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EARLY RESULTS ARE IN: HEALTH CARE REFORM MAY INCREASE THE NUMBER OF INELIGIBLE DEPENDENTS

May 19, 2011 – Many experts believe that the number of ineligible dependents on a company's health care plan will decrease as the mandates of the Patient Protection and Affordable Care Act (PPACA) take effect. ContinuousHealth has the early results of a study finding the reverse. The study shows that wider eligibility criteria may, in fact, directly correlate to a higher ineligible dependent numbers.

Reform guidelines require that adult children up to the age of 26 be eligible for coverage on their parents' group health care plans, regardless of marital or employment status. Many employers assume that this will significantly increase their enrollment body. Recent news articles report that the enrollment of this age group is even higher than expected, as many as 600,000 in the first year alone. Relatedly, many employers believe that inspecting ineligibles is no longer necessary. Full-time student verification was previously standard practice with most group health care providers, and with this demographic mandated coverage, why check at all?

Statistics gathered from recently conducted [dependent eligibility verification audits](#) show the need still exists. Approximately 24% of ineligible dependents fall into the age range of 19-26. Of that 24%, half of these are unable to prove relationship. Thus, only 12% of typical ineligible dependents were previously non-students and are likely to qualify for coverage as a result of the change in age requirements. If an employer hypothetically covers 1250 dependents and averages 8% ineligible, 100 dependents would have previously been ineligible. Health Care Reform guidelines for adult children make 12 of those eligible now. The other 88 remain ineligible and prove the importance of continuing to verify dependent eligibility in a post-Health Care Reform world. The following are case studies of several recently conducted dependent eligibility audits for both employers prior to PPACA regulations and those who have already implemented Reform requirements.

Client A is a small company in transportation and manufacturing. Anticipating the changes required after 9/23, Client A modified its policy into a non-grandfathered plan with age 26 inclusion at its 9/1/2010 plan renewal, in advance of the PPACA requirement, so at verification start, *Client A* had been following the Age 26 rule for four months. Leadership expected to see low ineligible dependent numbers. Instead, the Dependent Eligibility Verification found that 14.5% of dependents on the plan were ineligible.

Client B is a large retail chain. Its plan renewal was 2/1/11, and the company began ongoing verification for the Health Care Reform categories in mid-January. *Client B* implemented a grandfathered policy with an Adult Child Exclusion policy. Open Enrollment numbers showed a 20% increase of enrollees to the policy. With that came an upswing of ineligibles: during the original verification, between October 2009 and January 2010, the ContinuousHealth Dependent Eligibility Verification Audit (DEVA) found that 1,851, or 16.56%, of the 11,175 dependents enrolled were ineligible; in the first four months following the implementation of PPACA regulations, Ongoing verification found 549, or 30.57%, of the 1,796 newly enrolled dependents to be ineligible for the new policy.

Client C is a major automotive manufacturing company with a non-grandfathered plan and a February plan renewal. The company began verifying under PPACA in mid-February. Prior to that, a DEVA identified 10.55% of enrolled dependents as ineligible. After enacting Health Care Reform changes, the Ongoing Dependent Eligibility Verification found 27.91% of new enrollees were ineligible.

Client D is a large hospital management system comprised of 15 hospitals. The management system did a ContinuousHealth DEVA in 2010, prior to implementing Health Care Reform at their July 1, 2011 plan renewal, with 13 of its 15 hospitals. The two hospitals who did not participate initially were excluded because they were Massachusetts hospitals covered under “RomneyCare,” a set of provisions that many have cited as a model for PPACA and which have been called an “ObamaCare preview.” After the leadership team reviewed the results from the initial verification, the two hospitals in Massachusetts decided to undergo a ContinuousHealth DEVA project as well. Results were comparable with their non-Massachusetts counterparts: the original verification found 10.1% ineligibles for hospitals that were not yet subject to PPACA; one Massachusetts hospital discovered that 6.34% and the other found 9.64% of dependents to be ineligible under the current plan guidelines.

The study conducted by ContinuousHealth shows that the same ineligible dependents who existed prior to 9/23, excepting non-students, are still attempting to gain coverage from group plans. Dependents typically found who are not eligible for most plans include former spouses, non-spouses, former stepchildren, grandchildren, grandchildren over the age of 18 who are not enrolled in school, non-child blood relatives and non-eligible dependents declared on tax returns. Additionally, Health Care Reform has created new potentially ineligible dependent types: spouses who have coverage on other plans and adult children who have coverage on other plans.

While the wider eligibility guidelines of PPACA do result in more dependents on a plan, the instance of and the exposure risk associated with ineligible dependents has not decreased. Rather, early results show that Health Care Reform directly correlates with higher percentages of ineligible dependents. A White Paper detailing final results will be available after members of the sample group have been subject to PPACA regulations for six months or more.

[ContinuousHealth](http://www.continuoushealth.com) is an independent organization located in Atlanta Georgia that uses proprietary technology to help employers optimize their investments in employee benefits programs. ContinuousHealth has performed over 200 Dependent Eligibility Verification projects. ContinuousHealth distributes its products through an exclusive network of certified Brokers and Consultants. For more information, visit www.continuoushealth.com.

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