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Surge in Working Spouse Provision Verifications:

HR Leaders Seek Solutions to Rising Healthcare Benefits

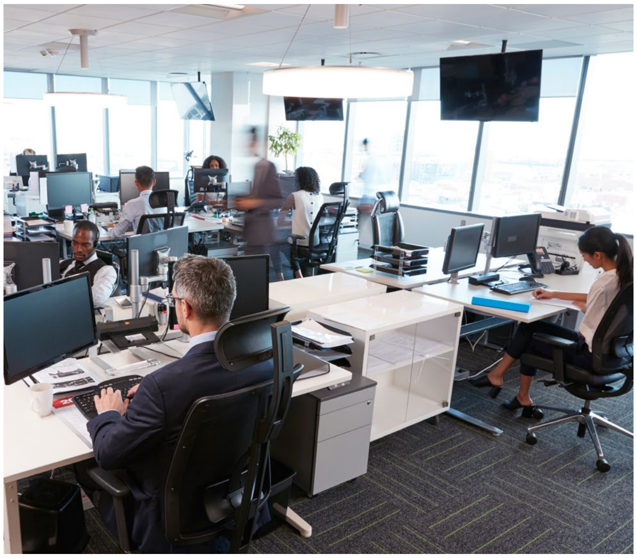
When companies offer their employees robust healthcare benefits, they often fail to consider the sheer number of those with working spouses who enroll in these programs, foregoing less generous coverage offered by their own employers. Essentially, companies with good healthcare plans subsidize those with lower quality benefits as couples shop for the best overall health coverage for their families at the best price.

In recent years, companies have sought to address this imbalance through the implementation of working spouse provision verifications, a cost-saving measure that identifies employee spouses who are able to access insurance coverage through their own jobs. Employers can then restrict access to coverage for these spouses, or add a surcharge to capture the additional cost of providing a benefit the spouse can access through his or her own employer.

Working spouse provision verifications are not new, but gained exposure in 2013 when global package delivery company UPS, which has more than 430,000 employees worldwide, began to use working spouse verifications to reduce healthcare costs.

By 2015, 27 percent of all employers had a working spouse provision attached to their health benefits, a figure expected to double by 2018, according to a report from the consulting firm Willis Towers Watson.

As the cost of providing health benefits continues to balloon for employers, organizational leaders are encouraged to look at the cultural and financial benefits of implementing a working spouse provision. With an already finite amount of money to spend on health benefits, organizations should consider providing employees with more robust health benefits which encourages staff retention and improved job



satisfaction, rather than spending money to furnish healthcare for working spouses who can access it through their own employers.

Then there are the financial benefits. HMS, which provides solutions for at-risk health organizations, works with companies to implement programs for working spouse provision verifications, including setting up a verification system for employee spouse employment.

There are two types of employee spouse provision verifications. One is a monthly surcharge, which enables spouses with access to coverage through their own employer to remain on the plan by paying an additional surcharge. The other is a carve-out provision, which essentially denies coverage to working spouses with access to benefits through their own employers. HMS's experience shows that the surcharge is the more popular option.

At one international oil and gas organization, 114 spouses opted to pay a $200 monthly surcharge to remain on the company's benefit plan, generating $273,600 in additional premiums. An additional 57 spouses left the plan, resulting in a savings of $171,600. The total savings for this organization was $444,600 in a single year.

A second company opted to carve out spouses with coverage available through their own employer's benefits plan. This global business process solutions company was able to save $216,000 by carving out 72 spouses from coverage eligibility.

THE IMPORTANCE OF WORKING SPOUSE PROVISION VERIFICATIONS

Working spouse provision verifications are an important tool for companies to manage costs in a competitive business environment without compromising business operations.

Plus, with more than half of organizations expected to have working spouse verifications in place in 2018, businesses that don't consider them could find themselves at a competitive disadvantage, especially when employees fail to voluntarily report when spouses accessing benefits are eligible to get those benefits elsewhere.

Spouses are the largest consumers of dependent health coverage, with an average cost to the employer of $5,000 per year. Maternity related expenses can swell these costs even higher.

HMS research shows that 7 percent to 12 percent of spouses able to obtain their own coverage did not disclose this information when electing their benefits. Working spouse verifications can be a game changer for cost management and increased employee disclosure of spousal coverage, as statistics show that an average of 12 percent of spouses either pay a surcharge or leave the plan in favor of their own insurance.

Working spouse verification occurs at two different levels. First is the initial verification of whether the spouse has access to coverage through his or her own employer. This verification can be done across the workforce when a working spouse provision program is first implemented.

For new employees, the verification can occur at the point at which that employee is extended an offer to participate in the employer's benefit program. This is the time at which that employee would be making benefit selections, including the decision to enroll spouses and/or dependents.

While this initial review establishes a solid baseline at the point of hiring, the reality is that employees and their families are in a constant state of change. Routine auditing or review every 12 to 24 months is another way to ensure the data around working spouses remains accurate as life changes occur, whether it be job status changes, divorce, re-marriage, or the addition of children.

IMPLEMENTING A WORKING SPOUSE PROVISION VERIFICATION

Successful implementation and management of a working spouse verification program requires preparation to ensure organizations are consistently able to apply the program and yield financial savings.

A program must first be created within the organization, communicated to employees, and

then administered and enforced. From a human resources perspective, a company is essentially creating and implementing policies that require employee compliance, with potential implications or discipline for employees who do not comply.

Put another way, an employee who fails to disclose that a spouse is gainfully employed and entitled to other benefits and then accepts benefits on behalf of the spouse, is essentially in violation of company policy for accepting additional benefits beyond those to which the employer's policy permits.

At the same time, rather than having employees feel like they are being put under a microscope or being investigated, companies with a working spouse provision want to send a message that it's a fair way to administer benefits – an assurance that the company's investment in a benefits package is designed to provide the most fair, robust coverage to employees.

Companies must also be prepared to discuss how changes to the Affordable Care Act (ACA) might affect the way spouses access benefits, including

MERCYHEALTH

Case Study – Mercy Health

Mercy Health selected HMS to perform an initial verification for employees enrolled in its medical plans. The verification was intended to determine which of the organization's 9,198 spouses and partners had access to other health insurance.

Each employee was required to complete an affidavit stating whether their spouse was employed. If the answer was yes, the spouse's employer completed the affidavit to state whether or not health insurance was offered and if the premium met the "affordable" rate level as defined by Mercy.

The company learned 192 spouses had affordable access to other insurance from an employer but were not enrolled, making them subject to removal by Mercy Health. An additional 922 spouses were employed elsewhere, but accepted health insurance from that employer and were entitled to access secondary coverage from Mercy Health.

Of the remaining spouses, 2,013 were employed and not offered coverage; 399 were also employed by Mercy Health; 2,326 were not employed or retired; 1,432 were self-employed; and 449 did not complete affidavits, including some who had left the company.

As a result of the audit process conducted by HMS, the team at Mercy Health realized the importance of implementing an ongoing dependent verification program to continually track new dependents joining the plan, including the verification of employees with working spouses who are eligible for coverage elsewhere. To accomplish this, Mercy Health instituted required documentation for dependents and spouses both at the time of hire and during annual open enrollment, as well as for life-event changes.

verification of dependent coverage eligibility. Divorce agreements, as well as the age or employment status of the dependent, could impact these decisions.

When choosing to implement a working spouse provision, the first decision an organization must make is whether to use an internal or external process for administering the working spouse provision. The key consideration to an internal process is the understanding that a working spouse provision isn't a one-time activity that can fall to the bottom of the list of priorities.

It's an ongoing process, even if done only for an initial verification, as employers must have a system to track new employees and changes that are disclosed by employees. Employers must also determine how to resource the program, which could include hiring additional staff or adding access to verification resources.

An external process has the advantage of allowing organizations to engage a firm that has the expertise in understanding the documentation needed from employees and the verification steps required to ensure working spouse verification is implemented in a transparent, fair, and comprehensive manner.

Once the program is created, the key communication step is to inform employees of its purpose – to protect the integrity of the benefits program. If employees are taking extra benefits for spouses who don't need those benefits, it dampens the level of coverage available to all employees.

Companies must also determine whether employees will need to sign affidavits or provide components of tax returns with employment status. Employers must then determine how to enforce provisions, including discipline for non-compliance, required notification of change, and expectations for ongoing disclosure and/or verification.

CHRISTIANA CARE HEALTH SYSTEM

Case Study – Christiana Care Health System

Christiana Care Health System enlisted the support of HMS to conduct working spouse provision verification both for initial hires, as well as ongoing verification. To aid in the process of collecting the required information, Christiana deploys a mailed communication which has greatly improved employee response rate.

Over a three-year period between 2015 and 2017, the company found that between 24 percent and 29 percent of spouses were assessed a surcharge in order to continue participating in Christiana Care's health benefits.

Each year, between 2,697 and 2,780 spouses were reviewed, with between 659 and 782 paying the surcharge. The savings to the system realized during that time totaled just over $4.43 million.

For each impacted spouse, the savings to the system was just over $2,000.

The team at Christiana has conducted several annual working spouse provision reverifications with success, making minor updates to the overall process and documentation as needed. Currently, the company is in the latter half of its first "full population" batch audit through HMS which will yield findings in early 2018.

SURCHARGE VS. CARVE-OUT

As the organization develops its plan, remember there are typically two types of employee spouse provisions. One is a carve-out, which excludes employed spouses with access to insurance from being able to join the benefit plan.

The second approach is the surcharge. In this case, the plan remains open, but the employed spouse must pay an additional surcharge for coverage to off-set the employer's share of the expense, thus generating additional revenue for the plan. If an employed spouse wishes to remain on the employee's benefits, either because of provider access issues or the quality of the coverage, an employer can use this approach to make coverage revenue-neutral for the organization.

Either approach can yield savings.

FREQUENCY OF APPLICATION

If a family change or emergency creates the need for an employee to add a spouse to the benefit package, the employee will most likely proactively pursue the coverage change. On the other hand, the employee may not be as active when it comes to attesting to a change that would precipitate a spouse being removed from the benefit plan.

Yet these changes happen with frequency. Between 40 percent and 50 percent of marriages in the United States end with divorce, and close to half of all families are dual-income, meaning both spouses are working and at least potentially able to access benefits.

When the family has children, the number of dual income families rises to 61 percent. Job changes are also far more common, with the average person changing jobs between five and seven times over the course of a working career.

For company benefit managers collecting data on working spouse provisions, the implications are clear. Data collected at the initial hiring is likely to change – oftentimes rapidly.

EVALUATE YOUR OPTIONS

Despite passage of the ACA, healthcare benefit cost increases continue to be one of the largest changes impacting employers of all sizes. This has led employers to shrink the level of coverage, raise premiums and offer benefit plans with higher deductibles and co-payments.

Employers must carefully consider how to make access to insurance available based on the employer's commitment to covering its own employees first. An expectation that spouses with access to their own insurance benefits would rely on those benefits is fast becoming a necessary tool for corporate benefit managers to best manage healthcare costs and still provide competitive benefits necessary to attract top talent.