



Building a Modern,
Member-Centric Approach
to **Dependent Eligibility**
Verification



Table of Contents

- » **Introduction 3**
 - 1. A Comprehensive Baseline Audit
 - 2. A New Framework: Continuous Eligibility Governance
- » **The Audit: Planning + Execution..... 5**
 - The Planning Stage (60 days)
 - The Verification and Grace Periods (45-65 days)
 - Follow-Through and Appeals
 - The Importance of Ongoing Dependent Eligibility Maintenance
- » **The Core Components of a Modern Eligibility Strategy..... 9**
 - Continuous Eligibility Accuracy
 - Life-Event Driven Verification
 - Embedded Controls and a Positive Employee Experience
- » **Case Study: Large, East Coast Defense Contractor..... 12**
- » **Selecting the Right Partner for Eligibility Management 13**
- » **Conclusion 14**

Introduction

1. A Comprehensive Baseline Audit

For years, organizations have relied on dependent eligibility verifications (DEV) to manage health plan costs. A traditional DEV involves a third-party vendor asking employees to provide documentation proving their relationship to enrolled dependents such as spouses, domestic partners, and children covered under the plan. The vendor then verifies if the relationship meets the plan's eligibility rules. If an employer has multiple benefit plans (e.g., medical, dental, vision, etc.), eligibility definitions may vary and require unique audits, impacting both scope and cost.

This episodic approach serves a purpose. It identifies ineligible dependents, helps employers meet fiduciary responsibilities under ERISA, and **avoids future claims spend** associated with individuals who do not meet plan eligibility criteria. A one-time audit provides a snapshot of eligibility at a specific moment but fails to tackle the underlying causes of eligibility issues. While it corrects existing discrepancies, the same vulnerabilities that permitted ineligible dependents to join the plan often persist. New enrollments and ongoing life changes will continue to impact the plan, requiring continuous oversight and maintenance.



Introduction

2. A New Framework: Continuous Eligibility Governance

A modern approach builds upon a comprehensive baseline audit to create a continuous process. It's about building a framework of eligibility governance that maintains accuracy year-round. This isn't just an audit; it's an ongoing strategy for program integrity. When designed correctly, continuous eligibility verification enhances efficiency, improves employee understanding, and preserves coverage for those who qualify.

This evolution moves beyond simply verifying dependents at a single point in time. It integrates verification into the natural life cycle of an employee's benefits journey. Key moments like initial enrollment, open enrollment, and qualifying life events (e.g., marriage, divorce, or birth) become opportunities to confirm eligibility.

By embedding controls directly into enrollment processes, employers can prevent ineligible dependents from being added in the first place. This proactive stance is less about finding and removing people and more about ensuring the right people are covered from day one. The result is a more mature, sustainable, and employee-friendly system that protects the financial health of benefits plans.





The Audit: Planning + Execution

A comprehensive audit establishes the baseline of accuracy that ongoing eligibility governance can build upon.

The Planning Stage (60 days)

Success begins long before the first verification letter is sent. This initial phase is dedicated to strategy, communication, and logistical planning.

Click each item below for more information

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The Verification and Grace Periods (45-65 days)

This is the active phase where employees submit their documentation. Well-managed programs consistently achieve **average engagement rates of 95%**, with approximately **85% of participants completing verification on their first attempt.**

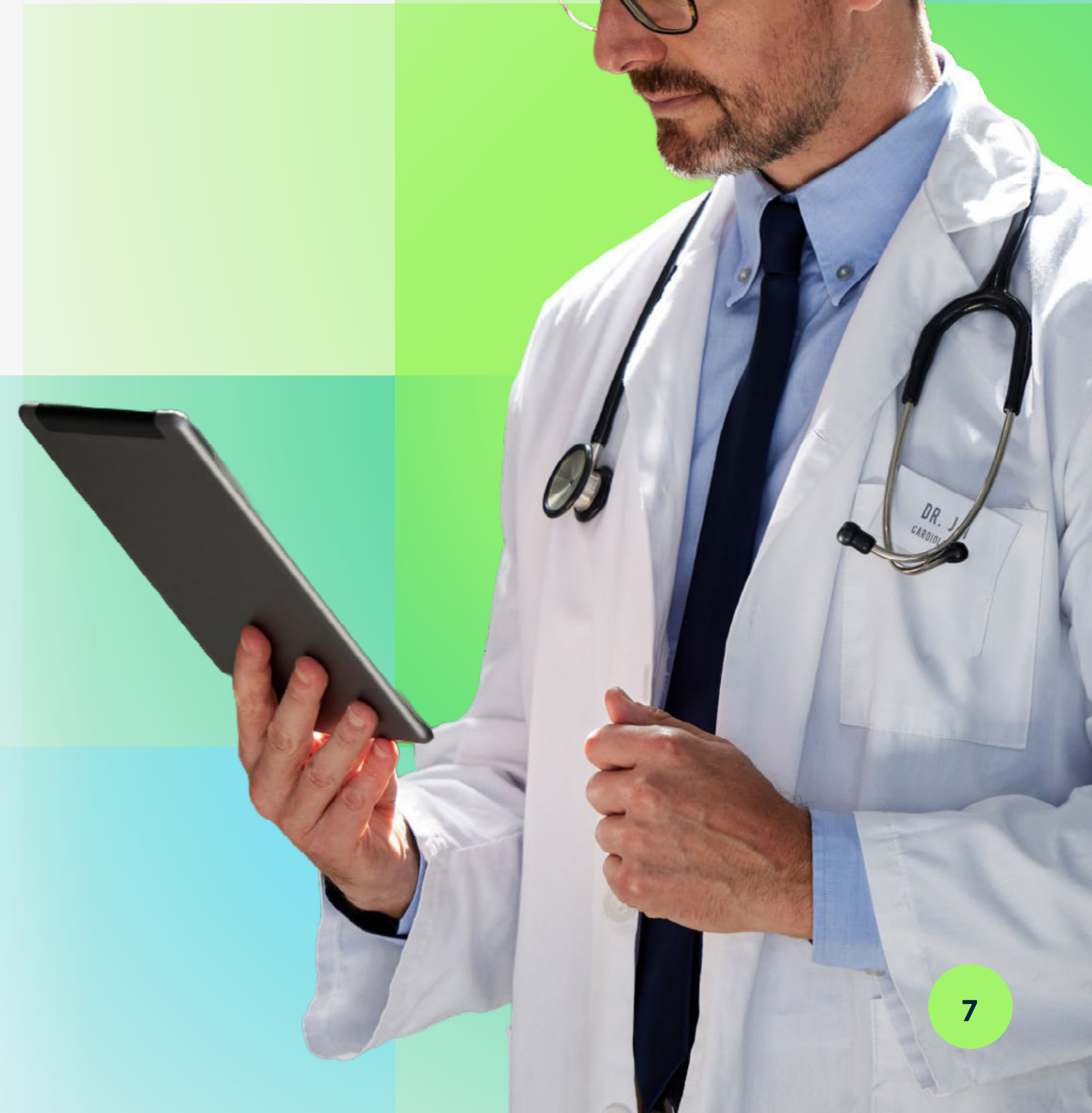
Initial Outreach: The vendor sends the first communication, notifying employees of the requirement, explaining the process, and providing deadlines. To increase open rates, the organization should pre-notify employees through various channels so they can anticipate communication from the vendor.



Follow-Through and Appeals

Once the grace period ends, your vendor will provide a file of dependents who are considered ineligible. This includes those who voluntarily removed a dependent, did not respond, or submitted incomplete information.

- **Taking action:** It's important to act consistently on the results. Removing only voluntarily identified dependents sends a message that responding is optional. Dependents removed due to non-response frequently do not meet eligibility criteria, underscoring the importance of consistent outreach, multiple reminders, and a clearly communicated process.
- **Managing appeals:** Some employees will appeal the decision after they are notified their dependent is removed. A good vendor will offer a structured appeals process (often called a reinstatement period) for an additional 30 days. This provides a formal channel for employees to submit late documentation and reduces the burden on HR teams. Approximately 1.5% of dependents are typically reinstated during this phase.



The Importance of Ongoing Dependent Eligibility Maintenance

While an initial audit is often necessary to establish a solid baseline and address existing eligibility issues, it's only the first step in maintaining benefits plan integrity. Once the initial verification project is complete, ongoing maintenance is key to ensure that new dependents, plan changes, and life events are properly validated. Without this continuous oversight, the same vulnerabilities that allowed ineligible dependents to join the plan can resurface, leading to costly errors and inefficiencies.

Ongoing verification processes are designed to be more streamlined and less time-intensive than the initial audit. Typically, new member validations and life event changes can be addressed within a 30-day window, ensuring your plan remains up-to-date and compliant. By implementing these regular checks, organizations can avoid the need for future large-scale audits, saving time and resources while maintaining the accuracy of their benefits enrollment. A commitment to ongoing verification maintenance protects the integrity of benefit plans and ensures long-term compliance and cost control.



The Core Components of a Modern Eligibility Strategy

Building a sustainable eligibility program starts with a strong baseline audit and extends into continuous eligibility governance. It's about creating a mature system that balances cost control with a positive employee experience. This involves three core components: continuous accuracy, life-event-driven verification, and embedded controls.

Continuous Eligibility Accuracy

Your organization and your workforce are always changing. An eligibility strategy should reflect that reality. Instead of viewing verification as a project with a start and end date, treat it as an ongoing function of benefits management.

This means establishing regular checkpoints and using data to monitor the health of your plan. By doing so, employers can identify and address eligibility discrepancies as they occur, rather than letting them accumulate over time. Industry data indicates that 4%–8% of dependents enrolled in healthcare plans are typically ineligible, with each ineligible dependent costing an organization approximately \$4,500–\$5,500 per year in avoidable future claim spend. A continuous approach helps you avoid those costs proactively.



Life-Event Driven Verification

The most logical time to verify a dependent's eligibility is when their status changes. A modern strategy integrates verification directly into qualifying life events. When an employee gets married, has a child, or goes through a divorce, the system should trigger a request for documentation.

This “point-of-enrollment” verification for new dependents is a critical first step. It ensures that only eligible individuals are added to the plan from the outset. This process prevents the majority of future eligibility issues, turning a reactive audit into proactive confirmation.



Embedded Controls and a Positive Employee Experience

The goal is to make eligibility verification a seamless and simple part of the benefits experience. This means embedding controls within existing HR and enrollment systems. When an employee adds a dependent, the system should clearly outline the documentation needed and provide easy, digital ways to submit it. Member-facing portals enable employees to upload documentation, review eligibility rules, track status, and access FAQs, while administrators gain real-time visibility into completion rates, dependent removals, and ROI metrics.

Communication is crucial. You need to pre-notify employees about verification requirements and explain why this process is important—to preserve high-quality health benefits for everyone. By making verification a clear and expected step for employees, you maintain program integrity while showing respect for their time and trust.



Case Study:

A large, east coast defense contractor selected Health Management Systems, Inc. (HMS) to conduct a full population DEV audit of their **30,199** dependents in 2019. Over the course of the review, **730 dependents (2.4%)** were identified as ineligible under the plan guidelines, resulting in a cost savings of **\$3.2 million** for the first year, and a return on investment of **1,512%**.

Based on these results, the company elected to implement a weekly ongoing DEV project with HMS, which continues to be in place today. Weekly, newly enrolled dependents are sent to HMS for verification. This ensures ineligible dependents are identified and removed from the plan quickly.

Since 2019, HMS has successfully verified **42,161** dependents, ensuring claims and premiums are paid only for eligible dependents. From this partnership, **2,465 (5.3%)** have been identified as ineligible, resulting in a theoretical cost savings of **\$11 million**, and a return on investment of **1,692%**.



Selecting the Right Partner for Eligibility Management

Choosing a vendor is one of the most critical decisions employers will make in this process. The right partner brings experience, flexibility, and a focus on employee experience. The wrong one can damage employee trust and deliver poor results.

While cost is a factor, value, and how that is measured should be the primary consideration. Here’s are keys things to look for in a vendor partner:

Click each item below for more information

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Conclusion

Dependent Eligibility Verification enables organizations to control rising healthcare costs while protecting coverage for those who qualify. With proven results, a member-centric experience, real-time reporting, and an ROI tied to avoided future claims spend, a strong partner helps employers verify eligibility with confidence and consistency. For more information about dependent eligibility verification, contact HMS.



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