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**CORRESPONDENCE MEMORANDUM**

**DATE:** April 6, 2018

**TO:** Group Insurance Board

**FROM:** Gina Fischer, Megan Jeffers, Policy Analysts  
Jim Guidry, Director  
Benefit Services Bureau  
Division of Retirement Services

**SUBJECT:** Annual Aetna Income Continuation Insurance (ICI) and Long-Term Disability Insurance (LTDI) Program Report

**This memo is for informational purposes only. No Board action is required.**

Attached, please find Aetna's Annual ICI and LTDI Program report. A brief summary is found on page 3 of the report.

Aetna has met all performance standards with no exceptions.

At its February 8, 2017, meeting the Board approved moving oversight of the ICI program to the ETF Board. However, the statutory changes required to transfer this oversight has not been completed and the Board's authority over the ICI program remains in place.

Staff will be at the Board meeting to answer any questions.

Attachment: ICI and LTDI Program Annual Report

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services

Electronically Signed 4/23/18

Board	Mtg Date	Item #
GIB	5.16.18	9G



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# Group Insurance Board 2017 ICI and LTDI Program Annual Report



## **Introduction**

The purpose of Aetna's annual disability report to the Group Insurance Board is to share disability program results, observations, and trends for the year 2017. Aetna will review customer service metrics, State ICI, Local ICI, and LTDI disability programs. For all programs, Aetna will review the claim counts, claim statuses, claim demographics, and diagnostic categories. In addition, Aetna will show 2017 performance compared to 2016 performance in each category.

Aetna administers two disability programs for Employee Trust Funds (ETF):

1. Income Continuation Insurance (ICI)
2. Long-Term Disability Insurance (LTDI)

For the purposes of the annual report, ICI is broken out by State and Local ICI programs and then separated by Short-Term Disability (STD) and Long-Term Disability (LTD).

## **Executive Summary**

Employee Trust Funds (ETF) and Aetna Life Insurance Company's partnership continues in 2018. ETF's long-standing relationship with Aetna and the tenured Aetna operations team results in another year of outstanding customer service.

Aetna continues to invest in improved systems which allow for better use of resources and improved customer service.

Aetna partnered with ETF on the following in 2017:

- The development of a Premium Waiver report to be used in determining when premiums are waived and reinstated during the ICI claim process. This work continues and will be part of the next phase of ETF's system enhancements.
- We continue to work with ETF on items related to electronic ICI applications. There continue to be system and file issues which results in Aetna processing a higher amount of applications.
- De-implementation of the LTDI benefit with Aetna. We worked with ETF to develop a reverse eligibility file so they could do the takeover/run-off of the LTDI claims. We also worked on developing a custom process for the remaining pending claims.

As indicated, Aetna continued to work with ETF throughout 2017 to sunset the LTDI program and provided detailed reporting to support the handling of the LTDI run-off of existing claims, with no new LTDI claims being accepted after 12/29/2017.

## 2017 Performance Measures

ETF measures Aetna's performance by four categories:

1. Phone statistics
2. Evidence of insurability (EOI) processing
3. Claim decision turnaround time
4. Phone surveys

### Phone Statistics

Aetna's phone performance standards are the following:

1. 90% of calls will be answered within 60 seconds
2. 5% or less abandoned calls

In 2017 both phone performance standards were met without exception. All quarterly and annual call metrics in 2017 are shown in the table below:

Call Metrics					
2017	Total Calls Received	Service Level	Total Answered in 60 seconds	Abandonment Rate	Calls Abandoned
Q1	1,827	94.0%	1,724	1.7%	30
Q2	1,997	94.0%	1,885	1.5%	30
Q3	1,838	93.0%	1,707	1.3%	24
Q4	1,881	96.0%	1,813	0.6%	12
Total YTD	7,543	94.3%	7,129	1.3%	96

Aetna continues to evaluate phone technology and processes in order to meet and exceed ETF's performance standards. The table below demonstrates this effort with the telephone performance standards over the last five years:

Telephone Performance Standards			
Year	Total Number of Phone Calls	Total Answered in 60 seconds	Abandonment Rate
2017	7,543	94.3%	1.3%
2016	7,506	94.0%	2.1%
2015	8,123	94.5%	1.1%
2014	8,345	92.0%	2.0%
2013	8,574	91.0%	2.4%
Average over last 5 years	8,018	93.2%	1.8%

## Evidence of Insurability (EOI)

Evidence of Insurability is the process by which Aetna determines if an employee is healthy enough to be considered eligible for coverage; documentation of good health is required in order to be approved for ICI coverage.

Aetna's performance standard for EOI processing is to send a determination notice to the EOI applicant within 15 days of Aetna receiving all information required to render a decision. Aetna met this performance standard in 2017 with no exceptions.

In 2017 Aetna processed 283 EOI applications for ETF members. A summary by plan is shown in the table below:

<b>Summary by Plan</b>	
Total State Applications Received:	163
Approved:	121
Denied:	42
Total Local Applications Received:	120
Approved:	94
Denied:	26
<b>Annual Total</b>	
Total Applications Received:	283
Approved:	215
Denied:	68

## Claim Decision Turnaround Time

Aetna's performance standard for Claim Decision Turnaround Time is all claims must have a claim determination with written notice to the claimant within 15 days from receipt of all information needed to make a determination. Aetna met this performance standard in 2017 with no exceptions.

## Customer Phone Surveys

Aetna offers all ETF claimants a disability claim satisfaction survey at the end of their claim experience with Aetna. The survey asks the claimant to rate Aetna's service level from 1 (lowest) to 5 (highest).

- For STD ICI, Aetna's average score for 2017 was **4.65** out of 5.
- For LTD ICI and LTDI, Aetna's average score for 2017 was **4.83** out of 5.

Aetna prides itself in being an extension of the ETF team. The claimant satisfaction survey results are a reflection of high quality service provided to ETF claimants.

## 2017 New Claim Experience

This section of the annual report will focus on *new claims* in 2017.

Historically, ETF has seen between a 1% to 3% fluctuation in new claims each year; however, since 2015 we have seen a 5% to 7% decrease in new claims compared to the previous year.

New Claim Counts by Plan					
	2017	2016	2015	2014	2013
<b>State ICI</b>	1,413	1,434	1,581	1,645	1,648
<b>Local ICI</b>	129	149	137	118	130
<b>LTDI</b>	368	427	409	532	507
<b>Total</b>	1,910	2,010	2,127	2,295	2,285

### State ICI – Short-Term Disability (STD) & Long-Term Disability (LTD)

When disabled under ICI, the first twelve (12) months are considered STD. During the STD period, disability is defined as:

- The inability by reason of any physical or mental impairment, supported by objective medical evidence, to perform the duties of one's position.

After the first twelve (12) months the claims may transition to LTD. During the LTD period, disability is defined as:

- The claimant's complete inability by reason of any medically determinable physical or mental impairment, as supported by objective medical evidence, to engage in any substantial gainful activity for which the claimant is reasonably qualified with due regard to the claimant's education, training, and experience.

ETF's State ICI program comprises the majority of the volume and claim processing in Aetna's administration of ETF's programs. State ICI claims account for 74% of all new ETF claims in 2017.



There were a total of 1,413 new State ICI claims in 2017. A breakdown of new claims by quarter and plan are shown in the table below:

<b>2017 State Quarterly Claim Counts</b>		
	<b>STD ICI</b>	<b>LTD ICI*</b>
Q1	284	60
Q2	289	55
Q3	321	48
Q4	315	41

*\*New LTD ICI claims are transitioned from existing STD ICI claims.*

The STD plan accounts for 86% of new State ICI claims in 2017.

Total new STD ICI claims: 1,209

Total new LTD ICI claims: 204

The claim volume of both STD and LTD State ICI claims showed a decrease of 1.5% compared to 2016, which totaled 1,434 State ICI claims.

From a claim demographic perspective, State STD ICI claims are made up of 76% of claims belonging to females with an average age of 40 and 24% of claims belonging to males with an average age of 49. State LTD ICI claims are made up of 62% of claims belonging to females with an average age of 49 and 38% of claims belonging to males with an average age of 52.

The table below details the medical conditions that drive work absence for the State STD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a withdrawn status or claims that were denied. The Injury/Poisoning diagnostic category includes injuries due to fractures of the skull, neck and trunk, upper or lower limb, etc. Poisoning includes wrong substance given or taken in error, complications of surgical or medical care, overdose of substances, etc. The Other category includes all diagnostic categories reporting less than 5 claims for 2017.

<b>State STD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MUSCULOSKELETAL DISORDERS	333	45115	135
MENTAL HEALTH DISORDERS	123	20664	168
OBSTETRIC CARE	343	17112	50
ONCOLOGIC DISORDERS	54	10411	193
RHEUMATOLOGIC DISORDERS	79	9431	119
NEUROLOGIC DISORDERS	39	8006	205
DIGESTIVE DISORDERS	41	3595	88
INJURY/POISONING	72	3379	47
CARDIAC DISORDERS	23	3078	134
RESPIRATORY DISORDERS	11	2727	248
SKIN DISORDERS	14	1667	119
OTHER	14	1434	102
GYNECOLOGIC DISORDERS	30	1426	48
ENDOCRINE/METABOLIC DISORDERS	11	1218	111
VASCULAR DISORDERS	9	1165	129
RENAL DISORDERS	6	914	152

Musculoskeletal disorders continue to drive State STD ICI lost work days and utilization in 2017. Musculoskeletal claims include back pain, osteoarthritis, and other degenerative conditions.

Musculoskeletal disorders, mental health disorders, and obstetric care remain the top categories for diagnoses in 2016 and 2017 for the State STD ICI plan.

Musculoskeletal disorders average duration decreased by 18 days from 2016 to 2017 and the average duration for mental health disorders decreased by 15 days in 2017. Obstetric care continues to have a high claim count; however, the average duration for these claims remains short and also decreased in 2017 by 7 days compared to 2016.

The table below details the medical conditions that drive work absence for the State LTD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a withdrawn status or claims that were denied. The Other category includes all diagnostic categories reporting less than 5 claims for 2017.

<b>State LTD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MUSCULOSKELETAL DISORDERS	71	17161	242
MENTAL HEALTH DISORDERS	38	9532	251
OTHER	18	4984	277
NEUROLOGIC DISORDERS	15	4294	286
RHEUMATOLOGIC DISORDERS	12	3259	272
CARDIAC DISORDERS	7	1978	283
ONCOLOGIC DISORDERS	10	1681	168
DIGESTIVE DISORDERS	5	954	191

Musculoskeletal disorders also drive the State LTD ICI plan in utilizations in 2017.

Musculoskeletal disorders, Mental Health disorders, and Other diagnosis are the top diagnostic categories in 2017 for the State LTD ICI plan.

Musculoskeletal disorders average duration decreased by 48 days from 2016 to 2017 and mental health disorders also decreased by 39 days in 2017. Neurologic disorders decreased in claim volume by seventeen claims in 2017 compared to 2016.

## Local ICI – Short-Term Disability (STD) & Long-Term Disability (LTD)

There were a total of 129 new Local ICI claims in 2017. A breakdown of new claims by quarter and plan are shown in the table below:

<b>2017 Local Quarterly Claim Counts</b>		
	<b>STD ICI</b>	<b>LTD ICI</b>
Q1	19	2
Q2	34	5
Q3	31	6
Q4	29	3

The STD ICI plan accounts for 88% of new Local ICI claims in 2017.

Total new STD ICI claims: 113

Total new LTD ICI claims: 16

The volume of Local ICI claims decreased from 2016 to 2017 by 13%. In 2016, there were 125 STD claims and 24 LTD claims for a total of 149 new claims.

From a claim demographic perspective, Local STD ICI claims are made up of 71% of claims belonging to females with an average age of 39 and 29% of claims belonging to males with an average age of 53. Local LTD ICI claims are made up of 31% of claims belonging to females with an average age of 48 and 69% of claims belonging to males with an average age of 46.

The table below details the medical conditions that drive work absence for the Local STD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a withdrawn status or claims that were denied. The Other category includes all diagnostic categories reporting less than 5 claims for 2017.

<b>Local STD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MUSCULOSKELETAL DISORDERS	23	2324	101
OTHER	12	2096	175
OBSTETRIC CARE	45	2062	46
ONCOLOGIC DISORDERS	5	1212	242
RHEUMATOLOGIC DISORDERS	10	1147	115
CARDIAC DISORDERS	7	778	111
INJURY/POISONING	11	194	18

Musculoskeletal disorders also drive the Local STD ICI plan in lost work days and utilization in 2016 and 2017. Obstetric care remains high in claim volume in 2017, but the average duration remains low at 46 days, a decrease in 21 days over 2016.

The table below details the medical conditions that drive work absence for the Local LTD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a withdrawn status or claims that were denied.

<b>Local LTD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MUSCULOSKELETAL DISORDERS	5	1453	291
OTHER	5	984	197

Musculoskeletal disorders lead the Local LTD ICI claims for 2017.

## LTDI

Under LTDI, disability is defined as:

- The inability to engage in any substantial gainful activity by reason of a medically determinable impairment, whether physical or mental, which can reasonably be expected to result in death or to be permanent or of long-continued and indefinite duration.

There were a total of 368 new LTDI claims in 2017. A breakdown of new claims by quarter is shown in the table below:

<b>2017 LTDI Quarterly Claim Counts</b>	
	<b>LTDI</b>
Q1	93
Q2	93
Q3	86
Q4	96

From a claim demographic perspective, LTDI claims are made up of 61% of claims belonging to females with an average age of 53 and 39% of claims belonging to males with an average age of 53.

<b>LTDI</b>	
<b>Employer Type</b>	<b>Claim Count</b>
STATE	130
SCHOOL	92
COUNTY	51
CITY	35
COLLEGE	15
OTHER	15
HOSP. BD & AUTHORITY	12
VILLAGE	9
TOWN	7
LIBRARY SYSTEM	2

In 2017, 60% of all LTDI claimants were employed by a State or School employer.

The table below illustrates top diagnoses for LTDI claims. The table is sorted highest to lowest based on the number of claims. The table does not include claims with a withdrawn status or claims that were denied. The Injury/Poisoning diagnostic category includes injuries due to fractures of the skull, neck and trunk, upper and lower limb, etc. Poisoning includes wrong substance given or taken in error, complications of surgical or medical care, overdose of substances, etc. The Other category includes all diagnostic categories reporting less than 5 claims for 2017.

<b>LTDI Claims - Diagnostic Categories</b>	
<b>Diagnosis</b>	<b>Claims</b>
INJURY/POISONING	152
NEUROLOGIC DISORDERS	37
ONCOLOGIC DISORDERS	34
MENTAL HEALTH DISORDERS	32
MUSCULOSKELETAL DISORDERS	21
OTHER	14
RHEUMATOLOGIC DISORDERS	9
CARDIAC DISORDERS	6
RESPIRATORY DISORDERS	5

In both 2015 and 2016, the top two diagnostic categories for LTDI claims were Injury/Poisoning and Musculoskeletal; these diagnostic claim types comprised 51% of LTDI claims in 2016. In 2017, the Injury/Poisoning category continues as the top diagnostic category representing 49% of claim volume followed by Neurologic and Oncologic disorders.



## Comparisons

Musculoskeletal disorders remain a top diagnostic category for lost work days across ETFs plans in 2017. Because these are disorders that increase with an aging population this is not unique to ETF, but rather it is the top diagnostic category across Aetna's book of business in both STD and LTD.

Musculoskeletal disorders represent 35% of total claim volume in STD and 30% in LTD. The tables below detail the top five diagnostic categories in STD in 2017 for Aetna's book of business:

<b>Aetna's Overall book of business STD Diagnostic Categories</b>	
<b>Diagnosis</b>	<b>Percentages</b>
MUSCULOSKELETAL DISORDERS	35%
ALL OTHER	27%
OBSTETRIC CARE	20%
DIGESTIVE DISORDERS	11%
MENTAL HEALTH DISORDERS	7%

The table below details Aetna's top five diagnostic categories in LTD in 2017 for Aetna's book of business:

<b>Aetna's Overall book of business LTD Diagnostic Categories</b>	
<b>Diagnosis</b>	<b>Percentages</b>
MUSCULOSKELETAL DISORDERS	30%
ALL OTHER	29%
NEUROLOGIC DISORDERS	22%
ONCOLOGIC DISORDERS	11%
MENTAL HEALTH DISORDERS	8%

## Active Claim Summary

The tables below contain both new and existing claims paid in 2013 through 2017. These are not just new claims, but the total number of active claims at a point in time; the end of each calendar year.

State ICI claims make up 31% of the cost of all ETF disability programs. State STD ICI claim counts and average cost per claim decreased in 2017. State LTD ICI claim counts also decreased in 2017 but saw a \$1,609.44 increase to the average cost per claim.

State ICI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
STD	2017	\$8,167,400.85	1,496	\$5,459.49
	2016	\$8,998,313.49	1,603	\$5,613.42
	2015	\$8,508,791.47	1,709	\$4,978.81
	2014	\$8,765,501.97	1,791	\$4,894.19
	2013	\$9,179,493.34	1,775	\$5,171.55
LTD	2017	\$10,507,216.43	1,080	\$9,728.90
	2016	\$10,108,727.21	1,245	\$8,119.46
	2015	\$9,769,243.73	1,202	\$8,127.49
	2014	\$9,161,100.53	1,225	\$7,478.45
	2013	\$8,051,576.15	1,171	\$6,875.81

Local STD ICI claim counts decreased from 2016 to 2017 with an average cost per claim slightly decreasing by \$59.85. The LTD ICI claim counts decreased by one claim; however, the average cost per claim saw an increase of \$3,283.02.

Local ICI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
STD	2017	\$544,201.03	148	\$3,677.03
	2016	\$575,479.99	154	\$3,736.88
	2015	\$601,838.49	138	\$4,361.15
	2014	\$466,569.68	122	\$3,824.34
	2013	\$611,354.07	121	\$5,052.51
LTD	2017	\$705,553.65	74	\$9,534.51
	2016	\$468,861.54	75	\$6,251.49
	2015	\$422,000.03	61	\$6,918.03
	2014	\$277,929.06	67	\$4,148.19
	2013	\$501,175.62	66	\$7,593.57

The average cost per claim in the LTDI plan is the highest of all ETF disability plans administered by Aetna, because these claims have the longest duration, the most serious conditions, and the fewest number of offsets. The average cost per claim increased by \$1,485.04 in 2017 with a decrease of 173 claims.

<b>LTDI</b>				
	<b>Year</b>	<b>Total Cost of Claims</b>	<b>Number of Claims</b>	<b>Average Cost per Claim</b>
LTDI	2017	\$39,652,796.50	2,516	\$15,760.25
	2016	\$38,386,052.02	2,689	\$14,275.21
	2015	\$36,779,464.18	2,574	\$14,288.84
	2014	\$33,372,190.10	2,462	\$13,554.91
	2013	\$28,970,956.60	2,282	\$12,695.42

In 2017 the total cost of all ETF disability plans combined increased by \$1,039,734.21, or 1.8%.

<b>All Disability Programs (State ICI, Local ICI, LTDI)</b>			
	<b>Year</b>	<b>Total Cost of Claims</b>	<b>Number of Claims</b>
All Disability Programs (State ICI, Local ICI, LTDI)	2017	\$59,577,168.46	5,314
	2016	\$58,537,434.25	5,766
	2015	\$56,081,337.90	5,684
	2014	\$52,043,291.34	5,667
	2013	\$47,314,555.78	5,415

## **Conclusion**

Customer service metrics were exceeded in the areas of phone performance, claim decision turnaround times, and customer service surveys. The performance standard for EOI processing was also met for the year.

The total new claim volume for ETF in 2017 decreased by 5% compared to 2016; or by 100 fewer claims.

Since 2013 we have seen a gradual decrease in the number of new State ICI claims. In 2017, the State ICI plans saw a 1.5% decrease, or a decrease of 21 new claims, when compared to 2016. The Local ICI plans saw a 13.4% decrease, or a decrease of 20 new claims, from 2016 to 2017. The LTDI plan saw a 14% decrease in new claims from 2016 to 2017, or a decrease of 59 claims. Because the LTDI claims encompass the most serious conditions, with the longest durations and fewest number of offsets, this plan drives the total cost of claims paid.

In 2017, Aetna focused on enhanced operational efficiencies and customer service by continuing to partner with ETF and the Group Insurance Board. A key area of attention in 2017 was supporting ETF with moving the existing LTDI claims in-house as the program was sunset beginning 1/1/2018. Aetna will continue to assist by providing the eligibility and claim information needed through reporting to ensure ETF has all of the information necessary to ensure a smooth transition.

Aetna looks forward to continuing our relationship with ETF and will work with ETF on another one-year extension of our contract; extending it through 12/31/2019. In addition, Aetna will work with ETF to transition from Aetna to The Hartford as part of our acquisition in 2018; this will include claim administration and overall branding (i.e. logos, letterhead, contracts, etc.) moving from Aetna to The Hartford.