



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 2, 2009
TO: Group Insurance Board
FROM: Diane Poole, Director
Disability Programs Bureau
SUBJECT: Consideration of Amendment to the Income Continuation Insurance Program to Allow Buy-outs of Very Small Benefit Amounts

Staff recommends that the Board approve the addition of lump sum buy-outs language to the Income Continuation Insurance (ICI) Plan. This language allows the Department of Employee Trust Funds to offer negotiated lump sum buy-outs (when cost effective) to recipients of ICI benefits. If approved, this change would be effective January 1, 2010.

Background

Prior to 2009, the ICI contract with the Third Party Administrator (TPA) contained language that allowed the TPA to negotiate lump sum buy-outs when it was determined that the payment of a lump sum was administratively more cost effective than continuing to pay a very small monthly benefit. This lump sum payment option was entirely optional to the benefit recipient. To simplify the 2010 TPA contract, this language was determined to be more appropriate for the ICI Plan documents. Lump sum buy-outs will no longer be a negotiable item with each potential new TPA upon contract renewal and will instead be part of the Plan itself.

Proposed Language

For both the State and Local Employee ICI Plans, Section 2.161 is created to read:

The DEPARTMENT will establish guidelines and parameters to identify ICI claims that may be suitable for negotiated lump sum buy-out. Buy-outs will be offered on a voluntary basis only. The CONTRACTOR will periodically identify suitable claims, draft a release when indicated, and submit a list to the DEPARTMENT for review and approval prior to sending a buy-out option to the claimant. Buy-outs will be considered benefits under this plan.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature Date

Board	Mtg Date	Item #
GIB	11/10/09	3