

FINDINGS REPORT

State of Kansas Dependent Eligibility Verification Audit

Audit Period: January 1, 2018 through December 31, 2018

Presented to

Kansas State Employee Health Plan

September 2, 2020

Presented by



**CLAIM TECHNOLOGIES
INCORPORATED**

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INTRODUCTION

This *Specific Findings Report* contains information, findings, and conclusions from CTI's dependent eligibility verification audit of State of Kansas employees who cover dependents on the State's medical, dental and vision plans. The Government Finance Officers Association (GFOA), an entity that represents public finance officials throughout the United States, recommends employers consider strategies to save on employee health care costs such as implementing dependent verification reviews. Providing benefits to dependents that are no longer eligible drives up costs and diverts resources from other programs. Ineligible dependents include children who have reached the maximum age limit, divorced spouses or friends, roommates, or other relatives who are ineligible for coverage.

Industry best practices suggest public and private employers perform dependent eligibility verifications to ensure compliance with plan guidelines and to reduce health benefit costs.

We base our audit findings on the data and information provided by State of Kansas. Their validity is reliant upon the accuracy and completeness of that information. While performing the audit, CTI complied with all confidentiality, non-disclosure, and conflict of interest requirements and did not receive anything of value or any benefit of any kind.

BACKGROUND

Dependent verification review is the process of verifying coverage eligibility of dependents enrolled in an employee or retiree plan. Verification can be performed as new dependents are enrolled as well as after enrollment to confirm continuous eligibility. Researchers in "*Controlling Health-Care Costs With Dependent Eligibility Audits*¹", a study of 17 local governments (cities, counties and school districts), estimated one ineligible dependent costs a public entity \$3,500 per year and that on average, eight percent of covered dependents are ineligible for coverage.

The State of Kansas has specific documentation requirements for adding or removing eligible dependents that are defined on its State Employee Health Plan (SEHP) web site and in its employee communications. During enrollment and open enrollment, employees may cover eligible dependents and must submit required documentation. The required acceptable supporting documentation includes:

1. Marriage License (for proof of spouse and stepchild eligibility)
2. Birth certificate or hospital birth announcement for newborns and dependent children including full name of the parent(s).
3. Petition for adoption or placement agreement for dependent child
4. Legal custody or guardianship document issued by the court including Judge's signature and court date stamp.
5. Court order for dependents who are not natural or adopted children of the primary member including Judge's signature and court date stamp.

¹ Government Finance Review. *Controlling Health-Care Costs With Dependent Eligibility Audits*. Mark Mack. June 2015

6. Certificate of birth a notarized Dependent Grandchild Affidavit for children born to a covered dependent (grandchild) and copies of pages 1 and 2 from the current year's filed Federal tax return for proof of financial dependency and residency.
7. An Application for Coverage of Permanent and Totally Disabled Dependent Child affidavit for covered dependent children aged 26 or older and copy of current year's filed Federal tax return for proof of financial dependency and residency.
8. Copies of the current year's filed Federal tax return (for proof of spouse and step-child eligibility). The pages needed from the current year's filed Federal tax return depends on which Tax form was filed:
 - o Form 1040—pages 1 & 2 containing the filer's name, the employee and spouse's signature, and a written signature date the employee and spouse each signed the form.
 - o Form 1040A—pages 1 & 2 containing the filer's name, the employee and spouse's signature, and a written signature date the employee and spouse each signed the form.
 - o Form 8879 (IRS *e-file*)—containing the date filed, the filer's name, the employee and spouse's signature, and a written signature date the employee and spouse each signed the form.
9. Divorce decree (Only the first and last page of the court document with date stamp by the court and the signature of the judge).
10. A copy of a military ID and privilege card with the expiration date is acceptable as proof of Tricare coverage and to document the end of Tricare coverage.
11. For dependent loss of other group health coverage, a letter or certificate of other creditable coverage, listing the name of the member and all dependents that were covered under a previous employer's insurance is required. The letter or certificate must identify the previous employer, and list the date in which coverage ended.

All dependent documentation is to be uploaded to the membership administration portal (MAP) and must be accompanied by an enrollment or change request form when adding or removing eligible individuals.

AUDIT OBJECTIVE

The audit examined the State Employee Health Plan of the Kansas Department of Health and Environment's process for establishing and documenting evidence of employee dependent insurance eligibility. The objective of the audit was to determine if the State has appropriate controls and procedures in place for properly establishing and documenting dependent insurance coverage eligibility.

The audit was conducted in accordance with generally accepted auditing standards to determine insurance coverage eligibility that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives.

AUDIT SCOPE

The scope of the audit covered spouses and dependent children who were covered on the State of Kansas employees' medical, dental and visions plans during 2018. Employees without a participating spouse or dependent were not included in the audit.

AUDIT METHODOLOGY

During the audit planning period, the parameters of the audit were established and refined. A document model audit, in which employees are required to provide a legal document that verifies the relationship between the employee and the enrolled dependent was selected. CTI worked with State Employee Health Plan Membership Services to set the audit timeline, develop a communication plan, and identify the documents that would be accepted as verification of eligibility for each type of dependent.

The methodology for the audit was to select a sample of dependents to test the effectiveness of the State's enrollment and eligibility processes to validate these individuals were eligible for coverage, or if ineligible, should be removed from coverage.

We constructed two samples for the dependent eligibility verification audit and the two samples did not contain any duplication of dependents. The methodology for selecting samples was:

- A statistically valid random sample of 214 dependents covered by the plan during the audit period.
- A targeted sample of 200 dependents who had medical or prescription drug claims paid by the plan during the audit period.

The audit was conducted between September 27, 2019 and December 31, 2019. Letters were mailed to employees on September 27, 2019 requesting they provide supporting documentation to verify current eligibility of the sampled dependent within 21 days. The accepted documentation employees could return to verify the eligibility of their dependents included:

- An SEHP Permanent Totally Disabled Dependent Child Application;
- Copies of the most recently filed federal tax return (Form 1040 and 8879);
- An SEHP Dependent Grandchild Affidavit with a 2018 federal tax return to show the grandchild is a dependent; and a
- Step-Child Affidavit for step-children not claimed on income taxes.

The document request stated that if the requested documentation wasn't submitted by the deadline, coverage for the dependent may be terminated. See the Appendix for a copy of the letter.

Employees could return their documentation by mail in a courtesy reply envelope provided with the letters or upload it to a secure web site that was available 24/7. For the secure web site uploads, employees were issued a unique identification number and their date of birth in the yyyyymmdd format was their password (Example 19620210 for February 10, 1962.). Documentation returned by mail was scanned and the hard copy was shredded. Documentation uploaded to the web site was saved to a secure folder.

Second and final request letters were mailed on October 25 and November 18, respectively, to employees who hadn't returned documentation.

A toll-free number was included in the letters for employees to call with questions or for help to complete the audit. CTI staff were available to help employees who called from 8:00 a.m. to 5:00 p.m. Monday through Friday with a voice mailbox for messages left after business hours. Staff responded to 97 calls and voicemail messages from employees with questions about the audit and the requested documentation. The majority of the documentation questions concerned:

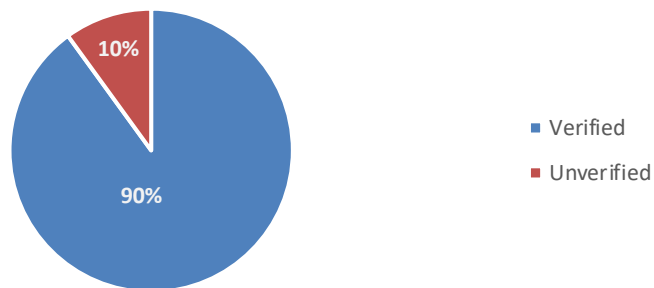
- Income tax e-filers and the forms to send;
- Parents of step-children who weren't claimed on their income taxes and what documentation to send;
- Documentation for adult dependents through age 26 who were on the coverage per the Affordable Care Act but weren't claimed on their parents' taxes;

We also received calls from employees who heard about the audit but weren't included in the samples and were concerned about if they needed to provide documentation. We verified these callers weren't included in the audit and told them nothing was required of them.

FINDINGS

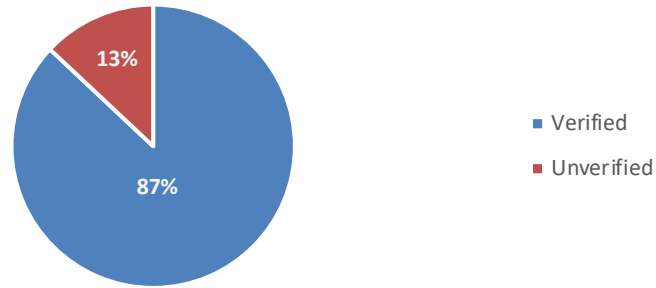
The figure below summarizes the result of the dependent verification review in aggregate and shows 90 percent of the employees asked to verify their dependents provided documentation of their eligibility.

Aggregate Dependent Eligibility Verification



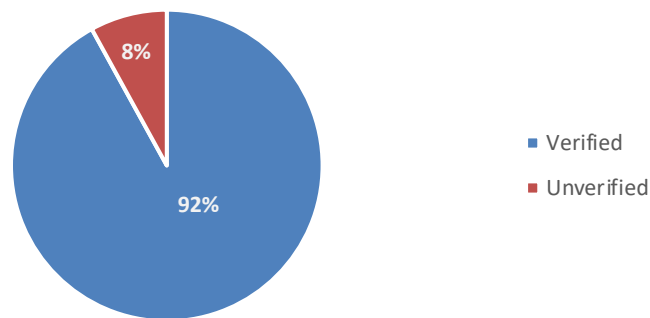
Eighty-seven percent (187 out of 214) of the dependents selected at random were verified to be eligible by the documentation employees returned to CTI or by the State.

Random Sample Dependent Eligibility Verification



Ninety-two percent (185 out of 200) of the dependents selected at random were verified to be eligible by the documentation employees returned to CTI or by the State.

Targeted Sample Dependent Eligibility Verification



Employees who didn't successfully verify their dependents either didn't respond or failed to submit sufficient paperwork to CTI. The names of the employees with dependents not successfully verified were provided to State Employee Health Plan Membership Services and the dependents were removed from coverage on January 31, 2020.

RECOMMENDATIONS

The internal controls developed and implemented by SEHP for dependent insurance coverage eligibility requirements provide assurance that the processes and controls are performed consistently and are in compliance with policy, procedure, ACA requirements and best practice. Acceptable documentation of eligibility is clearly presented and accessible on the SEHP web site and in other communications for employees to reference year round as new dependents can be added throughout the year for a number of reasons. We recommend continuing the controls and processes currently in place to verify dependent eligibility at enrollment, open enrollment and periodically with re-verification to make sure dependents whose relationships can change over time are still eligible.

During the audit, we responded to several questions about how to validate dependents not claimed on employees' income taxes such as in divorces and for young adults eligible for coverage to age 26 by the

Affordable Care Act and we recommend the State consider addressing that in letters sent for future audits.

NEXT STEPS

Planning for the next audit will get underway in July of 2020 (depending on the pandemic and if State operations are back to normal) and will exclude the dependents sampled in this audit.

CONCLUSION

We consider it a privilege to have worked for, and with, your staff. Thank you for choosing CTI.

APPENDIX – FIRST DOCUMENTATION REQUEST LETTER





September 27, 2019

«EmpFName» «EmpLName»
«Address_1»
«Address_2»
«City», «State» «Postal»

RE: Documentation of Continued Eligibility for «ClmtFname» «ClmtLName»

Dear «EmpFName»:

The State of Kansas is conducting the annual dependent eligibility audit to reverify the eligibility of employees' dependents for coverage under the State Employee Health Plan. The State Employee Health Plan partner for this audit is Claim Technologies Incorporated (CTI).

We are reverifying eligibility for a random sample of dependents currently covered by the State's health plan. As part of this audit, we are verifying the eligibility of «ClmtFname» «ClmtLName».

To complete the eligibility verification process, a copy of one of the supporting document(s) listed on the next page must be submitted. You may send a copy of the document(s) with page three in the enclosed envelope to CTI within 21 days of the date of this letter. The information will be kept confidential and only used to verify «ClmtFname» «ClmtLName»'s eligibility for coverage under the health plan.

If you prefer, you may also upload scanned documents to CTI's secure website. To upload your documents, go to the website listed below and enter your assigned User ID number and password.

CTI's Secure Site: www.ctisecureupload.com/KS

Your User ID Number: «IDNO»

Password - This is your date of birth in yyyyymmdd format. (Example 19620210 for February 10, 1962)

PLEASE NOTE: If you do not submit the requested information within 21 days of the date of this letter, «ClmtFname» «ClmtLName»'s coverage may be terminated.

If you have questions about returning your documents, please call CTI at 888-220-2445.

Thank you for your cooperation.

State Employee Health Plan Membership Services





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