

HEALTH & BENEFITS ADMINISTRATION

REDUCING HEALTH CARE BENEFIT COSTS BY CONDUCTING A DEPENDENT ELIGIBILITY AUDIT

BACKGROUND

- Leading casket manufacturer and distributor, supplying 5% of all caskets in the U.S.
- Disparate employee base composed of corporate employees, field sales associates, and plant workers

GOALS

- Decrease company's annual health care benefit costs by uncovering ineligible dependents and removing them from its medical plans
- Mitigate potential employee-relation issues by explaining the factors driving the audit – and subsequent actions required – to employees using clear, thorough, and strategically scheduled communications

MERCER'S SOLUTION

- Sent an "intent to audit" letter one month prior to audit start date, reminding employees of eligibility criteria and providing the opportunity to drop ineligible dependents from coverage with no penalty
- Distributed "request for documentation" package to announce the start of documentation collection period
- Letters were personalized to each participant and listed all dependents on file
- Mailing included an explanation of dependent eligibility requirements, a list of documentation needed, and a set of frequently asked questions
- Cover sheet and return envelope were enclosed for ease of returning documentation
- Mailed reminder letter two weeks prior to audit close date to all participants who had not yet responded to the request for information

RESULTS

- 274 dependents (5.9% of the target population) were dropped from the plan as a result of the audit
- Total annual savings for company estimated at \$520,600, based on an average cost of \$1,900* per dependent per year

* \$1,900 estimate is based on data from Mercer's National Survey of Employer-Sponsored Health Plans.