



ALEJANDRINA R. BASQUEZ
DIRECTOR

June 21, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the Human Resources Department to grant a waiver for employees who have ineligible dependent(s) removed from the City's health, vision and dental insurance plans as part of the Dependent Eligibility Verification (DEV) program with the exception of cases involving fraud or intentional misrepresentation. (Citywide)

DISCUSSION

City Council action is requested to allow the Human Resources Department (Department) to implement an amnesty program as part of the Dependent Eligibility Verification (DEV) program for the duration of the DEV program. Phase One of the DEV program will cover active employees with dependents. Phase Two of the DEV program will cover retired employee with dependents.

The Department administers the City's health, dental and vision programs for the City's active and retired employees. The City currently has approximately 4,000 employee participants and 1,900 retirees enrolled in the health insurance program. Of these, 73 percent have dependents enrolled in the plan, for a total coverage of more than 13,000 people. As provided for under the plan guidelines, employees and retirees are allowed to cover eligible dependents, such as a spouse, child under 26 years of age or an adult child who is disabled.

The Human Resources Department, in cooperation with the Health Insurance Advisory Committee (HIAC), continually evaluates the plans to ensure that the City is providing appropriate coverage for eligible employees and their dependents at a sustainable cost to the City. Part of this review is looking at industry best practices for reducing costs. Conducting a DEV program is considered a best practice cost saving measure to ensure an employee benefits plan only covers qualified eligible dependents and reduces unnecessary benefit expenditures by removing ineligible dependents. The City subsidizes dependent coverage and, therefore, having ineligible dependents on the benefit plan unnecessarily increases the City's costs.

The DEV program is a documentation review process that requires all plan participants that currently have enrolled dependents to verify and provide documentation that supports the dependents continued eligibility. If the employee or retiree fails to submit the necessary documentation by the specified deadline or the documentation submitted is not accepted, the participants' dependents will be removed from the medical, vision and dental plans. The City's DEV program will be conducted by Dependent Specialists, Inc. (DSI), an outside consultant.

The Department is requesting City Council authorization as part of the DEV program to grant a waiver for plan participants whose ineligible dependents are removed from the employee benefit plan during the DEV process. The DEV waiver allows employees to remove ineligible dependents and avoid liability for employer overpayments of premium contributions and/or claims costs associated with covering the ineligible dependents. The DEV waiver is a best practice among public agencies (CalPERS, Orange County, and City of Los Angeles) because it encourages employees to voluntarily terminate coverage for ineligible dependents, correct mistakes, cooperate with the DEV process and reduce the administrative costs associated with recovering overpayments. The proposed DEV waiver would not be applicable in cases involving suspected fraud or intentional misrepresentation.

Absent a waiver, the Department would be required to collect overpayments from employees and retirees regardless of the amount owed or the reason for the overpayment. Employee salary overpayment issues cannot be deducted from an employee's paycheck without their express consent. The administrative and legal costs of recouping the overpayments would likely outweigh the amount collected.

The Department estimates that approximately 1 to 3 percent of dependents will be found to be ineligible and removed from the employee benefit plans. The common reasons for ineligible dependents will likely be former spouses following a divorce, clerical or administrative error, or dependent does not meet the eligibility criteria. The main goal of the DEV program is to ensure that the health plan covers eligible dependents and ensure that the plan meets its fiduciary responsibilities. In order to achieve this goal, staff finds that providing benefit plan participants with a waiver during the DEV process will encourage full cooperation and assist in achieving maximum savings.

This matter was reviewed by Principal City Attorney Gary J. Anderson on June 2, 2016 and by Budget Analysis Officer Rhutu Amin Gharib on June 1, 2016.

TIMING CONSIDERATIONS

City Council action is requested on June 21, 2016, to ensure that the Human Resources Department can kick-off the DEV program effective July 1, 2016.

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FISCAL IMPACT

There is no fiscal or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ALEJANDRINA R. BASQUEZ, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

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APPROVED:



PATRICK H. WEST
CITY MANAGER