

Additional Information on this Topic

Office of the State Comptroller

*Health Insurance for Retirees: Are Payments
Being Made for Deceased Retirees?*

(2006-MS-3) [pdf]

*Internal Controls over Retiree Health
Insurance Benefits*

(2009-M-221) [pdf]

Limiting the Cost of Providing Benefits
(2010-MS-10) [pdf]

*Local Government Financial Toolbox: Containing
Employee Health Insurance Costs* [pdf]

US Department of Commerce
National Technical Information Service

To minimize health insurance costs, local governments and school districts should ensure that premiums are paid only for eligible retirees or their surviving spouses and/or dependents. This brochure is designed to provide guidance to local governments and school districts to ensure that they do not pay health insurance premiums for retirees, spouses and dependents who no longer qualify for this benefit.



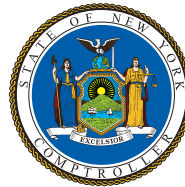
LOCAL GOVERNMENT
FINANCIAL TOOLBOX

Monitoring Health Insurance Premiums for Retirees

OFFICE OF THE STATE COMPTROLLER

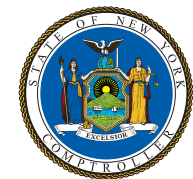


DIVISION OF
LOCAL GOVERNMENT AND
SCHOOL ACCOUNTABILITY



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Many local governments and school districts offer employees the option to receive health insurance coverage as part of their retirement benefits package. They may also provide for a continuation of coverage for surviving spouses and/or dependents for a period of time after the eligible retiree dies. Local governments and school districts may or may not require the retiree to contribute to the cost of the health insurance coverage, or may provide a subsidy for that cost by allowing the retiree to obtain coverage at the group rate.

Containing health insurance costs should be a priority for local governments and school districts. Some cost containment options are illustrated in the OSC Local Government Financial Toolbox publication, *Containing Employee Health Insurance Costs*. Another way for localities to minimize health insurance costs is to ensure that premiums are paid only for eligible retirees or their surviving spouses and/or dependents. To illustrate the magnitude of this issue, an OSC audit of 20 local governments uncovered \$786,481 unnecessarily paid for insurance coverage for deceased retirees and ineligible spouses and/or dependents. This [brochure](#) provides guidance to local governments and school districts to help ensure that they do not pay health insurance premiums for those who no longer qualify for this benefit.

CONTROLS

The two main controls a local government or school district should employ to ensure that it is not paying unnecessary health insurance premiums for retirees are (1) designing a process to verify the eligibility status of retirees and (2) reviewing health insurance bills to compare Social Security numbers of eligible

persons with the local government or school district's own records.

VERIFYING ELIGIBILITY

Local governments and school districts should establish an eligibility verification process in formal policies and written procedures. The optimal process to verify the eligibility status of retirees and their dependents is to maintain continued communication with them. Local governments and school districts that require retirees to contribute to their health insurance benefits should already have a communication process in place through insurance billing statements, withholding statements, etc. For those that do not require retirees to contribute, this can be accomplished through periodic questionnaires, postcards, or letters to verify that the eligible person is still alive. This will also provide an opportunity to update any relevant personal information (marriage, divorce, changes in dependents, address or phone number change, etc.).

SUPPLEMENTAL OPTIONS

One option to supplement these procedures is to periodically compare the local government or school district's records of eligible retirees to the Death Master File (DMF) from the Social Security Administration (SSA). The DMF is a list of over 65 million records of death that have been reported to SSA. This list is available through the National Technical Information Service and may have a cost associated with it.

Another option to compare local records to death records reported to SSA is to use one of the genealogical websites. Some of these websites are free and searchable

by Social Security number or name, but they can only be searched for one individual at a time. This may be a good option for smaller local governments or school districts but may be too time-consuming for larger units.

Other options that could be useful include reading the local obituaries on a daily basis, family notification, un-cashed Medicare reimbursement checks, and notification by the New York State Employees Retirement System. The key is to have these sources of information referred to a central source for review and verification against a master eligibility list.

REVIEWING HEALTH INSURANCE BILLS

After the local government or school district has verified the eligibility of retirees, surviving spouses and/or dependents for health insurance benefits, it is important to make sure that they are the only persons included on the health insurance bill. Simply cross-check the Social Security numbers listed on the bill to those already identified as eligible. Any ineligible individuals identified on the bill should be removed from the health insurance coverage.

PAYING PREMIUMS FOR DECEASED RETIREES

When a local government or school district discovers that it is paying or has already paid premiums for individuals that do not qualify for benefits, it should immediately contact its health insurance provider(s) to have coverage stopped for these individuals and seek reimbursement for any premiums previously paid.