



# CASE STUDY: DEPENDENT ELIGIBILITY AUDIT

City of La Porte, TX



**THE NEED** After discovering inconsistencies in how employees were allowed to enroll or terminate coverage, The City of La Porte, Texas (hereafter referred to as "The City") decided to conduct an internal audit of all 450 eligible employees. The audit determined that some of the 659 covered dependents were not eligible under the plan's definition of eligible dependent. During the budget process, The City discussed its concern with their Employee Benefits consultant who suggested that they pursue a third party audit.



**THE PROCESS** The City's main objective was to thoroughly review the plan, identify any dependents ineligible for coverage, and implement necessary changes to the process to prevent incorrect claims from continuing to be paid on ineligible dependents.

Through an informal RFP, The City sought information to evaluate the dependent audit services available in the market. During the process, The City received information about discounted special pricing through the Public Employee Benefits Alliance (PEBA). PEBA's discounted, standardized pricing, which was available under an Inter-local Agreement, was significantly better due to PEBA's ability to leverage its purchasing power in a buying consortium. Once the selection process was complete and The City proposed that HMS conduct its third party audit, the proposal was presented to City Council, and the audit was approved.



**THE RESULTS** To ensure that the dependent verification process ran smoothly, HMS was respectful of the HR department's time and challenges and sensitive to The City's employees.

- **Critical Timing.** The audit was scheduled to be conducted when The City's small HR team was extremely busy processing Open Enrollment and a new HR Manager had just been hired. The HMS contact was mindful of this while requesting information, reminding about upcoming deadlines and providing progress updates. According to Katherine Anderson, HR/Risk Manager and Civil Service Director, "With all the balls we were juggling and the new vendors we were handling for our dental insurance and FSA administration, we had our hands full. The HMS team chugged along and did not let anything slide!"
- **Sensitive Communications.** Before Dependent Eligibility Verification letters were sent home with detailed instructions on what employees needed to do, employees were pre-notified by way of emails and postcards to their home address. In addition, HMS sent reminder letters to those who did not complete the requirements by the specified date.
- **Document Submission.** To make the process as simple and flexible as possible, employees were able to submit the required documentation in a variety of ways—by postage-paid return envelopes, toll-free fax, or through HMS's Online Portal, available 24/7. The response rate was notable: 99.7% of employees enrolled in The City's plan responded to the verification program.



**UNPRECEDENTED SUCCESS** Over the course of the review program, HMS audited 659 dependents enrolled in The City's health plan. Ultimately, 12.2% (or 76) of the dependents were found ineligible based on the eligibility guidelines, or did not provide appropriate documentation to verify eligibility. These results represent \$228,000 in cost avoidance savings for The City, and a 2,178% ROI.

The audit was completed within less than three months. Not only did the audit result in immediate savings, but the process also allowed The City, which does not experience a high rate of turnover, to handle the dependent verification going forward. The City is implementing a new process that includes enhanced tracking and documentation.

Total Employees	# Dependents Reviewed	Employee Response Rate	% Identified Ineligible	# Found Ineligible	Annual Savings	% ROI	Total length of Audit
450	659	99.7%	11.5%	76	\$228,000	2178%	78 days

*In a time when we are entrenched in the world of automated systems and impersonal customer service, HMS has set a higher bar on personalized attention. The HMS staff was courteous to our employees and worked diligently with our HR team to ensure accurate and timely reporting—and, of course, we are more than pleased with the ROI on this project!*

—Katherine Anderson  
HR/Risk Manager and Civil Service Director  
City of La Porte

Learn more about **Dependent Eligibility Audits** at [employeraudits.com](http://employeraudits.com).

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