, 29.6% were non-college children, and 29.6% were spouses. As previously mentioned in my first letter, 72.7% of employees did not provide details regarding why a dependent was no longer eligible for coverage.

Tom Scheer recently told Chief HR Officers at a meeting in Savannah that many of the college students may not have been enrolled in classes last semester when the audit took place. When a college student is not enrolled for a minimum of 6 credit hours, they must be removed from their parent's health plan...many parents forget to do that even here at Georgia Southern. Now with the new Health Care Reform Act where portions are effective January of 2011, these students can be added back to the parent's health plan until age 26 regardless if they are enrolled in classes. This is assuming they are not covered by their own health plan. I believe most of the 40.3% college students mentioned above will be added back on to their parent's plan. As to why non-college children were removed from coverage is not known.

Hope this helps.
Paul

10/13/2010: Here is the SEC response to Robert Pirro's RFI.

The SEC requests that Mr. Paul Michaud respond to the second question: How many of the 3,690 individuals statewide who have been or will be dropped from insurance coverage are children?

Sincerely,

Clara

Dr. Krug,

Please see the attachment below regarding the results of the statewide Dependent Verification Audit Program. This information came to me from the Chancellor's Office.

Please contact my office if you have additional questions.

Paul J. Michaud

Chief Human Resources Officer
Human Resources
Georgia Southern University

Dependent Eligibility Program Final Report

The University System of Georgia's Office of Human Resources, and the Office of Internal Audit and Compliance jointly conducted a dependent verification audit over the 2009-2010 timeframe. This project was conducted at the request of Regent Hatcher when he was serving as Chairman of the Board of Regents.

In addition to the above participants, the USG contracted with Chapman Kelly, Inc., an independent third party audit firm, to assist in conducting this audit at a one-time cost of $282,000. The initial data included 26,169 employees with 47,250 dependents on the USG health plans. The overall response rate of the program was 96.8%. This represents employees who fully complied and also who partially complied with the audit process: 94.7% (24,771 employees) fully completed the audit process; 2.2% (573 employees) responded to the program but did not provide complete documentation; and 3.2% (825 employees) failed to respond to the program.

Over the course of the program, 93% of the dependents were verified. The remaining 7% of the dependents were removed from coverage because they did not meet the eligibility guidelines, or did not provide appropriate documentation to verify eligibility.

This audit was conducted in three phases: amnesty, verification and grace/appeal. In addition to the communications provided by the USG institutions, Chapman Kelly produced over 116,000 direct mail communications and received over 52% of responses via electronic submission to its web site or by Fax.

Initial estimates indicated that around 5% of the enrolled dependents would be found to be ineligible and would be removed. This initial estimate would have produced annual cost avoidance of $4,600,000.

This audit resulted in a significant reduction (7.1%) in the number of dependents on USG health plans. Approximately 3,349 dependents were identified to be removed from the USG health plans, resulting in an estimated $6,698,000 in annual savings, specifically 1,412 voluntary terminations; 13 involuntary terminations; and 1,924 insufficient/no response terminations. Of the voluntary dependent terminations, 72% of employees did not provide details regarding why a dependent was no longer eligible for coverage.

These results created an additional $2,000,000 in annual cost avoidance over the initial estimate and a ROI in excess of 2,300%.

Going forward, additional controls will be implemented and current controls will be strengthened to provide increased assurance that only eligible dependents are maintained on USG health plans.