



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #291

Audit of Dependent Eligibility Under Benefit Programs (ETF)

[LFB 2011-13 Budget Summary: Page 167, #6]

CURRENT LAW

The Group Insurance Board (GIB) oversees the administration and the establishment of policies for four major insurance plans for state employees and certain local government employees, including: (a) group health insurance for WRS annuitants, state employees and employees of local governments that choose to participate in the GIB program; (b) group income continuation insurance for state employees and employees of local governments that choose to offer this benefit; (c) group life insurance benefits for annuitants, state employees and employees of local governments that choose to offer this benefit; and (d) long-term care insurance for annuitants and state employees.

GOVERNOR

Provide \$700,000 SEG in 2011-12 in one-time funding for an audit of the group health insurance benefit programs administered by the Department to verify the eligibility of dependents covered under the programs.

DISCUSSION POINTS

1. The Department of Employee Trust Funds (ETF) indicates that approximately 230,000 state and local government employees, retirees, and their dependents are covered under group health insurance plans offered by the GIB. The Group Insurance Board offers both single and family coverage plans and the family plans may include coverage of eligible dependents.

2. Eligible dependents are defined in statute and administrative rule. Generally, a dependent is the spouse, domestic partner, minor child, including stepchildren of the current marriage or domestic partnership dependent on the employee for support and maintenance, adult

children up to age 27 meeting certain criteria, or child of any age, including stepchildren of the current marriage or domestic partnership, if handicapped to an extent requiring continued dependence.

3. In its 2011-13 biennial budget request, ETF asked that \$700,000 SEG be placed in the Committee's supplemental appropriation account for segregated funds to conduct a comprehensive dependent eligibility audit associated with the health insurance programs administered by the Department. The Department's intent was to conduct a pilot survey of a small sample of dependents in 2011, in conjunction with the GIB, to determine if the eligibility criteria for dependent eligibility was being met. Based on the results of the pilot survey, a full audit of dependents would be performed, if a cost-benefit analysis of the pilot survey results showed a full audit was desirable. The Department proposed that, if a full audit was to be performed, up to \$700,000 SEG in the Committee's appropriation could be released under a passive review process.

4. Officials at ETF indicate that audits of other public and private health insurance programs have found that the number of ineligible dependents in a program can range, in some cases, between 3% and 12% of the total number of dependents covered by the program. At this time, it is unknown to what extent the GIB programs may include ineligible dependents, but ETF indicates that if 5% of covered dependents were found to be ineligible, approximately 6,200 individuals would be removed from coverage, resulting in annual savings in excess of \$35 million. If this degree of ineligibility exists, the funding provided under the bill could result in significant savings.

5. The funding provided under the bill is appropriated directly to the ETF appropriation account for administration and no release mechanism would be required for the expenditure of the funds. However, an earlier legislative proposal appears to have anticipated a release process for these funds.

6. Provisions of 2011 Special Session Senate Bill 11/Assembly Bill 11 would have provided that, if ETF determines that an audit of benefit programs administered by the Department is necessary for the purpose of verifying the eligibility of dependents covered under the benefit programs, the Department must submit a written request to the Secretary of DOA to expend an amount not exceeding \$700,000 SEG from ETF's administration appropriation account for the 2011-12 fiscal year to fund the cost of the audit. Special Session SB 11/AB 11 would also have provided that, if the Secretary of DOA approves the request, ETF may proceed with the audit. These provisions were not included in the enacted bill (2011 Act 10).

7. Under the Governor's recommendation in the 2011-13 biennial budget, \$700,000 would be provided for this purpose. However, the intended approval process under SS SB 11/AB 11 is not included in the bill. The Committee could provide for this approval process. [Alternative 2]

8. The Committee could also place the funding in its own appropriation account (as requested originally by ETF) and require the Department to request all or part of the funds under a 14 day passive review process. The request could specify that the results of the pilot survey be reported to the Committee, as well as a detailed proposed budget for a full audit. [Alternative 3]

9. Finally, the Committee could delete the funding. The Department could perform the pilot survey and, if a full audit is justified, the Department could make a request for funding under s. 13.10 of the statutes, or in the Department's next biennial budget request. [Alternative 4]

ALTERNATIVES

1. Approve the Governor's provision to provide \$700,000 SEG in 2011-12 in one-time funding for an audit of the group health insurance benefit programs administered by the Department to verify the eligibility of dependents covered under the programs.

2. In addition to Alternative 1, provide that, if the Department of Employee Trust Funds determines that an audit of group health benefit programs administered by the Department is necessary for the purpose of verifying the eligibility of dependents covered under the benefit programs, the Department must submit a written request to the Secretary of the Department of Administration to expend an amount not exceeding \$700,000 SEG from ETF's administration appropriation account for the 2011–12 fiscal year to fund the cost of the audit. Provide that, if the Secretary of DOA approves the request, ETF may proceed with the audit.

3. Delete the provision. Instead, provide one-time funding of \$700,000 SEG in 2011-12 in the Committee's supplemental appropriation account for segregated funds. Require the Department to request all or part of the funds under a 14 day passive review process. Require that the request submitted to the Committee specify the results of any pilot survey relating to dependent eligibility and provides a detailed budget for a full audit of dependent eligibility relating to group health insurance programs administered by the Department.

4. Delete the provision.

ALT 4	Change to Bill
	Funding
SEG	- \$700,000

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