

Ineligible Folks Bumped Off CALPERS

By Holly Culhane, Contributing Columnist



An eye-popping revelation in recent news reports should be a wake-up call for all employers – big and small.

CalPERS, one of the nation's largest public pension funds representing government workers, is moving to strike from its health care rolls people mistakenly or fraudulently receiving benefits.

Initially administrators believed about 4 percent of 739,000 dependents claiming CalPERS medical benefits were ineligible. They predicted a planned audit would reveal more than 29,000 wrongly listed children, spouses and domestic partners, resulting in savings of about \$40 million annually.

But if you think that number is big, hold onto your hats. Early returns from an amnesty program launched in April indicate CalPERS may have grossly underestimated the number of ineligible dependents. Removing these people from the rolls is now estimated to annually save \$80 million or more.

While few companies have benefits rolls as large as CalPERS, conducting regular audits can result in substantial savings. Healthcare costs typically comprise employers' second largest expense after payroll. Employers must ensure that expense only applies to those who are eligible.

There are several reasons – many innocent mistakes – resulting in ineligible dependents remaining on a company's health care rolls. A child may not be dropped from the plan when he or she reaches the 26-year-old cutoff.

Sometimes employees take a "broad view" of family. In one reported case, an employee claimed her boyfriend as a dependent. In another, an employee was covering a neighbor's child because he considered himself to be the child's "surrogate father."

An ex-spouse or ex-domestic partner may mistakenly remain on a plan because a court has ordered his or her coverage continued by the employee. However, payment for coverage is the employee's responsibility, not an employer's. A court cannot order an employer to pay benefits for an ex-spouse who isn't eligible for benefits.

In the past, many companies relied on an "honor system" to test eligibility. But with health care costs increasing and the Affordable Care Act placing new demands on employers, an honor system is no longer sufficient.

To paraphrase a famous Ronald Reagan quote: It's now necessary to trust your employees, but also verify.

If it has not happened already, employees should expect they eventually will be required to verify their dependents' eligibility. They should understand their employer's health care program and eligibility requirements. Prepare for an audit and obtain copies before learning of one. What documents will be required? Birth certificate, marriage license, domestic partnership agreement? And employers should be careful to require proof of domestic partnership only if they also require proof of marriage.

Employers should prepare and conduct regular eligibility audits with the help of an attorney, and benefits and human resources consultants. The audit should be fairly conducted. Individuals or groups cannot be singled out.

Prior to an audit, an employer may wish to offer an amnesty program – allowing employees to voluntarily remove ineligible dependents from the rolls without penalty. Otherwise, depending on circumstances, fraud can be charged and benefits paid to ineligible dependents recovered.

It's important for companies to communicate to their employees why audits are being conducted. The savings achieved may potentially benefit an employer's health care costs as well as premiums employees pay. A win-win for all.

This article written by Holly Culhane first appeared online and in The Bakersfield Californian on Friday, June 7, 2013. Holly Culhane is president of the Bakersfield-based human resources consulting firm P.A.S. Associates. She can be contacted through her website www.pasassociates.com and through the PAS Facebook page or by phone at 631-2165.

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