



Agenda Item 8

November 18, 2014

ITEM NAME: Dependent Eligibility Verification Project Update

PROGRAM: Health Benefits

ITEM TYPE: Information

EXECUTIVE SUMMARY

The Dependent Eligibility Verification (DEV) project concluded its multi-cycle State verification in July 2014. As of October 1, 2014, nearly 9,000 ineligible dependents have been removed from health coverage, resulting in immediate savings to the State employer of more than \$2 million per month. A summary of results from the five State verification cycles, including the number of ineligible dependents removed, estimated cost avoidance, and estimated savings resulting from disenrollment of these dependents, is provided in Attachment 1.

STRATEGIC PLAN

This agenda item supports Goal A: Improve long-term pension and health benefit sustainability by ensuring high quality, accessible and affordable health benefits.

BACKGROUND

In March 2012, the California Public Employees' Retirement System (CalPERS) Board of Administration approved the DEV project as part of the 21 Health Benefits Purchasing Initiatives. The purpose of the DEV project is to verify that the more than 730,000 health dependents enrolled in the program are eligible for the benefits they have been receiving.

The first phase of this project, the Amnesty Phase, concluded on June 30, 2013. During amnesty, 4,851 subscribers voluntarily removed 6,722 dependents, which translated into savings and claims cost avoidance of more than \$41 million to CalPERS and employers.

In the second phase of the project, the Verification Phase, subscribers from the State and health contracting Public Agencies and Schools are required to provide documentation to ensure that their eligible dependents remain enrolled in our health plans.

ANALYSIS

The DEV project's Verification Phase began with State agencies. There were five State verification cycles that included more than 220,000 State Active and Retired subscribers, and nearly 437,000 dependents. These five State cycles are now complete. During the State verification cycles, a total of 8,940 ineligible dependents were disenrolled.

BUDGET AND FISCAL IMPACTS

The estimated savings and claims cost avoidance from the five State verification cycles is in excess of \$64.7 million. Combined with the amnesty disenrollments (which includes public agencies and schools), savings and claims cost avoidance are estimated to be more than \$106 million. Additional savings are expected from the verification cycles (6-9) for public agencies and schools.

BENEFITS/RISKS

There are no identified risks associated with this Informational Item. The primary benefits from the State verification cycles are to the State employer – in the form of more than \$24 million in annual premium contribution savings resulting from party plan changes.

ATTACHMENTS

Attachment 1 – DEV Project State Verification Cycles' Data

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