

CalPERS seeking to catch errors, fraud in health enrollment

By: Jon Ortiz, Sacramento Bee

CalPERS is moving to strike from government health care rolls tens of thousands of people it believes are mistakenly or fraudulently receiving benefits.

The fund, which is the second-largest health care purchaser in the nation after the federal government, figured last year that removing an estimated 29,000 wrongly listed children, spouses and domestic partners of government employees would save approximately \$40 million annually.

But early returns from an amnesty program launched last month indicate the savings may double that early appraisal. And one industry expert said CalPERS may have underestimated that 4 percent of the 739,000 dependents now on CalPERS' medical plans don't qualify for coverage.

"Based on our experience, that 29,000 is a very conservative number," said Karen Frost, a benefits administration expert at human resources firm Aon Hewitt. The global company has audited insurance eligibilities of nearly 10 million people in both public- and private-sector medical plans.

Most ineligible dependents wind up on insurance rolls because of honest mistakes, experts say.

In many of those cases, children aren't dropped when they should be, currently at age 26. Employees sometimes mistakenly continue covering spouses and ex-domestic partners who don't qualify as dependents even if a court orders they must receive continued medical coverage. Ex-stepchildren aren't eligible, either.

For the last decade, more and more employers both public and private have been using relationship verification to weed out people they never intended to cover, Frost said, and then follow up with regular audits.

CalPERS spends \$7 billion annually on health care for 1.4 million state and local government employees, retirees and their families. The system has been spot-checking health insurance enrollments for individual departments and local agencies since at least 2006, system spokesman Bill Madison said.

The new process will require verification of every dependent on CalPERS' rolls. The agency expects the state's human resources department and local governments "will take steps to ensure dependents enrolled in our health plans are eligible," Madison said, "as will CalPERS."

The law allows the system and government employers who purchase medical coverage

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through it to drop anyone who shouldn't be receiving medical benefits and retroactively recover costs.

CalPERS last month sent 390,000 letters to health subscribers carrying dependents on their plans, asking them to voluntarily drop ineligible beneficiaries by June 30.

After that, members will have to send documents proving their dependents' eligibility and could face penalties if they can't.

"We see very few employers do that, less than 5 percent," Frost said. "It's just a very messy process to look retroactively and figure out the point at which someone should never have been covered."

And proving fraud can be a high bar to clear, said Dennis Jay, executive director of the Washington, D.C.-based Coalition Against Insurance Fraud.

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CalPERS spokeswoman Rosanna Westmoreland cited a law that makes it a crime to improperly obtain a benefit – including health insurance – by making a false statement. Anyone convicted of that misdemeanor may be liable for paying reparations.