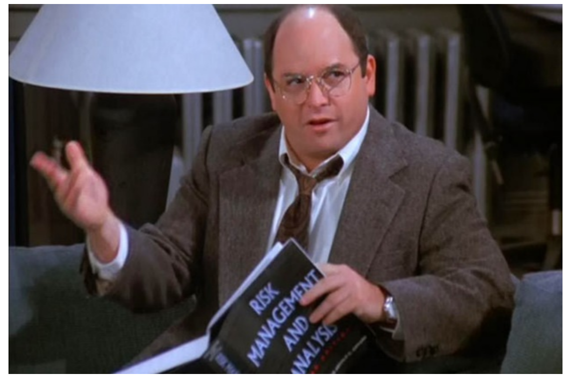
# Why “Risk Management” Is No Laughing Matter Within the World of Employer Sponsored Healthcare Benefits.




During the course of a classic *“Seinfeld”* episode, George Costanza (Jason Alexander) determined that having to give a speech on “risk management”, was a task too arduous, too boring, and most importantly, too complex. Not surprisingly, George quickly abandoned the notion of learning more about the topic, passed it off to a protégé, and in the end, hilarity ensued.

In the fantasy world of television situation comedies, the ability to successfully lampoon a topic as prosaic and colorless as risk management can be challenging to the writers who are tasked with generating laughter from an audience. In the real world of employer sponsored benefits, the challenge of implementing a sound risk management/risk mitigation strategy has much higher stakes involved, and if not addressed adroitly, will certainly be no laughing matter when your “audience” of shareholders and corporate executives reviews your bottom line.

Companies that adopt a comprehensive, ongoing **dependent eligibility verification** program, are engaging in a vital risk management/risk mitigation strategy within the domain of employer sponsored health care benefits. This endeavor can protect your enterprise from serious financial peril, when you consider that *at any point in time*, a dependent you are covering can quickly become a high-cost claimant - including those of the million dollar+ variety. If the dependent is ultimately determined to be ineligible, stop loss claims can be denied, and you, the employer, will be responsible to cover the incurred claims.

To further amplify this point, consider these astounding – and concerning – statistics:

- High-cost claimants make up **31 percent** of total spending
- High-cost claimants cost their health plans **in excess of $50,000 or more** per year
- The likelihood of a self-funded employer having a stop-loss claim in any given plan year is **over 80%**
- The number of $1,000,000 plus claims has increased **by 90 percent** since 2010

Additionally, by not performing a dependent eligibility verification, employers run the risk of non-compliance with ERISA if they fail to adhere to plan eligibility rules as stipulated in their plan documents. The resulting fines that could be assessed can substantially inflate your “unbudgeted healthcare expense” line and serve as a costly reminder of not properly identifying underlying risk within your plan administration responsibilities.

By definition, risk management refers to the practice of “identifying potential risks in advance, analyzing them, and taking precautionary steps to reduce and curb the associated risk.” Dependent eligibility verification initiatives are *proven* risk management and risk mitigation *solutions* that an employer can and should readily embrace.
In the end, there’s nothing funny about exposing your business to undue risk.