

Jane Gile
Human Resources Director



CITY OF MANCHESTER

Human Resources Department

September 2, 2016

Keith Hirschmann, Chair
Human Resources and Insurance Committee
One City Hall Plaza
Manchester, NH 03101

RE: *Final Report and Findings (City) – Secova Dependent Eligibility Audit*

Dear Chair and Member of the HRI Committee:

Attached is the final report from Secova on the dependent eligibility audit of the city's health and dental insurance plans conducted from May to August 2016.

Kevin Buckley, Independent City Auditor; Sue Figg, Benefits Coordinator and I provided oversight to the audit and phone conferenced weekly with Secova during the audit period.

Secova's final report, submitted on August 23, 2016, identified 38 dependents as ineligible, 13 incomplete submissions and 94 dependents for which no documentation was provided. As a point of reference, 2131 dependents enrolled in the city's health and/or dental plans were subject to the audit and verification requirements.

Secova's findings were reviewed by the committee. The results were analyzed based on local factors influencing the outcomes - the timing of the Secova audit, dependent drops at open enrollment, duplicate entries and documentation provided subsequent to the final Secova report.

The Secova findings of 107 "incomplete" and "no documentation provided" were substantially reduced through the massive undertaking of staff to personally contact employees to obtain the required information. Missing documentation for all 13 dependents counted as "incompletes" by Secova was obtained. The Secova "no documents provided" count was reduced from 94 to 4 dependents. Also, dependents that were justifiably dropped during the city's open enrollment are not included in the city's count (e.g., students aging out of dental, divorce final, etc.).

Attached is a breakdown of the city's findings, which reflect the additional efforts to obtain missing information. The city has determined 34 dependents as true ineligibles. Of the 34, 7 are spouses and 27 are children. Also provided is a breakdown of the insurance coverage type designated to the dependent – health, dental or both health and dental - and the costs savings associated with the particular coverage based on a per capita average cost.

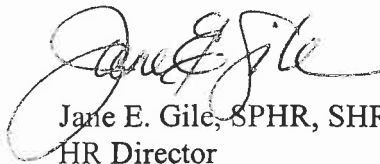
1 City Hall Plaza • Human Resources Department • Manchester, New Hampshire 03101 • (603) 624-6543 •
FAX: (603) 628-6065
E-mail: HumanResources@ManchesterNH.gov • Website: www.manchesternh.gov

Current savings attributed to the audit is \$177,432.33. The city cost of the audit was \$21,283.03. This represents an 8:1 return on investment (ROI) in the first year. Please note that the 4 dependents for which no documentation was provided are not included in this count.

A non-public session regarding the status of the 4 dependents with no documentation is requested under RSA 91-A:3 – “Matters which, if discussed in public, would likely affect adversely the reputation of any person, other than a member of the public body itself, unless such person requests an open meeting.”

Recommendation: As a result of the audit, it is recommended that child birth certificates be required to enroll children on the city’s health and dental plans. Marriage certificates currently are required for all employee spouse dependents on city insurance plans.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Jane E. Gile".

Jane E. Gile, SPHR, SHRM S-CP
HR Director



Dependent Eligibility Audit Verification

Project Analysis

August 23, 2016

SECOVA™

Submitted to:

City of Manchester
One City Hall Plaza
Manchester, NH 03101

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

 VERIFICATION OBJECTIVES.....3

 VERIFICATION METHODOLOGY3

VERIFICATION ACTIVITIES 4

 EMPLOYEE COMMUNICATIONS4

 PROJECT ACTIVITY4

 REPORTING5

VERIFICATION RESULTS 6

 VERIFICATION POPULATION ANALYSIS6

 DEPENDENT RELATIONSHIP TYPE7

FINANCIAL IMPACT ANALYSIS 8

 BENEFIT COST REDUCTION8

ACKNOWLEDGEMENTS 9

Dependent Eligibility Verification

EXECUTIVE SUMMARY

In February 2016, City of Manchester, NH (The City) and Secova Inc. initiated a project to verify the eligibility of all dependents enrolled in the City's Health Plan as described below. The population reviewed included all dependents of employees/retirees enrolled in Health Plan benefits as of March 1, 2016.

During initial project planning, Secova worked with the City to create communications that could be distributed to all employees/retirees with enrolled dependents, providing them with detailed information regarding the Dependent Eligibility Verification. Compliance was confirmed by employee/retiree submission of specific documentation for each enrolled dependent.

A total of **2,132** dependents enrolled in Health Plan benefits were subject to verification. As of the close of the project, **145** dependents were found to be ineligible for coverage.

Verification Objectives

During project implementation the following objectives were identified:

- Reinforce prior and ongoing education about the eligibility rules for enrollment in the City's Health Plans and communicate the process that will be implemented to determine dependent eligibility
- Request, collect, and retain eligibility verification documentation from employees/retirees with enrolled dependents
- Provide the City with benefit cost reductions as a result of de-enrollment of dependents, and enrolled individuals who do not meet the eligibility compliance requirements

Verification Methodology

The methodology behind the Dependent Eligibility Verification project is to collect documentation on all enrolled dependents in a fair, accurate, and speedy manner. For the City's verification, documentation was collected and reviewed on all dependents enrolled in the Health Plans, to ensure equity among all employees/retirees.

One of the important success factors for the project was providing clear and consistent communications to each employee/retiree, explaining the documentation required to verify dependent eligibility and the deadline for submitting these documents. The City's employees/retirees received sufficient notification, support, and time to submit the required documentation through multiple media (U.S. mail, fax, web). Additional assistance was provided through Secova's customer service centers. Another important component was clearly communicating the value shared by both employees/retirees and the City in ensuring that only eligible dependents are enrolled in the City's Health Plans. By verifying eligibility and then removing ineligible employees/retirees and dependents, the City has clearly demonstrated its commitment to sound fiscal management of benefit plans for all employees/retirees.

VERIFICATION ACTIVITIES

Employee/Retiree Communications

To commence the Dependent Eligibility Verification project, customized employee/retiree communications were crafted to achieve optimal response rates. The City's and Secova's project teams collaborated in the development of all employee/retiree correspondence. Secova communicated to employees/retirees through various channels, including outbound phone and email follow-up with non-responsive employees/retirees and those who provided incomplete document submissions.

Communications issued during the course of the project included:

4/28/2016 – Secova mailed customized Announcement Letters notifying **1072 employees/retirees** of the upcoming Dependent Eligibility Verification project

5/10/2016 – Secova mailed customized Verification Packets to **1072 employees/retirees** who had one or more dependents

6/9/2016 – Secova mailed customized Reminder Postcards to **722 employees/retirees** who had yet to respond with any of the required documentation.

7/8/2016 – Secova mailed customized Notice of Termination Letters to **224 employees/retirees** in an incomplete or no response status

8/4/2016 – Secova mailed customized Final Determination Letters to **55 employees/retirees** notifying them of the dependents that will be removed as a result of not responding to the Dependent Eligibility Verification project

In response to employee/retiree submissions, the following determination notices were issued by Secova:

- ✓ Incomplete Letter – details documents received, reasons those documents were incomplete, and action required to complete submission. Secova **mailed 1009 incomplete letters** and **emailed 844 incomplete letters**. This count includes both NH groups as the determination letters were mailed in batches.
- ✓ Confirmation Letter – sent upon the employee/retiree's completion of dependent verification and listing the status of all enrolled dependents. Secova **mailed 2371 confirmation letters** and **emailed 2111 confirmation letters**. This count includes both NH groups as the determination letters were mailed on batches.

Project Activity

The initial verification packet produced the highest volumes of inbound calls and document submissions. The data below represents activity from April 28, 2016 through August 3, 2016. During this period of time, for the 1072 employees/retirees reviewed, Secova:

- Processed **1290 mailed document sets** sent by employees/retirees
- Processed **1034 faxed document sets** sent by employees/retirees
- Processed **2475 document sets uploaded online** by employees/retirees
- Received **2425 customer service calls**

- Conducted **2 sets of outbound telephone calls and 1 live outreaches by call center agents** throughout the project to employees/retirees in an incomplete or no-response status for which Secova had valid phone numbers

Reporting

Throughout the project, Secova supplied regularly scheduled reports, ad hoc reports, and weekly status reports with overall project updates as well as dashboards with statistical updates. These included:

Standard Project Reports

- Incomplete and Non-Responder reports also available through Secova's online portal
- Daily dashboards with updated project statistics
- Final verified dependent report
- Final non-verified dependent report
- Weekly project status reports

VERIFICATION RESULTS

Verification Population Analysis

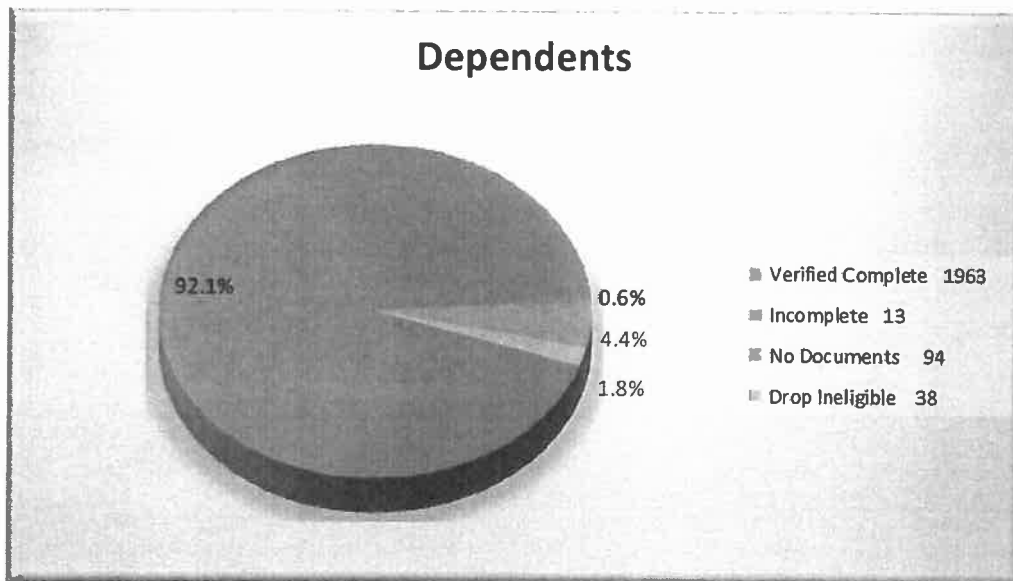
For the period of April 28, 2016 through August 3, 2016, 2132 dependents enrolled in the City’s health plans were subject to verification.

During this period, 92.1% of the dependent population enrolled in benefit plans was confirmed eligible for coverage. The overall non-verification rate at the conclusion of the project was 6.8%.

Dependents were de-enrolled from the City’s health plan through voluntary disenrollment, incomplete documentation or because no documentation was submitted.

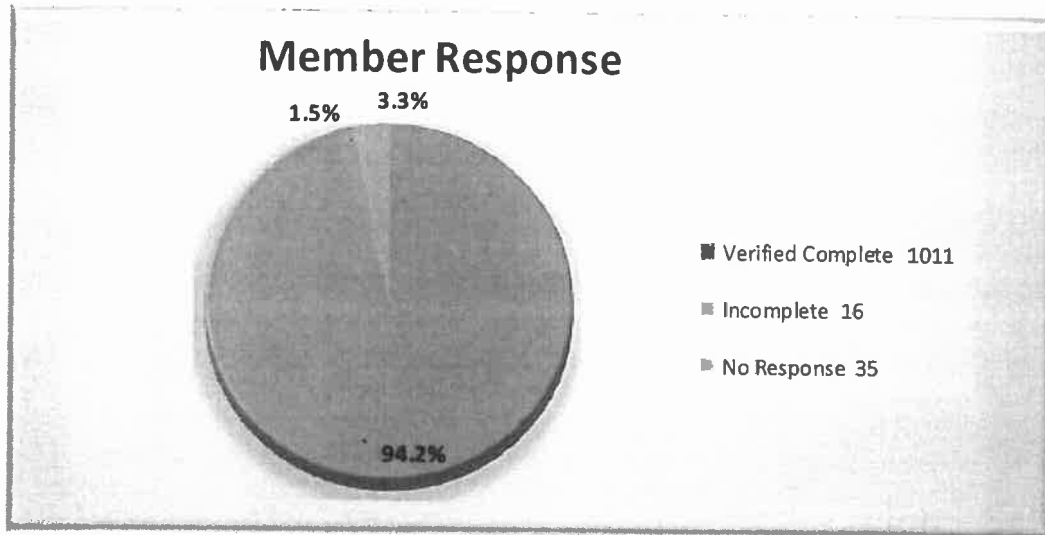
The table below defines the various statuses mentioned throughout this report:

Status	Definition
Verified Complete	Dependent is verified when an employee/retiree has provided sufficient documentation on their behalf
Incomplete	Only partial documentation has been submitted for a dependent
No Documents	No documents have been submitted for a dependent
Drop Ineligible	Dependent has been voluntarily removed from coverage by the employee/retiree



A total of 145 dependents were identified as ineligible for health plans during the term of the verification. Of that group, 38 dependents were *voluntarily* identified by employees/retirees, and 107 dependents could not be verified because no documentation was received or the documentation submitted was insufficient to confirm eligibility.

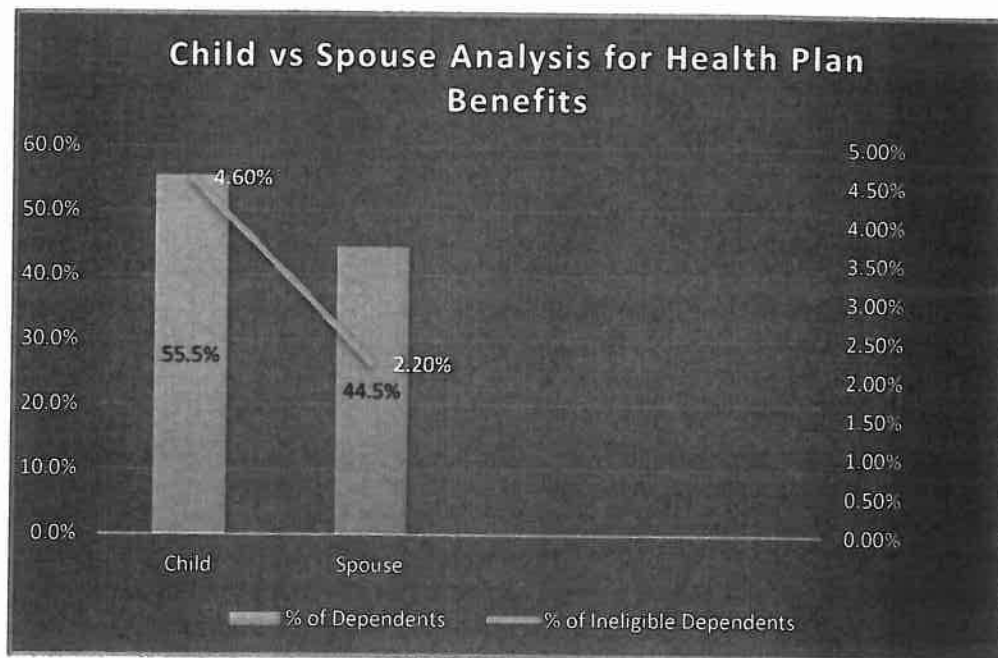
The table below defines the various statuses and response rate specifically for the 1073 City employees/retirees:



During the project, 11 employees/retirees were identified as no longer active so they were inactivated during the project so they didn't continue to receive communications or phone calls from Secova.

Dependent Relationship Type

The below table reflects the entire City (2132) dependent population:



Child Dependents comprised 55.5% of the City's dependent population enrolled in Health plan benefits. 4.6% (97) of child dependents enrolled in Health plan benefits were determined ineligible.

- 77% of total non-verified children enrolled in Health plan benefits were disenrolled because no documentation was received or the documentation submitted was insufficient to confirm eligibility
- 23% of total non-verified children enrolled in Health plan benefits were voluntarily disenrolled

Spouses enrolled in Health plan benefits accounted for 44.5% of the enrolled dependent population. 2.2% (48) of spouse dependents enrolled in medical plans were determined ineligible.

- 12% of total non-verified spouses enrolled in Health plan benefits were voluntarily disenrolled.
- 88% of total non-verified spouses enrolled in Health plan benefits were disenrolled because no documentation was received or the documentation submitted was insufficient to confirm eligibility

FINANCIAL IMPACT ANALYSIS

Benefit Cost Reduction

From April 28, 2016 through July 22, 2016, 145 of the 2132 dependents enrolled in Health plan benefits were determined to be non-verified. To calculate the estimated benefit cost reduction, we have used an annual claims costs by relation type.

Medical Plan				
Dependent Type	Enrolled Dependents	Non-verified Dependents	Annual Cost per Dependent	Total Year 1 Savings
Spouse	948	48	\$6,977	\$ 334,896
Child	1183	97	\$6,977	\$ 676,769

Estimated Year 1 Cost Reduction: \$ 1,011,665

Project Cost: \$ 21,203.45 (All-inclusive)

ROI: 47:1

ACKNOWLEDGEMENTS

From the first day of project implementation, continuing through completion, critical contributions and substantial efforts were made by the City of Manchester, NH and Secova project teams to ensure the ultimate success of the project. Secova would like to formally thank the following for their invaluable insight, guidance, and supportive participation throughout the Dependent Eligibility Verification project:

Manchester City, NH

Jane Gile

Susan Figg

Kevin Buckley

**CITY OF MANCHESTER
SECOVA AUDIT 2016**

FINANCIAL IMPACT ANALYSIS PER SECOVA

INELIGIBLE DEPENDENTS PER SECOVA	
CATEGORY	DEPENDENTS
Incomplete Documents	13
No Documents	94
Voluntary Drop Ineligible	38
Total Ineligible Dependents Per Secova	145

Project Cost: \$21,203.45 (All-inclusive)
 **Estimated Year 1 Cost Reduction: \$1,011,665.00
 Return on Investment: 47:1

**To calculate the estimated benefit cost reduction, Secova used an annual health claims cost by relation type: \$6,977 Annual Cost Per Dependent X 145 Ineligible Dependents

FINANCIAL IMPACT ANALYSIS PER HUMAN RESOURCES

INELIGIBLE DEPENDENTS PER HUMAN RESOURCES			
DEPARTMENT	EMPLOYEES	SPOUSES	CHILDREN
Airport	1	0	1
EPD	1	0	2
Fire	5	2	6
Highway	6	0	6
Police	10	5	9
Water	1	0	1
Retirees	2	0	2
Totals	26	7	27

SAVINGS			
	TOTAL DEPENDENTS	ANNUAL COST SAVINGS PER DEPENDENT	TOTAL YEAR 1 SAVINGS
Health Only	7	\$ 6,977.00	\$ 48,839.00
Dental Only	10	\$ 369.79	\$ 3,697.90
Health & dental	17	\$ 7,346.79	\$ 124,895.43
Totals	34		\$ 177,432.33

Project Cost: \$21,283.05
 **Estimated Year 1 Cost Reduction: \$177,432.33
 Return on Investment: 8:1

** To calculate the estimated health cost reduction, we used the same annual health claims cost by relation type as Secova (\$6,977). To calculate the estimated dental cost reduction we used the 2015 annual dental claims cost of \$1,197,751 divided by the number of covered lives on the dental plan at the time of the audit (3,239).

Secova included 13 dependents as ineligible due to incomplete documents. After Secova completed the audit, we were able to verify all 13 dependents.

Secova included 94 dependents as ineligible due to no documents submitted. After Secova completed the audit, we were able to verify all but 4 dependents. Some of the dependents were identified as true ineligibles and were removed from the insurance plans and the remaining dependents submitted the appropriate documentation.

NOTE: The remaining 4 dependents are not included in the savings calculation chart above.

Of the 38 Secova listed as Voluntary drop ineligibles, we identified 34 dependents who were truly ineligible and they have been removed from the insurance plans. Some of the dependents listed as voluntary drop ineligibles per Secova are not true ineligibles due solely to the audit. Some were duplicate entries; some were dependents that aged out of the plans, and some were dependents of employees who retired or left the City after the list was sent to Secova.