The ABC’s of Employee Health Plan Cost Containment

February 12, 2016 10:45am – 11:45 am, Room 128B

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Agenda

- What is Dependent Eligibility Verification (DEV)?
- Why do a Dependent Eligibility Verification (DEV)?
- DEV ROI Examples
- Keeping up with DEV
- Medical Plan Audit Overview
- Q & A
Our Expertise

» Over 4.5 million dependents have been reviewed through our services

» Successfully completed over 1,400 projects for 250+ school districts, 150 hospitals, 60 Fortune 500 companies, 50 union groups, and 70 government entities (including 10 states)
What is Dependent Eligibility Verification?

» Proof based review w/ documentation that attests all dependents are eligible per plan guidelines
  - Marriage Certificate
  - Proof of Residency (recent 1040, Bank Statement or Utility Bill)
  - Birth Certificate
  - Legal Guardianship

» Common Ineligible Dependents:
  - Ex-spouses
  - Kids over the age of 26
  - Grandchildren
  - Nieces/Nephews

4-8% of the dependents on your health plan are ineligible
WHY?!?! Benefits of a Dependent Verification

» Compliance with plan provisions and applicable legislation
  ‣ Fiduciary Responsibility
  ‣ Transparency with public tax dollars
  ‣ Stop Loss
  ‣ Fair to eligible employees and their families

» Preservation of Benefits
  ‣ This cost-containment measure will not reduce or change the current level of benefits being offered to plan members

» Cost Savings
  ‣ ROI is typically 500% – 2000% or more
Rocket Science Degree Not Required

» 4%- 8%: The average amount of dependents found ineligible

X

» $3,500: The average annual cost of each covered person

» = Substantial expense whether self or fully insured
### Real Schools Real Results

<table>
<thead>
<tr>
<th></th>
<th>Pflugerville, TX</th>
<th>Nashville, TN</th>
<th>Aven, IN</th>
<th>St. Augustine, FL</th>
<th>Aurora, IN</th>
<th>Franklin, IN</th>
<th>Indianapolis, IN</th>
<th>Chesapeake, VA</th>
<th>Des Moines, IA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong># Dependents Reviewed</strong></td>
<td>1,039</td>
<td>6,797</td>
<td>645</td>
<td>3,581</td>
<td>367</td>
<td>2,462</td>
<td>3,212</td>
<td>5,440</td>
<td>7,507</td>
</tr>
<tr>
<td><strong>Member Response Rate</strong></td>
<td>95.4%</td>
<td>95.9%</td>
<td>99.2%</td>
<td>94.6%</td>
<td>93.3%</td>
<td>91.4%</td>
<td>96.7%</td>
<td>97.7%</td>
<td>99%</td>
</tr>
<tr>
<td><strong>% of Ineligible</strong></td>
<td>8.6%</td>
<td>6%</td>
<td>3.4%</td>
<td>9%</td>
<td>12.8%</td>
<td>13.28%</td>
<td>7.8%</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
<tr>
<td><strong># Found Ineligible</strong></td>
<td>89</td>
<td>406</td>
<td>22</td>
<td>322</td>
<td>47</td>
<td>327</td>
<td>250</td>
<td>278</td>
<td>385</td>
</tr>
<tr>
<td><strong>1st Year Savings</strong></td>
<td>$246,033</td>
<td>$1,161,109</td>
<td>$106,106</td>
<td>$934,153</td>
<td>$131,500</td>
<td>$943,218</td>
<td>$712,833</td>
<td>$1,287,587</td>
<td>$1,095,993</td>
</tr>
</tbody>
</table>
## Dependent Verification ROI – 1 Year Savings (PRIME)

<table>
<thead>
<tr>
<th>Total Employees</th>
<th>Total Dependents</th>
<th>Annual Cost per Dependent</th>
<th>Total Cost of Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>400</td>
<td>480</td>
<td>$3500</td>
<td>$10,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Conservative (2%)</th>
<th>Moderate (5%)</th>
<th>Typical (8%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependents removed</td>
<td>9</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Annual savings</td>
<td>$31,500</td>
<td>$84,000</td>
<td>$133,000</td>
</tr>
<tr>
<td>ROI</td>
<td>200%</td>
<td>700%</td>
<td>1167%</td>
</tr>
</tbody>
</table>

Break-even point: drop 3 dependents (0.60%)

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We guarantee a positive return on your investment 1:1
# Dependent Verification ROI – 1 Year Savings (PRIME)

<table>
<thead>
<tr>
<th>Total Employees</th>
<th>Total Dependents</th>
<th>Annual Cost per Dependent</th>
<th>Total Cost of Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>1200</td>
<td>$3500</td>
<td>$22,623</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependants removed</th>
<th>Conservative (2%)</th>
<th>Moderate (5%)</th>
<th>Typical (8%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24</td>
<td>60</td>
<td>96</td>
</tr>
<tr>
<td>Annual savings</td>
<td>$84,000</td>
<td>$210,000</td>
<td>$336,000</td>
</tr>
<tr>
<td>ROI</td>
<td>271%</td>
<td>828%</td>
<td>1385%</td>
</tr>
</tbody>
</table>

Break-even point: drop 7 dependents (0.60%)

We guarantee a positive return on your investment 1:1
# Dependent Verification ROI – 1 Year Savings (ULTRA)

<table>
<thead>
<tr>
<th>Total Employees</th>
<th>Total Dependents</th>
<th>Annual Cost per Dependent</th>
<th>Total Cost of Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,000</td>
<td>3,600</td>
<td>$3,500</td>
<td>$40,717</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Conservative (2%)</th>
<th>Moderate (5%)</th>
<th>Typical (8%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependents removed</td>
<td>72</td>
<td>180</td>
<td>288</td>
</tr>
<tr>
<td>Annual savings</td>
<td>$252,000</td>
<td>$630,000</td>
<td>$1,008,000</td>
</tr>
<tr>
<td>ROI</td>
<td>519%</td>
<td>1,447%</td>
<td>2,376%</td>
</tr>
</tbody>
</table>

Break-even point: drop 12 dependents (0.33%)

We guarantee a positive return on your investment 2:1
Complete the Puzzle – The Holistic Approach

✓ **Perpetual dependent verification**
  - Verifying dependents added by new employees or due to life changing events

✓ **Periodic spousal re-verification**
  - Every 1-3 years, re-verify marital statuses

✓ **Working spouse provision**
  - Compliance with surcharges or exclusion language must be monitored
Medical Plan Audits – Another Great Option

One of the largest studies of third party claim payment accuracy found the error rate to be over 10%.

(Source: Centers for Medicare and Medicaid Services, Improper Medicare Fee-For-Service Payments Report)
Medical Plan Audit

- For self-insured employers
- Identifies claim errors to generate recoveries, maintain compliance, and prevent future issues
- Review ASO agreement
- Approaches: comprehensive, hybrid, and random
Key Medical Plan Audit Components

- Compliance
- Overpayment Identification
- Plan Intent vs. Plan Execution
- Process Improvement, Issue Identification and Resolution
Error Example

Coordination of Benefits

Member had Medicare coverage due to disability that became effective in 2014. Member was actually on Long Term Disability with their employer making Medicare primary for these dates of service. Carrier states at the time the claim processed, the member was still being reported as an active member by the employer versus Long Term Disability. HMS acknowledges the claim was paid with the information on file at the time; however, an overpayment remains. Carrier agrees to these errors totaling $42,989 in overpayments that were not carrier error because of the information available to the Carrier at the time of processing.
Error Examples

Eligibility example

The member’s termination date provided to HMS by the employer is 9/30/14. The Carrier states the termination date was not received from the employer until 1/10/15 which is after the claims were processed. HMS acknowledges that this overpayment is not due to an error by Carrier. Carrier states that these claims were processed prior to notification of termination resulting in overpayments of $33,251 but not a carrier error.
Error Example

Duplicate example

Claim number A and claim B are duplicates. Although the provider tax id is different, the member cannot be inpatient at two different hospitals for the same dates of service.
Error Examples

Member Benefits example - limits

According to the employer SPD, members have a chiropractic limitation of $500 per calendar year. The member exceeded this limit. The carrier states that only certain CPT codes count towards the chiropractic limit- 98940, 98941, 98942, and 98943. Employer SPD states that any services that were performed by a chiropractor should count towards the benefit limitation. HMS has verified with the employer the intent of the benefit is to consider all services performed by a chiropractor, not just the CPT codes listed above. HMS recommends that the benefit limitation be calculated using provider type in place of specific CPT codes.
Questions?