




Office of Inspector General  
Legal Services Corporation

3333 K Street, NW, 3rd Floor  
Washington, DC 20007-3558  
202.295.1660 (p) 202.337.6616 (f)  
www.oig.lsc.gov

**FRAUD ALERT**  
**13-01-JS**

TO: Executive Directors

FROM: Jeffrey E. Schanz  
Inspector General 

DATE: November 19, 2012

SUBJECT: Advisory Bulletin on Controlling Employee Benefit Costs

---

Some employees improperly include unqualified persons on employer-paid healthcare plans, which can substantially increase benefit costs for the employer. This Fraud Alert, which is being released to coincide with the time of year when many healthcare plans allow enrollment changes, is meant to help your program avoid paying excess healthcare premiums.

Two LSC recipients recently learned that they had paid over \$7,500 for healthcare premiums because employees had listed ineligible persons for coverage. The Office of Inspector General investigated both instances. In the first case, the employee claimed she forgot to report her change in marital status and to remove her divorced spouse from the plan. In the second case, the employee claimed she was not aware she could not include her boyfriend on the plan. In addition to other action, both employees were required to re-pay the overcharges to their employer.

From our investigations, we observed that recipients could have done more to encourage employees to report changes in their marital status or other life changes affecting eligibility for healthcare insurance coverage. We also observed that recipients did not always have the level of expertise or interest in enrollment requirements that could have prevented problems from occurring. Recipients also did not take proactive steps, such as conducting periodic eligibility reviews, to help control healthcare insurance costs by ensuring all plan participants met the enrollment requirements. Finally, we noticed that management did not always review enrollment applications or require employees to provide relevant information, such as marital status.

Recipients can take the following steps to reduce having to pay healthcare premiums for unqualified persons:

- Clearly explain to employees who is eligible and who is not eligible for employer-paid healthcare coverage.
- Periodically remind employees of their responsibilities to report changes that affect beneficiary eligibility.
- Ensure that enrollment forms are completed properly and completely. Leaving information out of an enrollment form or not signing could be an indication of something wrong.
- Inform employees about the additional cost incurred by the program when an ineligible person is included.
- Assign someone to be the responsible person for knowing and enforcing healthcare eligibility requirements. It is important to ensure that the responsible program official has the requisite level of knowledge and exercises that knowledge to reduce the opportunity for improper enrollments.
- Periodically review healthcare participant coverage to identify questionable enrollments and then conduct further inquiry. Recipients could already have knowledge about an employee's change in marital status or other life change that could raise questions about eligibility.
- If warranted, require timely submission of documentation verifying eligibility, such as a marriage certificate or affidavit.

With the high cost of healthcare insurance, and the prospects of reduced funding and tighter budgets, it is more important than ever for LSC grantees to increase their awareness and take affirmative steps to ensure that only persons who are eligible for coverage are enrolled in healthcare and other employer-sponsored employee benefit plans.

As previously mentioned, over \$7,500 in program funds were lost due to improper enrollment of beneficiaries in health insurance plans at two grantee sites. Employers need to make sure that employees know plan requirements and that management monitors enrollment. Preventing improper enrollments will not only control expenses, but will also help avoid the need to investigate employees which can result in termination of employment, mistrust, bad feelings, and loss of confidence from stakeholders.

Pursuant to the LSC Grant Assurance 15, grantees are required to contact the OIG immediately if there is reason to believe that the program has been a victim of fraud. The OIG has investigators and auditors on staff with considerable expertise in preventing, detecting, and investigating fraud. The OIG can be reached via confidential Hotline at (800) 678-8868 or (202) 295-1670, and by email at [Hotline@oig.lsc.gov](mailto:Hotline@oig.lsc.gov) to report suspected fraudulent activities. You may also contact the OIG's Chief Investigator, Michael Shiohama, at (202) 295-1655, or by email at [ms@oig.lsc.gov](mailto:ms@oig.lsc.gov).

I hope you find this Fraud Alert useful. If you have any questions, please do not hesitate to contact me directly at (202) 295-1677, or by email at [js@oig.lsc.gov](mailto:js@oig.lsc.gov).