

Are You Covering A “Full House”?

By Dave Chojnacki
Chief Marketing Officer at Verifi1



Many people not familiar with dependent eligibility verification programs, incorrectly assume that this initiative is solely designed to identify employees who are “gaming the system” by **knowingly** having their employer extend corporate sponsored benefits coverage to individuals who don’t qualify as bona fide dependents.

Historically, out and out fraud does account for roughly one-third of ineligible dependents identified after a dependent verification endeavor. The balance - and majority - of ineligible dependents though, fall under the categories of either:

- 1- Dependents who remain on a health plan, but aren’t utilizers (usually the result of carriers/administrators failing to remove dependents when aging out)
- 2- Employees who misinterpret the definition of an “eligible” dependent due to confusion arising from the summary plan description (SPD) and/or enrollment materials

It’s the latter of these two scenarios – the “misinterpretation” of dependency rules – that causes honest people to make honest mistakes when adding a non-IRS dependent to their corporate sponsored coverage.

Using the 1990’s sitcom *Full House* (hence the title of this article!), as an example, one could see how beloved “Uncle Jesse” could view his nieces, who he shares an abode with, provides gifts to, and even warbles ballads to, as his “dependents”. Let’s also assume that Uncle Jesse has a great benefits package through his employer, Warner Brothers, while his brother Danny, who meandered from one dead end job to another, did not.

Uncle Jesse may *feel* that these kids truly are dependent on him (even though legally, their father bears the responsibility for their coverage), so he simply adds his brother Danny’s children - DJ, Stephanie, and one or both Olsen twins - to his employer’s coverage – and *voila!* – problem solved.

Unless of course you are Jesse’s employer, who now winds up footing the bill for dependents who should not qualify for their employer sponsored health plan, and in turn, drives up their unbudgeted healthcare expense.

While no one would advocate denying children (or any dependent for that matter) access to coverage, it is imperative that the proper **funding source** for coverage is utilized. Given that employee healthcare costs are second only to payroll expenditures, employers simply cannot afford to extend company sponsored benefits to individuals who truly aren’t eligible.

By failing to take proactive measures like instituting dependent eligibility verification programs, employers may find their own “Full House” in danger of being foreclosed on.