



Department of Human Resources
Division of Employee Benefits

INTER-OFFICE COMMUNICATION

Date: 2/11/2013
TO: Supervisor Willie Johnson, Jr., Co-Chair of Finance, Personnel & Audit Committee
Supervisor David Cullen, Co-Chair of Finance, Personnel and Audit Committee
FROM: Matthew Hanchek, Employee Benefits Administrator *MH*
SUBJECT: **Informational report from the Employee Benefits Administrator, regarding the Dependent Verification Project (No Board Action Required)**

Issue/Background

The 2011 operating budget tasked the Employee Benefits Division, with assistance from the Department of Audit, with developing and releasing an RFP for an external administrator to conduct dependent eligibility audits on the County's behalf.

The scope of the project included the following:

- verifying all current covered dependents to ensure compliance with all eligibility rules
- removing ineligible dependents
- creating a process/mechanism for verifying eligibility on an ongoing basis for new dependents / ensuring the ongoing integrity of dependent data

This project was delayed until 2012 due to a number of legislative changes throughout the year, and initial full audit of the dependent population was concluded at the close of 2012.

Project Summary

The initial audit phase of the dependent verification project included utilizing the services of Buck/ACS to audit over 9,300 covered dependents, including children and spouses of active employees and retirees by 10/31/2012. The Employee Benefits Division reviewed the identified ineligible dependents, and conducted an appeals period throughout November and December. Upon conclusion of the review and appeal process, 707 dependents (7.6% of all covered dependents) were removed from coverage, which will have a positive impact on plan costs in 2013.

An additional 192 dependent records were purged from active coverage as data clean up, but will not generate savings. This group includes unreported deceased dependents, and duplicate records due to County-employed couples.

Ongoing Verification Process

Buck/ACS will continue to receive quarterly file updates from Milwaukee County, which will trigger distribution of a verification packet to all newly enrolled dependents. Buck/ACS is under contract to provide these services throughout 2013 and 2014 on an as-needed basis. This will catch any attempt by employees/retirees to re-enroll removed dependents, in addition ensuring our records remain current.

In 2015, it may be prudent to re-verify marital status of all covered spouses as an additional safe guard; however, it would be financially advantageous to negotiate a flat fee into a potential contract renewal, as opposed to addressing the re-verification of spouses using the ongoing per packet rate.

Potential Fiscal Impact

In the RFP process, Buck/ACS estimated a removal rate of 4% - 6%, leading to estimated savings of \$800,000 - \$1,200,000. At the 7.6% removal rate achieved, Milwaukee County should be in a position to exceed those expectations for the 2013 plan year.

It is important to note that these are rough estimates based on the vendor's book of business. This does not represent hard savings that can be relied upon. Further, the enrollment change resulting from the eligibility audit is only one variable among many in projecting annual healthcare costs. While the dependent verification project was successful, Milwaukee County should not expect a healthcare surplus based on this information.

cc: Chris Abele, County Executive
Marina Dimitrijevic, Chairwoman, County Board of Supervisors
Amber Moreen, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board
Kerry Mitchell, Director, Department of Human Resources
Donald Tyler, Acting Director, Department of Administrative Services
Craig Kammholz, Fiscal & Budget Administrator, DAS-Fiscal
Steve Cady, Fiscal & Budget Analyst, County Board