

## Improving Employee Relations is Key to Lowering Insurance Premiums

For years, workers' compensation has been viewed as an adversarial issue that pits businesses against workers. This seems to stem from a basic distrust between employers and employees. While there are real concerns, not all workers try to "milk the system" as the media might portray. On the contrary, studies of lost time claims indicate that most workers' compensation claims are legitimate and most injured workers want to return to work.

Poor claims management is the major reason so many claims become problematic. Squabbling over benefits, taking a hard line on claims that show substantial merit, and neglecting injured employees scares and angers them. And while most employees have a vague understanding that workers' compensation is available for job-related injuries, few really understand the extent of their rights and benefits under the workers' compensation laws. Some employees even fear retribution for filing a claim.

Unfortunately, the prevailing wisdom until recently has been to recommend keeping this information from employees under the presumption that if they know what the law provides, they might abuse it.

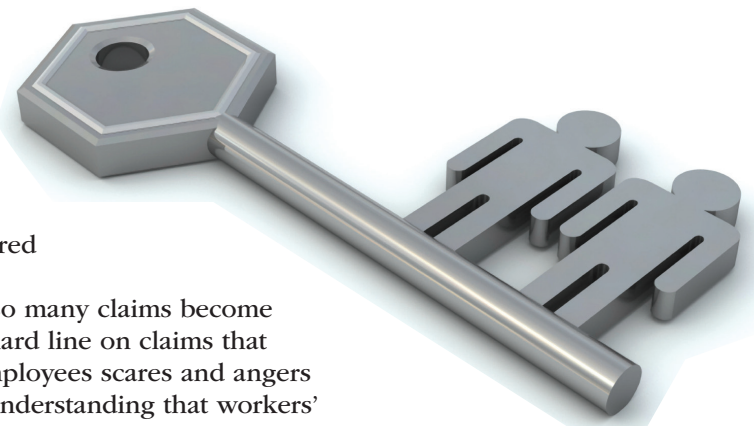
Employers can stave off many of the problems associated with claims by fostering an atmosphere of trust and cooperation. To gain an employee's trust, the employer must first exhibit a certain degree of trust. Employers need to give employees the information they need and treat them as assets rather than liabilities, both before and after an injury occurs. In this manner, the morale of injured and non-injured workers alike are enhanced, which in many cases translates into direct and measurable cost savings.

### Creating an Atmosphere of Trust

Employers can take steps to control this aspect of the workers' compensation system—just as they would any other cost driver—by managing the process. The most visible rewards to the workers' compensation system for cultivating an atmosphere of trust between management and employees include the following:

- Faster return to work
- Fewer litigated claims
- Improved morale
- Greater loyalty

Numerous companies have reported positive financial outcomes from their efforts to improve relations with injured workers. In addition to direct savings, improvements in morale and loyalty can lead to increased productivity and job satisfaction, and enhance the overall atmosphere. These factors, in turn, may lead to lower turnover rates, which cut recruiting and training costs. In sum, the benefits to the employer extend well beyond the savings realized on a particular workers' compensation claim.



# Cost Containment Tool: Dependent Eligibility Audit

Reducing overall costs is a top priority in almost every organization and employee healthcare costs are a main focus. With no end in sight to rising healthcare costs and practically every option to curb healthcare spending exhausted, what can employers do? The answer may lie in something as simple as making sure the people you have covered under your health plan are actually eligible for coverage. A dependent eligibility audit may be an option.

Dependent eligibility audits are used to identify ineligible dependents that are enrolled in your benefit plans. Examples include children that have met maximum age or student status, divorced spouses, or children impacted by changes in custody arrangements. Estimates show that 3 to 12 percent of covered dependents are not actually eligible. This can translate into significant cost savings for employers.

When planning an audit, an employer should consider the following:

- Are all plan documents consistent in defining dependents?
- What will the scope of the audit be and who will perform it?
- What documents will satisfy proof of eligibility for various types of dependents?
- What will be the message communicated to employees?
- How will employees perceive an audit? Are there other employee relations issues going on?
- How will privacy issues be addressed?

One of the most essential aspects of a dependent eligibility audit is employee communication. Employees should be told in advance of the coming audit so they can gather the proper documentation. Also, they should be reminded frequently throughout the audit period to ensure the best possible participation rate. Use already established mediums for communicating the message, including your company intranet, e-mails, bulletin board postings, payroll stuffers, etc.

Typically there are two steps to a dependent eligibility audit.

**Step One:** Employers establish a period of amnesty where employees can voluntarily remove ineligible dependents. Employees are notified by letter, explaining eligibility rules. An employee can then review all covered dependents for status, and no penalty will apply to those dependents removed because they no

longer qualify. Employers generally give employees one month to respond. Ineligible dependents are terminated at the end of the following month.

**Step Two:** For all remaining dependents after the initial amnesty period, employers should require employees to provide documentation to verify dependent status/relationship. Documents must establish both a dependent relationship and that the relationship still exists. Examples may include:

- Marriage certificate
- Domestic partner affidavit
- Legal documents that establish custody, guardianship or foster care
- Birth certificate
- Tax status form
- Medical documentation of disability
- Adoption papers

If an employee is unable to establish a dependent relationship, employer may impose penalties or seek reimbursement for claims paid for ineligible dependents among other solutions.

Many companies find that hiring an independent audit firm may be desirable as the auditing process can be cumbersome and time-consuming. While an audit of this nature may seem extreme, so is unknowingly paying for healthcare services for people who are not eligible. A dependent eligibility audit provides compelling evidence and helps to preserve the integrity of your corporate benefits package.

For more information on dependent eligibility audits, contact your employee benefits advisor.



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