



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

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**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

17 April 14, 2015

  
PATRICK OZAWA  
ACTING EXECUTIVE OFFICER

April 14, 2015

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**RECOMMENDATION FOR ONE-TIME AMNESTY  
FOR DEPENDENT ELIGIBILITY VERIFICATION IN COUNTY BENEFIT PLANS  
(ALL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

This is a joint recommendation with the Interim Chief Executive Officer and Director of Personnel to grant one-time amnesty for County employees who are found to have ineligible person(s) enrolled in their health benefits under the County's benefit plans via a Dependent Eligibility Verification (DEV) review.

**IT IS RECOMMENDED THAT THE BOARD:**

Approve changes to the Los Angeles County Code amending Title 5 – Personnel to grant one-time amnesty to County employees who are found to have ineligible persons enrolled in their County-sponsored benefits via a Dependent Eligibility Verification (DEV) records review.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

In 2015, the County will spend over one billion dollars on subsidized health benefits for its nearly 100,000 employees and their 146,000 dependents. In addition to base salary, subsidized health benefits represent a significant percentage of most employees' total compensation. The Chief Executive Office (CEO) and the Department of Human Resources (DHR) are committed to offering quality benefits programs that are cost effective for both the employees and the County. The County reviews the programs on an annual basis and conducts a rigorous renewal process to keep the plan premiums at a reasonable level. Continuing our efforts to keep the plans sustainable and reduce cost where possible, DHR has budgeted funds to conduct a Dependent Eligibility Verification (DEV)

process.

A DEV is a recognized best practice process in benefits administration. It requires all employees with dependents on their plan to provide documented proof that their enrolled dependents continue to meet the prescribed criteria for coverage. By conducting a DEV, the County can ensure that only individuals who currently qualify as eligible dependents receive these employer-provided benefits. The County requires verification of dependent status at the point of enrollment and provides its employees the provisions of dependent eligibility annually. However, employees may neglect to remove formerly eligible dependents when they change status, such as after a divorce, or the end of a domestic partnership. The DEV will provide independent verification of current employee dependent records to ensure that those currently receiving the benefits are actually entitled to receive them.

The DEV will be conducted by a consultant chosen from the CEO panel of employee benefit consultants. Working with the County, the consultant will conduct an extensive communication program to advise employees of the DEV and help them comply. Initially, all employees with dependents on their plans will be allowed to voluntarily remove ineligible dependents. Next, employees will be required to provide documentation to keep eligible dependents enrolled in the plans. Those who do not provide the required documentation will receive reminder letters from the consultant warning them that dependents who have not been verified will be removed from the plans. Finally, if no information is received, the consultant will send a termination of ineligible dependent letter that also describes an appeal process.

Ineligible persons enrolled in health plans create an increase in plan utilization and premium costs. The City of Los Angeles conducted a DEV in 2014; 6.8 percent of dependents were removed from coverage with a projected savings of \$5 million in Fiscal Year 2014-15. California Public Employees' Retirement System (CalPERS) conducted a DEV in 2012 and 2014; 3.6 percent of dependents were removed for an annual premium cost savings of \$35.5 million. According to all the consultants who bid on this project, large employers like the County often experience a removal rate of 2-6 percent of dependents. For the County of Los Angeles, potential vendors estimate a 1 percent reduction in dependents on the plans will save \$1 million in the first year.

In conjunction with the DEV review, the Chief Executive Office and the Department of Human Resources recommend that a one-time amnesty be granted for all impacted County employees. Amnesty will allow employees to remove ineligible dependents without discipline or liability for the premiums paid to cover ineligible persons. In addition, an amnesty provision will encourage employees to voluntarily terminate coverage for ineligible persons on their respective plans. Absent an amnesty period, the cost savings of a DEV would be negatively impacted. Additional staffing or contracting funds would be needed to investigate each instance of dependent removal for the possibility of premium recovery. According to the Affordable Care Act Section 2590.715-2712 regarding rescissions, employers cannot retroactively cancel or discontinue health coverage from the date of the ineligible condition except in instances of fraud or intentional misrepresentation. This further negates any possible savings of retroactive terminations. Other jurisdictions including the City of Los Angeles, Orange County, and CalPERS have all granted amnesty periods for administrative ease, expeditious disenrollment, employee morale, as well as other concerns. Since this is the first time the County will conduct this process, an amnesty period is essential given our uncertainty of the volume of dependents to be removed.

### **Implementation of Strategic Plan Goals**

The recommended action supports the County's Strategic Plan, Goal 1 – Operational

Effectiveness/Fiscal Sustainability, by ensuring that only those entitled to enroll in the County-sponsored benefits plans are receiving benefits. Furthermore, it is anticipated to create long term savings through reduced plan utilization costs and lower premium rates.

### **FISCAL IMPACT/FINANCING**

Although the County will not seek to recoup County paid premiums from employees for ineligible dependents removed during the amnesty, it is anticipated that the premium costs will be offset by the savings realized through the reduced plan utilization costs and immediate premium rate reductions mentioned earlier.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Appropriate consultations have been conducted with the impacted employee organizations regarding the recommended actions and there has been no expressed opposition. Also, the accompanying ordinance has been approved as to form by County Counsel.

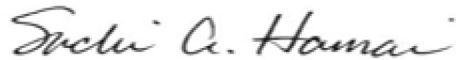
### **CONTRACTING PROCESS**

As mentioned earlier, we have solicited three Requests for Proposals (RFP) from our panel of Employee Benefits Contractors. We anticipate selecting a contractor and commencing the DEV within the next few months.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

No impact on current services.

Respectfully submitted,



SACHI A. HAMAI  
Interim Chief Executive Officer



LISA M. GARRETT  
Director of Personnel

SAH:LG:JJMTK:E  
C:mst

Enclosures

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller  
All Department Heads  
Coalition of County Unions  
SEIU, Local 721  
Independent Unions