Companies on lookout for ineligible dependents

By Michelle Singletary
The Color of Money

Have you been sneaking health coverage for your sister, a cousin, a boyfriend or girlfriend, ex-spouse or perhaps an adult child?

Well you'd better watch out because this open enrollment season, more employers are auditing health-plan enrollees to verify that dependents are eligible.

Typically, between 6 percent and 8 percent of dependents enrolled in a plan are not truly eligible for coverage, but some employers have reported much higher percentages when conducting audits, according to Watson Wyatt Worldwide, which consults with large employers on their open enrollment programs.With more companies shifting to electronic enrollments in health plans, employees haven't had to provide documentation to prove who was eligible and who wasn't.

"Over the years, benefits staffs have been reduced and more (companies) have moved to electronic self-service so paper proof has pretty much been eliminated," said Randall Abbott, a senior consultant with Watson Wyatt. "Basically it's been an honor system."

But as health care premiums rise, employers are paying closer attention to the people their employees report as dependents.

So let me warn you, when you get your benefits package this year, carefully look though all the paperwork. If you don't, you might miss a letter like the one I received from my employer, but nearly overlooked.

The letter said The Washington Post Co. is conducting an audit of dependents enrolled in its medical, dental, vision and dependent life insurance benefit plans.

In my case, as with most plans, the audit is taking place in two phases. First there's an amnesty period. Basically folks are asked to voluntarily drop ineligible dependents from coverage without any penalties. An amnesty period typically runs from 30 to 90 days.

Following the amnesty period, employees are randomly audited. Some employers may hire an outside firm to conduct an independent audit, Abbott said. The auditor runs a series of electronic screenings to highlight any inconsistencies. For example, they may find that an employee's claim checks for a supposed spouse are being mailed to a different address. Employees with questionable dependent data are sent letters asking that they prove the status of those dependents.

To prove a dependent is legitimate, employees are asked to provide a variety of documents such as copies of birth certificates, marriage certificate, tax returns showing joint filing status, home title documents or perhaps some bills.

"This is not intended to be an inquisition," Abbott said. "It is intended to be an effort to make sure the company is spending its health care dollars for the people who are in fact entitled to them."

In some cases, employees really don't know they've signed up someone who is ineligible, he said.

"People either don't know or find it convenient ... and cheaper to stretch the truth," Abbott said.

If you don't want any trouble, review the dependent eligibility rules for your plan.The list of who is covered varies by plan, but most often includes your spouse in a marriage legally recognized in your state, and your eligible children.

Children under age 19 are usually covered as long as the child is unmarried and counts on you for financial support. Disabled dependents over age 18 may be covered. In many cases children from age 19 to 25 are eligible if enrolled as full-time college students.

At the same time, don't assume automatically that an adult child isn't covered. To combat the growing number of uninsured, many states have expanded the definition of a dependent, according to a report by the National Conference of State Legislatures.

For example, In Utah dependents may remain eligible for health care coverage under a parent's plan until their 26th birthday, regardless of whether or not they are enrolled in school.This year, New Jersey enacted a law that provides coverage for dependents until their 30th birthday, as long as they have no dependents of their own.

Some plans now allow employees to enroll same-sex partners for benefits. Other plans might allow same-sex and opposite-sex partners. In either case, the partner may need to meet certain eligibility requirements specific to that plan or the state -- or both. To receive benefits, many employers require domestic partners to have lived together as a couple for at least six consecutive months.

Covered employees in domestic partnerships typically have to document the relationship. Such documentation varies by employers, but often requires proof of some financial relationship such as a joint lease or mortgage or copies of tax returns showing financial interdependence, according to the Employee Benefit Research Institute.

I know you are probably thinking, this is just another burden in an already confusing open enrollment season.

Yup, it is. But it's one that you shouldn't put off or ignore.

Knowingly signing up ineligible people won't just cost your company and co-workers more money, it could even cost you your job.