



STATE OF WISCONSIN
Department of Employee Trust Funds
David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: March 26, 2010

TO: Group Insurance Board

FROM: Tom Korpady, Administrator
Division of Insurance 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.

Aetna's Annual ICI and LTDI Program Report will be distributed at the April 13, 2010, Board meeting. Chris Burke from Aetna will be at the meeting to present the annual report to the Board and to answer any questions.

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

Signature

Date

Board	Mtg Date	Item #
GIB	4.13.10	4A



Group Insurance Board

2009 ICI and LTDI
Program

April 13, 2010



Agenda



- **2009 Projects and Approaches**
- **Executive Summary**
- **Performance**
 - **Customer Service**
 - **Administration**
 - **Claims Experience Overview**
 - **All Claims Paid in 2009**
- **Questions and Answers**

2009 Projects and Approaches

Contract Renewal

- 5-year contract started 1.1.09
- First year focused on new reporting requirements and new quality measures
- In 2009, Aetna and ETF worked on LTDI and ICI tax status to assure strict compliance with the IRS guidelines

ETF Program Integrated with Aetna Best Practice

- The ETF/Aetna program remains very focused on the customized aspects of the ICI and LTDI programs
 - continues to assure ETF benefits from best practices within the Aetna disability program approach

Ombudsperson Activity

- 2008 - less than one incident per month
- 2009 - 10 incidents all year

Continue to Partner With ETF Team

- Adjustments, program evolution, shared expertise

Customer Service Remains Priority

Executive Summary

- **Ombudsperson Activity**
 - Experienced Aetna claims staff generally are able to handle issues that in the past required Ombudsperson intervention
 - Ombudsperson activity continued to decline to negligible levels for all disability plans in 2009

- **Key Customer Service and Reporting Measures**
 - New reports, customer service levels and measures were implemented with the new contract effective 1.1.2009
 - ETF and Aetna partnered well to develop richer, more insightful reporting
 - **Claims Financial, New Claim Demographic, Claims Processing Report**
 - Other customer service measures were met or exceeded
 - with the exception of one short period of telephone response which has since been addressed and remedied

- **Claims Study - State ICI, Local ICI, LTDI**
 - Total new claims increased by a net of 60 claims in 2009 = stability
 - State ICI claims fell from 1419 in 2008 to 1399 in 2009 but still comprise 80% of all disability claims
 - Local ICI increased by 20 claims from 67 in 2008 to 87 in 2009
 - LTDI increased by 60 claims from 192 in 2008 to 252 in 2009
 - Overall- claims counts are very stable – LTDI seems to have a 2-year cycle and Local ICI was due for a slight increase after several years of falling numbers
 - Musculoskeletal is the most common diagnostic category for all programs
 - Pregnancy claims are the one diagnosis unique to females
 - Which will alter claim gender ratios
 - These claims are numerous but short in duration and do not generally transition to LTD
 - Mental health claims become LTD claims about as often as musculoskeletal and last much longer and are less numerous in the STD phase
 - Once a mental health claim is LTD, the claimant is not likely to return to work
 - Neoplasm and injury, while fewer in number, have longer durations

Ombuds Activity

- **ETF Ombudspersons reported the following ICI and LTDI contacts:**
 - 2004 – 171 contacts
 - 2005 – 61 contacts
 - 2006 – 16 contacts
 - 2007 – 19 contacts
 - 2008 – 13 contacts
 - **2009 – 10 contacts**
- **Aetna Ombudsperson contacts were related to integration of benefits for estimated offsets as a result of failure to provide requested documentation (such as proof of WRS application or Social Security offsets)**
- **Experienced Aetna claims staff generally are able to handle issues that in the past required Ombudsperson intervention**

2009 Performance Measures



- **Phone Statistics**
 - **2009 Performance**
 - **5-Year Study**
- **Evidence of Insurability - EOI Processing**
 - **Number of Applications**
 - **Approvals and Denials**
- **Customer Service Measurements**
 - **Aetna met annual service levels**
 - **General customer service has been very good**

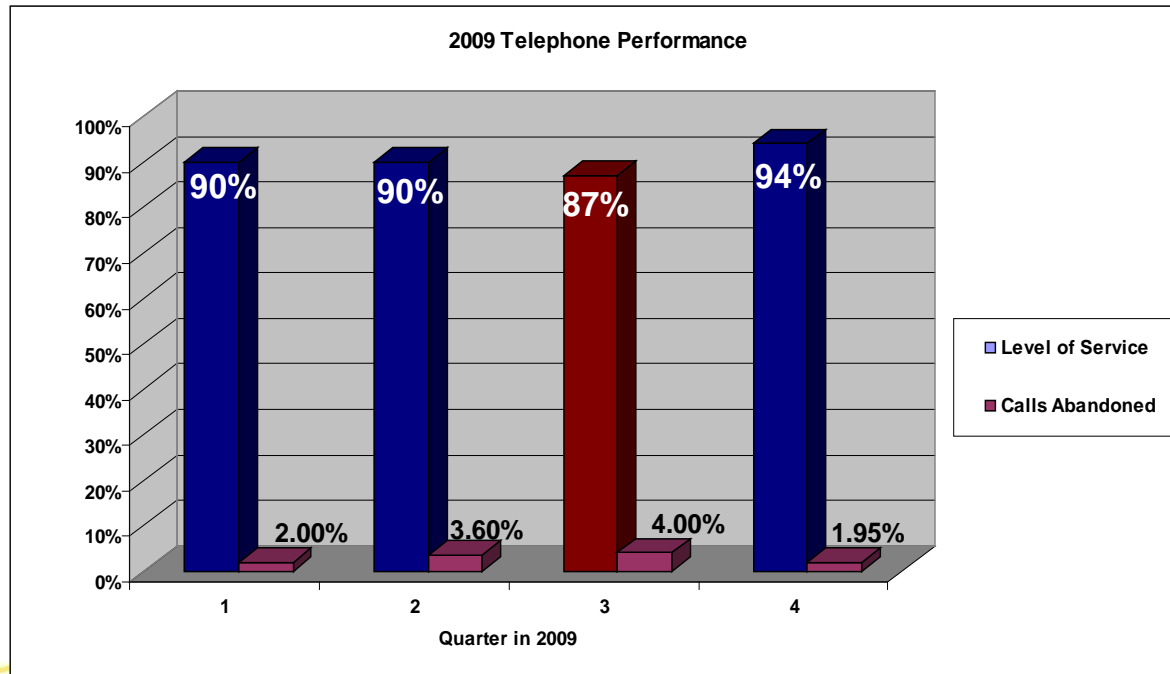
2009 Telephone Performance

Quarter	Calls Received	Level of Service	Calls Abandoned
1st Quarter	2,192	90%	2.00%
2nd Quarter	2,521	90%	3.6%
3rd Quarter	2,230	87%	4.00%
4th Quarter	1,703	94%	1.95%
Annual	8,646	90%	2.89%

Performance Standards

1. 90% of calls answered within 60 seconds
2. 4% or less abandoned calls

- In the 3rd quarter, a major competitor launched a disability office in Portland, Maine, and hired many of our customer service representatives
- We quickly adjusted staffing and technology in response
- The team leads now can monitor and control phone queue. ETF calls are now made a higher priority in high volume times
- Results of the adjustments show in Q4 of 2009



Phone Performance Study

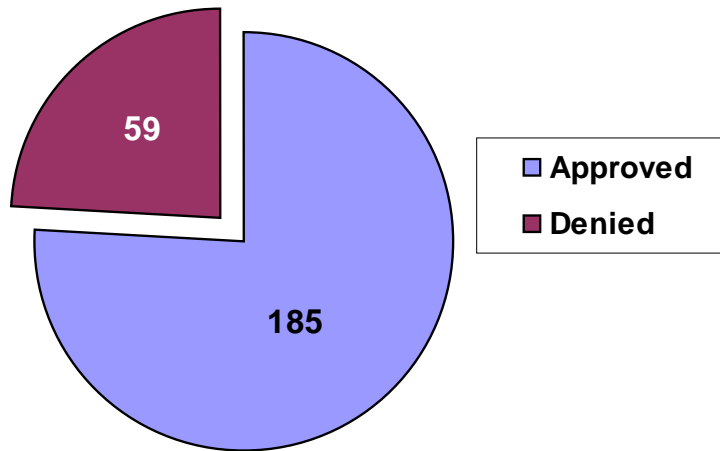
2009 - 5 years

	2009	2008	2007	2006	2005
Number of phone calls 16,617	8,646	10,775	11,774	10,795	
Answered-30/60* seconds	*90%	94%	84%	83%	91%
Abandoned	2.9%	1.58%	4.85%	4.17%	3.7%

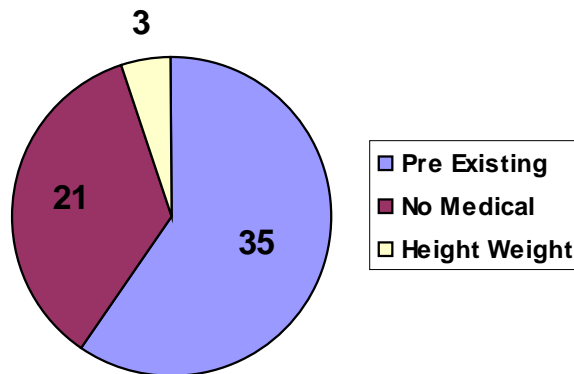
- Call center progression:
 - 2004 - Implemented claim owner model - this reduced incoming calls dramatically. Claimant did not have to call into a pool or queue but would call the person handling the claim directly
 - 2005 - Ombudsperson issues and incoming calls dropped dramatically as a result of efficient issue resolution by seasoned claim owners at point of initial contact and exchange
 - 2009 - A national disability competitor opened operations in Portland, Maine- where the ETF Disability Call Service Center exists, with a strategy of hiring Aetna experienced staff
 - In addition to staffing strategy - Aetna gave ETF Team leads the ability to monitor call volumes daily and adjust staff, call order and call queue to assure ETF's calls are answered according to the required customer service levels
 - Levels have been stabilized after one poor quarter

2009 Evidence of Insurability

2009 EOI Applications



EOI Denial Reasons



- **The 2009 Performance Standard for EOI is:**
 - *Determination Notice is made to the applicant of EOI within 15 days of Aetna receiving all information required to render a decision*
- **Aetna met this standard 100% of the time with no exceptions**

2009 New Claims Experience

1. Claims Counts by Product

2. Individual Program Utilization

a) State ICI - STD/LTD

- Claims, Agency, Gender, Diagnostic Categories

b) Local ICI - STD/LTD

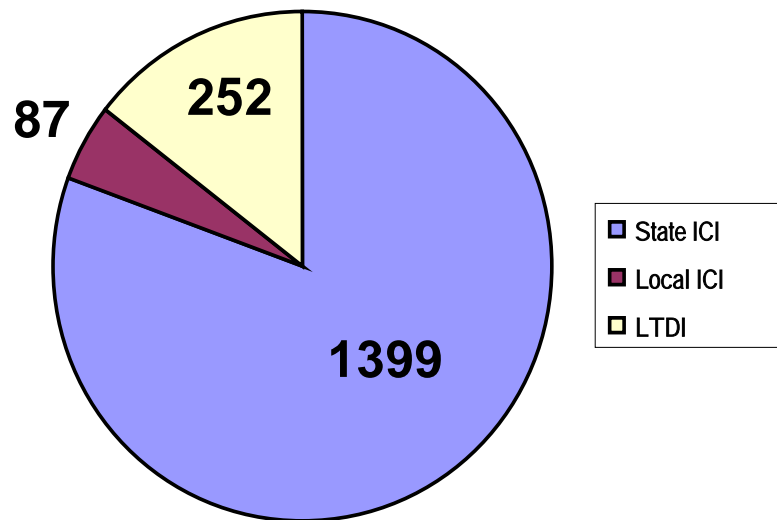
- Claims, Agency, Gender, Diagnostic Categories

c) LTDI

- Claims, Agency, Gender, Diagnostic Categories

2009 Overall New Claims

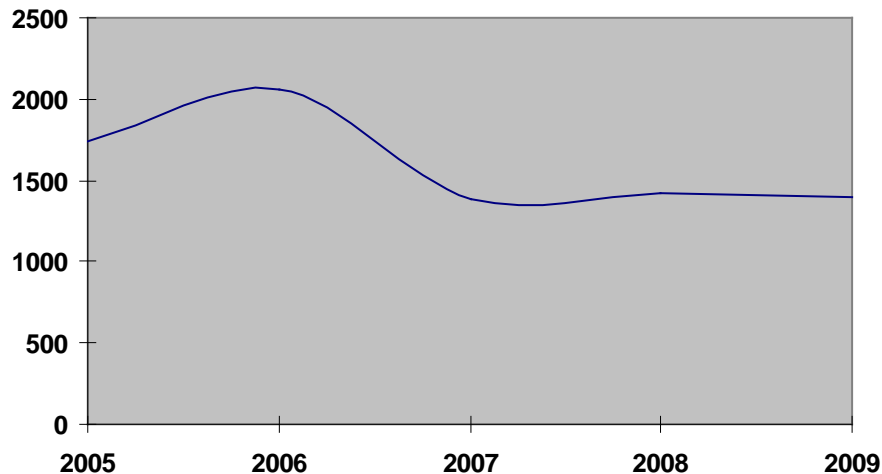
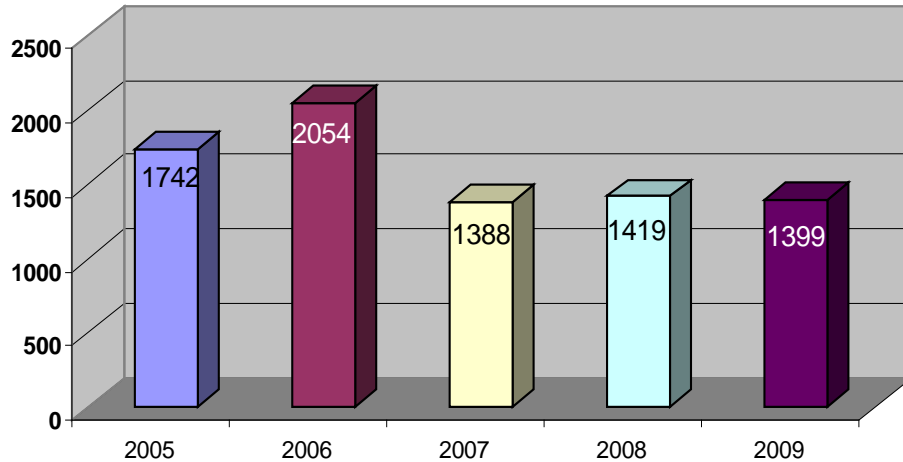
1,738 Total New Claims for 2009



- **State ICI - 1,399 claims**
 - 2008 – 1419 (-20)
- **Local ICI - 87 claims**
 - 2008 – 67 (+20)
- **LTDI - 252 claims**
 - 2008 – 192 (+60)
- **Net increase by 60 claims from 2009**

2009 State ICI - 5 Year Trend

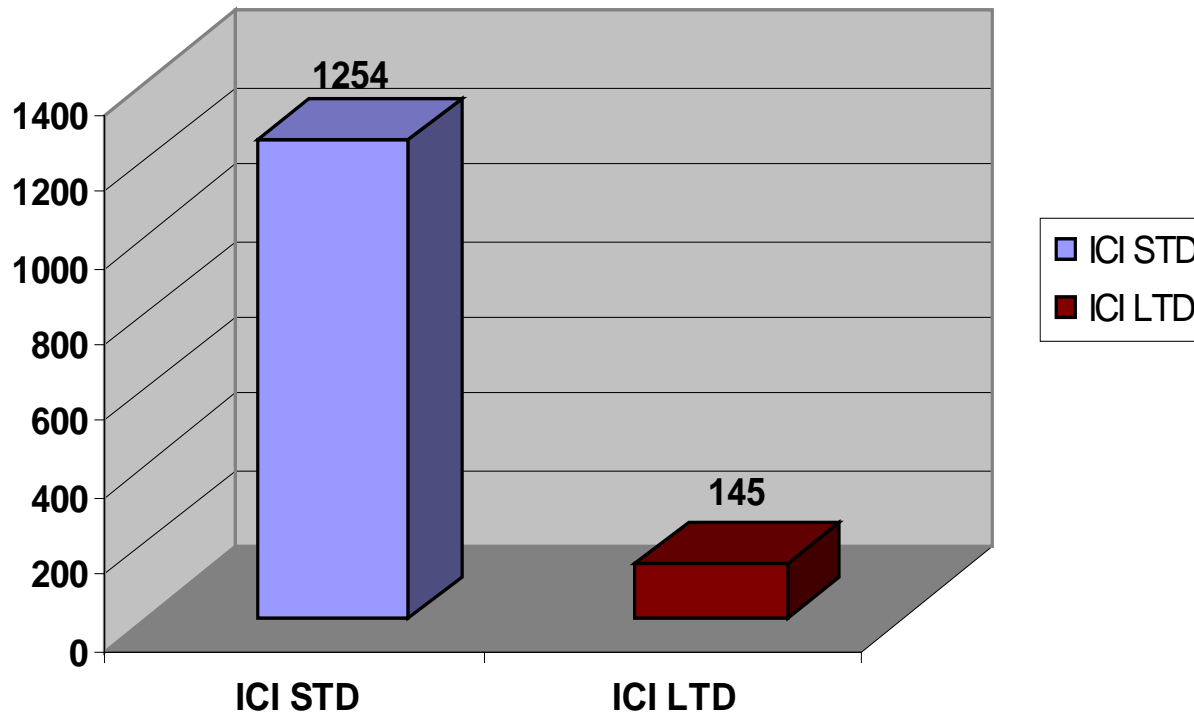
5 Years State ICI Claims



- ICI State claims are the most numerous of the ETF disability programs
- Claims had initiation highs in 2005 and 2006 that have since leveled off in the last 3 years

2009 ICI State Program Claim Counts

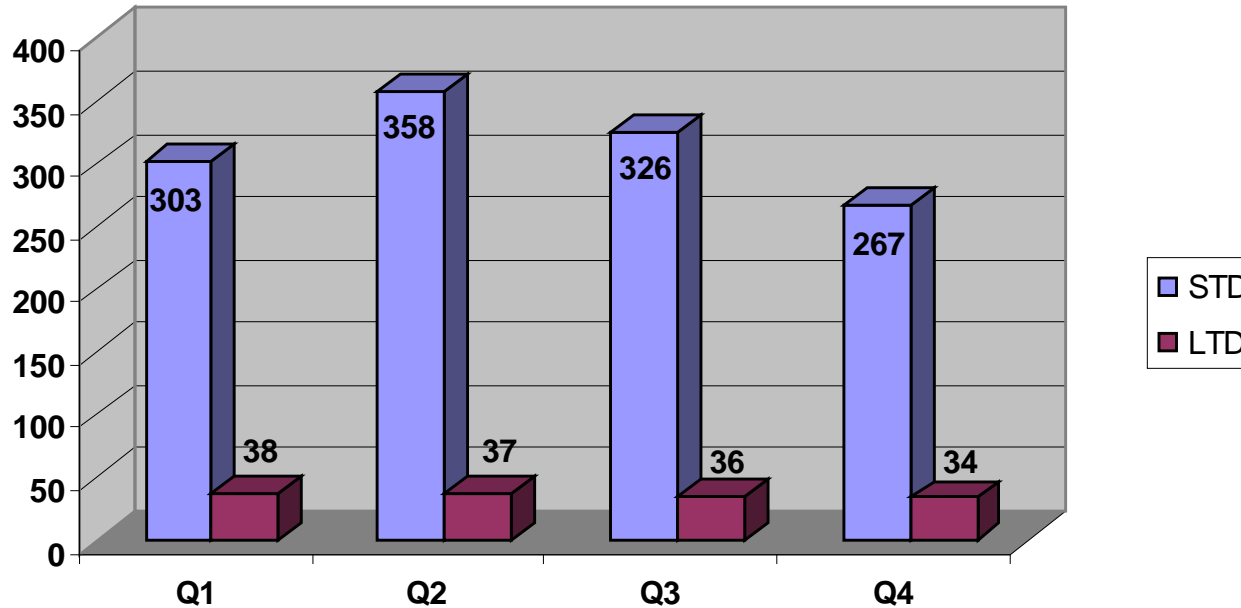
2009 New ICI State Claims - 1,399



- 1,254 New ICI State Short-Term Disability (STD) claims in 2009
- 145 State ICI claims moved into the Long-Term Disability (LTD) phase
 - An ICI STD claim becomes LTD after one year

ICI State STD/LTD by Quarter - 2009

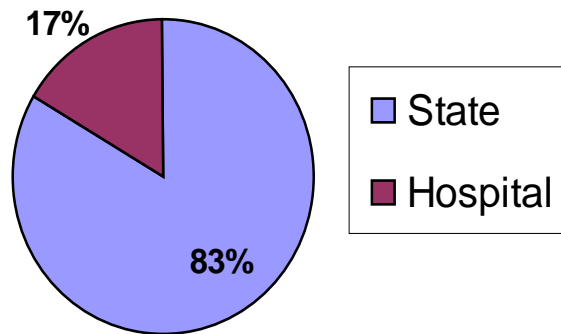
2009 State ICI by Quarter



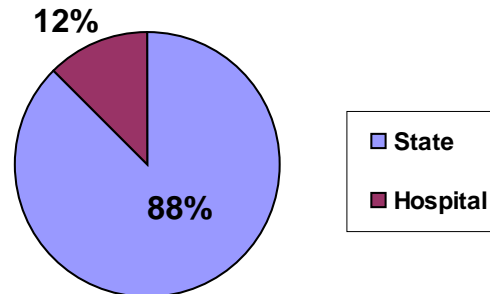
- ICI State claim initiations are fairly consistent for both STD and LTD programs by quarter
- Just over 10% of STD claims will become an LTD claim
- New claim patterns peak each year in Q2 and Q3
 - There is a very mild seasonality to new ICI claim submission

2009 State ICI Claims by Employer Type

State STD Claims by Employer Type



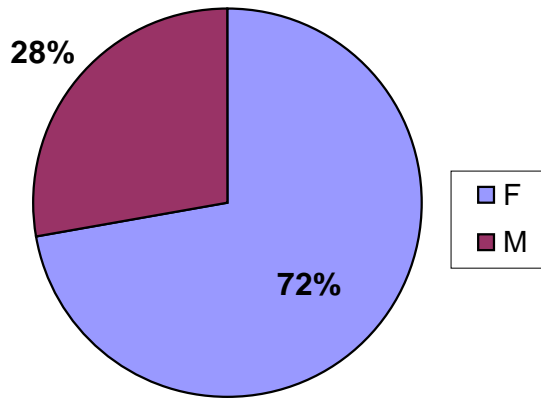
State LTD Claims by Employer Type



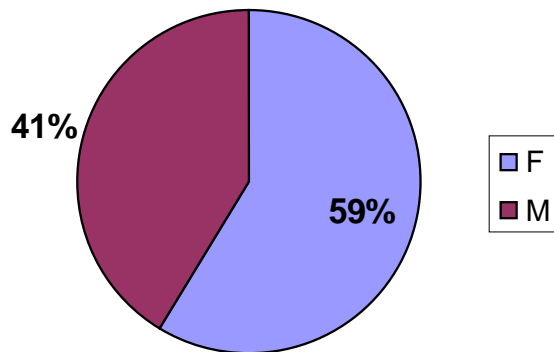
- All State ICI claims are recorded as either
 - State or Hospital
- Of the 1,254 STD claims
 - 1,044 were State
 - **210** were Hospital
- Of the 145 ICI LTD claims
 - 127 were State
 - **18** were Hospital

2009 State ICI Claims by Gender

State ICI STD by Gender



State ICI LTD by Gender



- **ICI STD**
 - 906 Claims - female
 - 348 Claims - male
 - Maternity as an exclusive category for female - supports the ratio and is common as an STD statistic
- **ICI LTD**
 - 85 Claims - female
 - 60 Claims - male

2009 New State ICI STD

Claims by Disability

Top 14 Categories

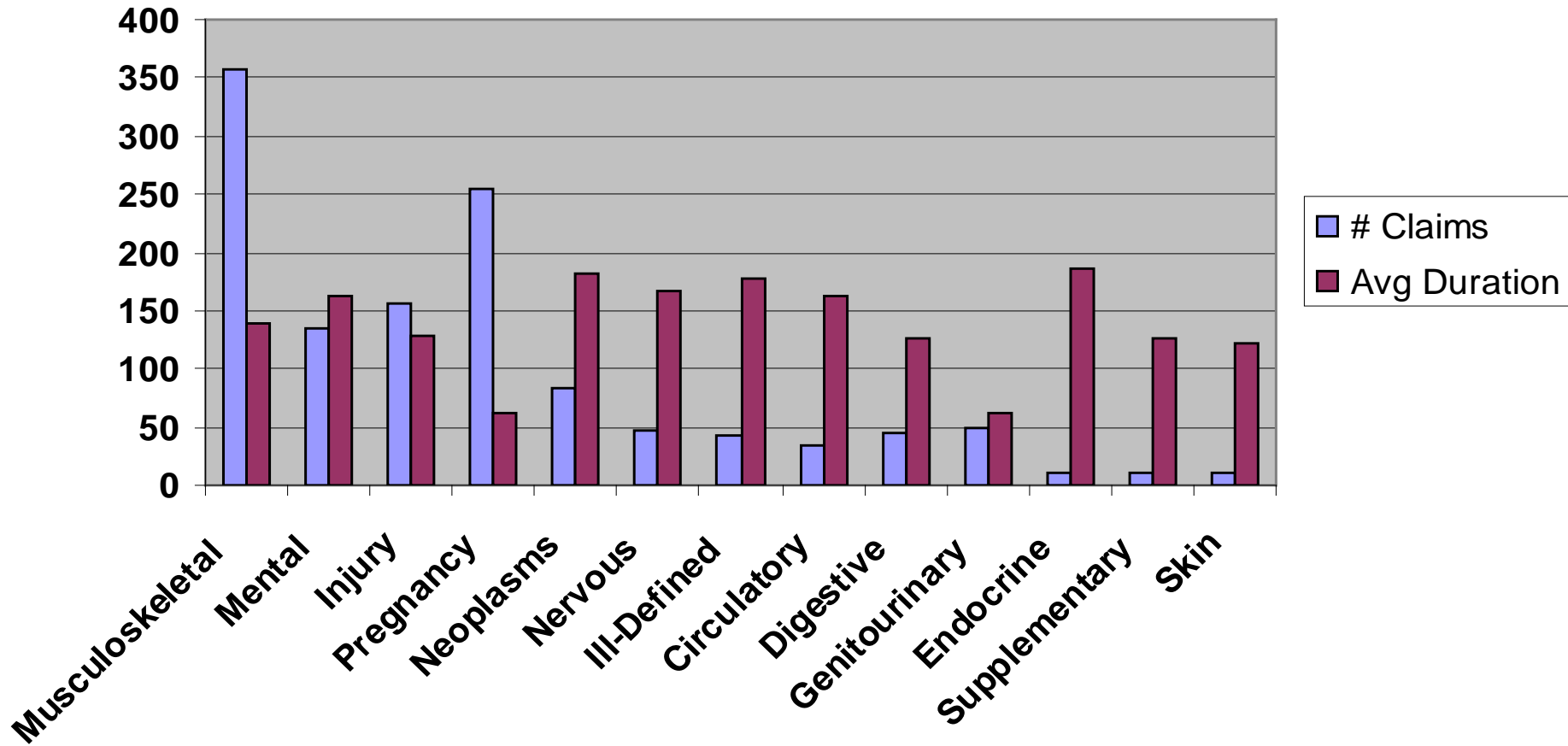
<u>Diagnosis</u>	<u># Claims</u>	<u>Days Lost</u>	<u>Avg Duration</u>
Musculoskeletal	358	49894	139
Mental Disorders	135	22043	163
Injury and Poisoning	157	20147	128
Pregnancy	254	15679	61
Neoplasm	83	15125	182
Nervous/Sense Organs	48	8043	167
Ill-Defined	42	7480	178
Circulatory System	35	5720	163
Digestive System	44	5609	127
Genitourinary System	50	3061	61
Endocrine, Immune Disorders	11	2060	187
Supplementary Classification	11	1395	126
Skin/Subcutaneous Tissue	10	1221	122

- ICI State STD comprises a majority of the volume and claim processing in administration of ETF's programs
- The chart details what medical conditions drive work absence
- Order here is according to what diagnosis is the reason for highest to lowest number of days lost for disability
- While pregnancy is second most numerous of claims, it follows mental health and injury claims in terms of total days lost from work by diagnosis
 - This is due to the fact that pregnancy claims are structured and short in duration(61 days) while mental health and injury claims last twice as long
- Neoplasm, while only a third of the number of pregnancy claims, is a diagnosis that causes almost as many net days lost

Diagnostic Categories and Durations

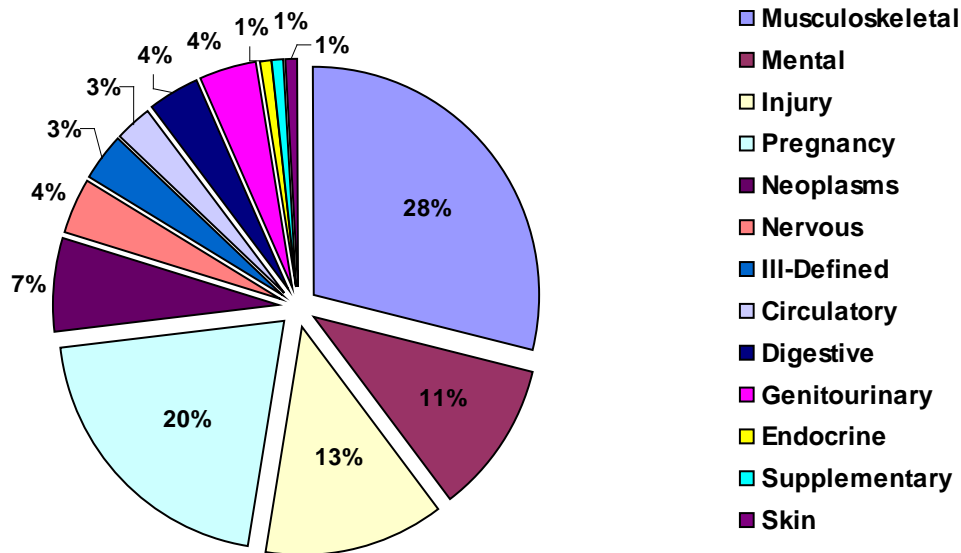
2009 ICI STD

State STD ICI Incidence and Duration



State ICI STD Diagnosis as a Percent of Claims Top 14

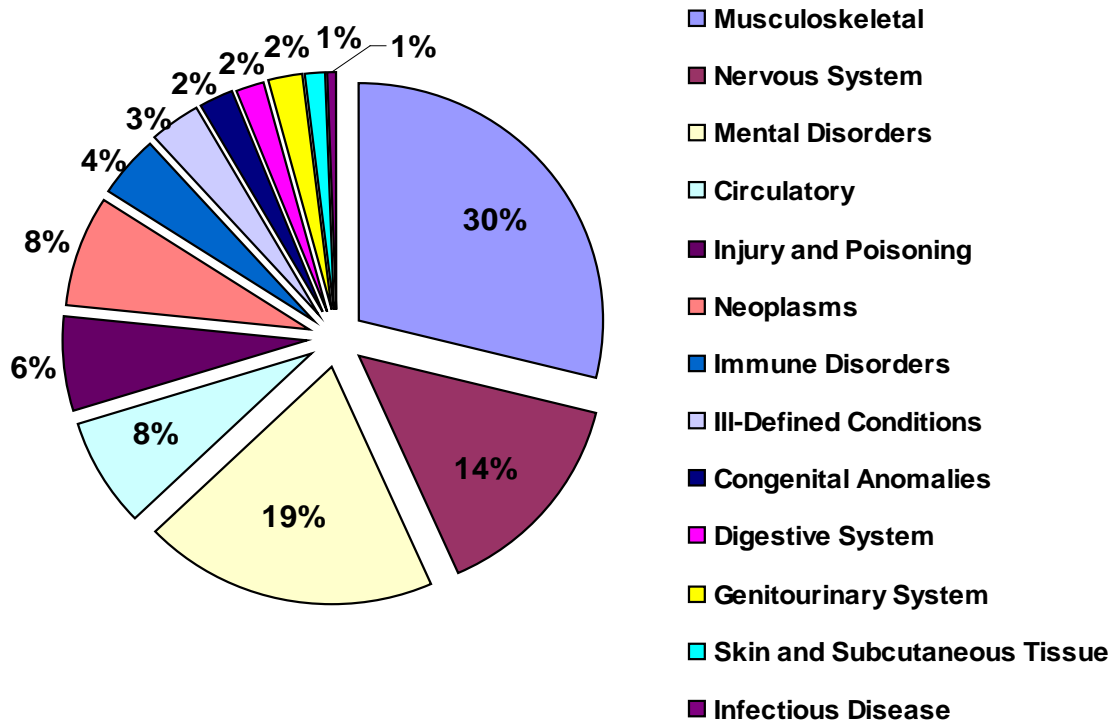
Diagnosis as Percent of Claims



- 72% of claims are generated by the top 4 diagnostic categories
- Mental health claims are only 11% of all diagnosis categories - but make up the second largest category for total days lost to disability
- Pregnancy incidence is down from last year by 4% from 2008 (24%)

2009 State ICI LTD Claims by Diagnosis

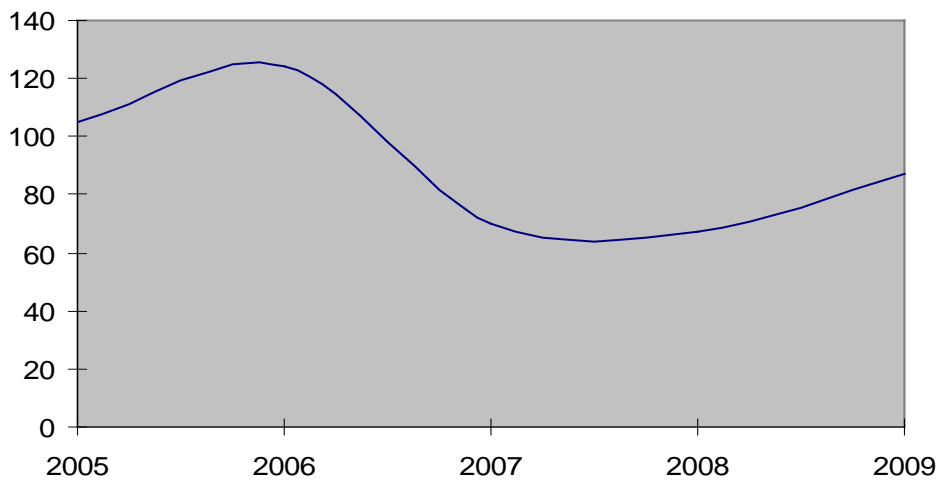
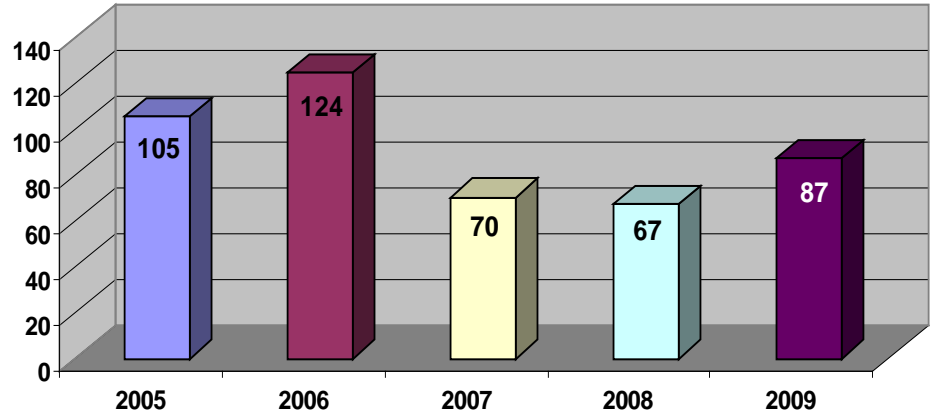
2009 State ICI LTD New Claims By Diagnosis



Musculoskeletal	42
Nervous System	21
Mental Disorders	28
Circulatory	11
Injury and Poisoning	9
Neoplasm	11
Immune Disorders	6
Ill-Defined Conditions	5
Congenital Anomalies	3
Digestive System	3
Genitourinary System	3
Skin/Subcutaneous Tissue	2
Infectious Disease	1

2009 Local ICI Claims Statistics

Local ICI Claims - 5 Year Study

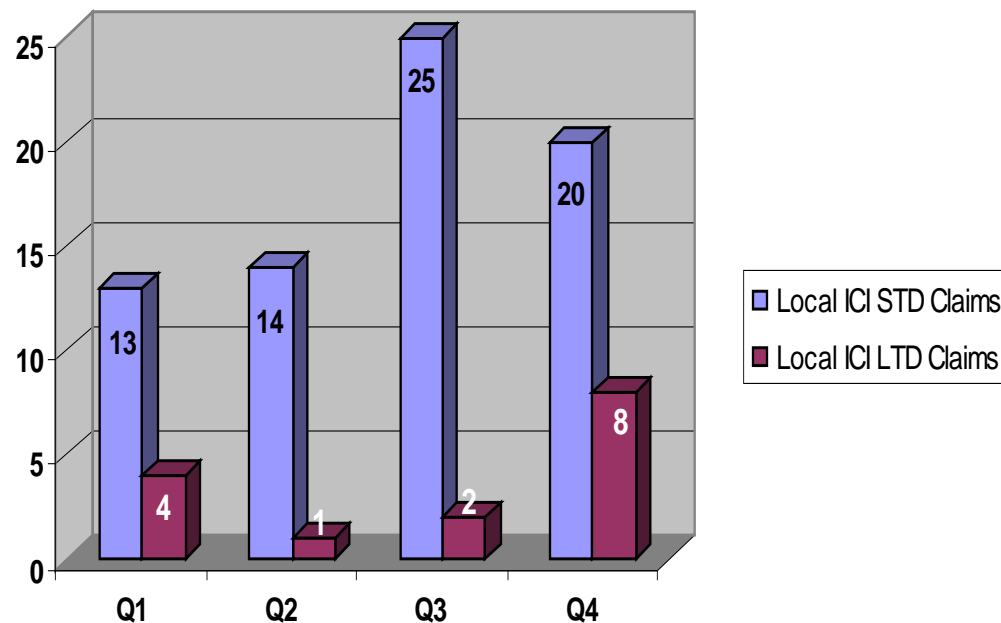


- Local ICI total new claim counts peaked in 2006 and dropped 2 years straight before rising again in 2009
- Of the 87 new local ICI claims in 2009, 72 were STD while 15 new LTD claims were initiated
- There was only one new LTD claim in the local ICI program in 2008

2009 Local ICI Claims Statistics

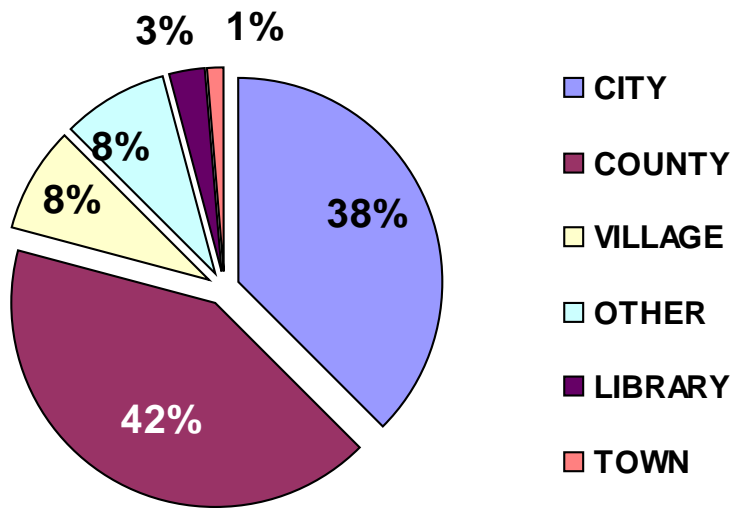
- **72 Local ICI STD claims are a majority of the Local ICI claims.**
- **There were 15 Local ICI LTD claims.**
 - **In 2008, there were 66 STD and 1 LTD**

2009 ICI Local Claims



2009 Local ICI STD Claims by Employer Type

Local ICI STD by Employer Type

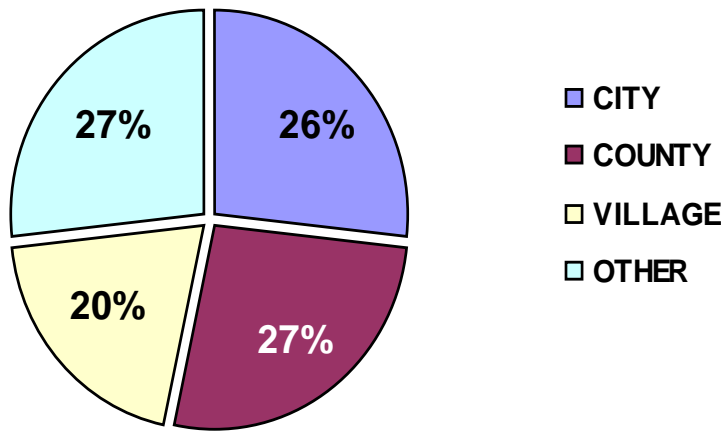


Local ICI	STD
CITY	27
COUNTY	30
VILLAGE	6
OTHER	6
LIBRARY	2
TOWN	1

- City and County make up 80% of Local ICI STD claims

2009 Local ICI LTD Claims by Employer Type

2009 Local ICI LTD Claims

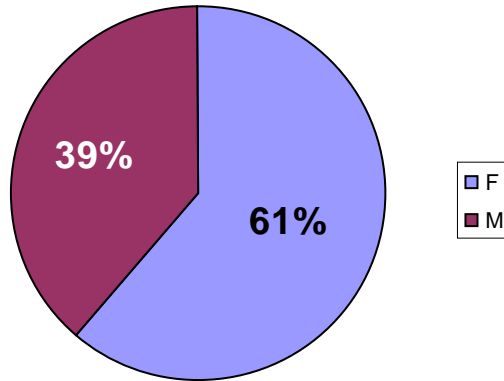


Local ICI	LTD
CITY	4
COUNTY	4
VILLAGE	3
OTHER	4

Local ICI LTD claims are spread evenly between City, County, Village and Other

2009 Local ICI Claims by Gender

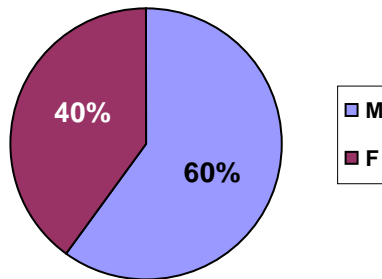
Local ICI STD by Gender



Local ICI STD

- **44 Female**
- **28 Male**
 - In 2008, there were
 - 40 Female and 26 Male

Local ICI LTD Claims by Gender

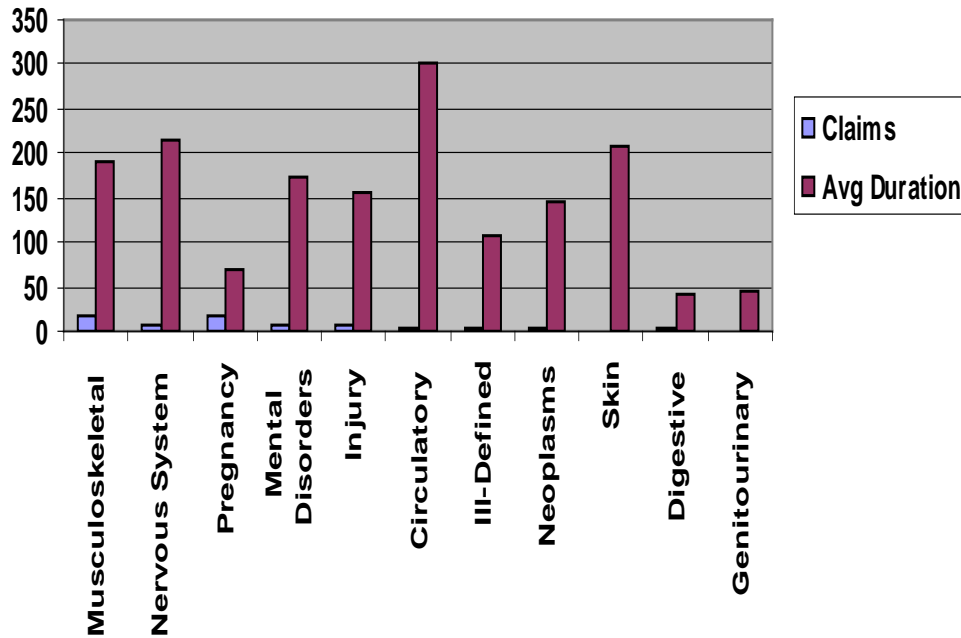


Local ICI LTD

- **9 Male**
- **6 Female**
 - In 2008, there was 1 new LTD claim – Male
- There will be more female claims in STD since maternity claims are an exclusively female diagnostic category of claims that resolve within the STD period

2009 Local ICI STD Claims by Disability Type

ICI Local STD Claims by Dx and Duration



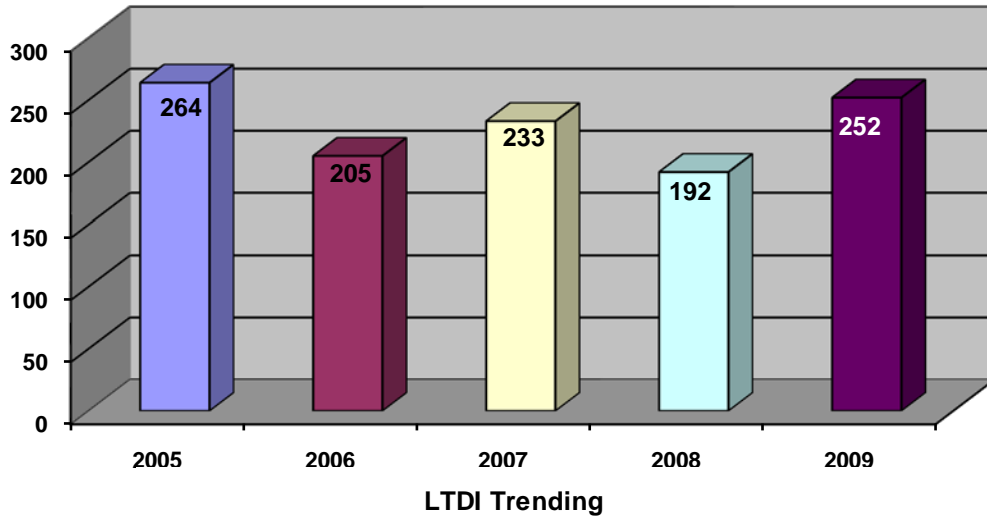
	<u>Claims</u>	<u>Days Lost</u>	<u>Avg. Duration</u>
Musculoskeletal	18	3417	189
Nervous System./Sense Organs	7	1509	215
Pregnancy	19	1303	68
Mental Disorders	7	1227	175
Injury	7	1087	155
Circulatory	2	604	302
Ill-Defined	4	437	109
Neoplasms	3	432	144
Skin/Subcutaneous Tissue	1	209	209
Digestive System	3	131	43
Genitourinary System	1	45	45

2009 Local ICI LTD Claims by Disability Type

- In 2009 - There were 15 new ICI Local LTD claims
 - 7 Musculoskeletal
 - 4 Mental health
 - 2 Nervous system /sense organs
 - 1 each - Neoplasm and circulatory
- In 2008 - there was only one new local ICI LTD claim
 - Ill-defined condition that lasted 8 days
- In 2007 - there were 6 ICI Local LTD claims
 - 2 Injury
 - 2 Musculoskeletal
 - 1 Circulatory
 - 1 Genitourinary

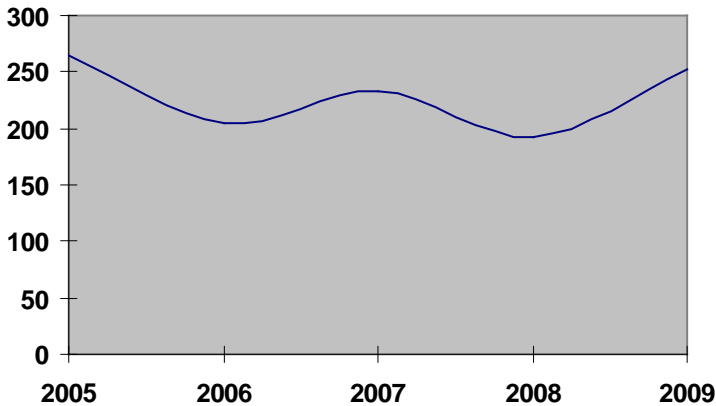
2009 New LTDI Claims

2009 New LTDI Claims



5-year data:

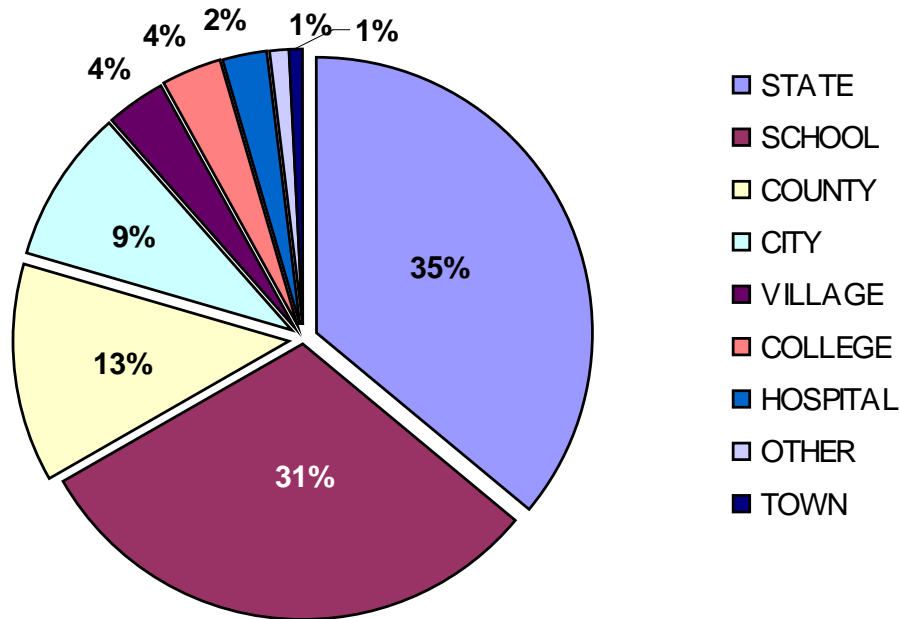
- 2005 - 264 LTDI claims
- 2006 - 205 LTDI claims
- 2007 - 233 LTDI claims
- 2008 - 192 LTDI claims
- **2009 - 252 New LTDI Claims**



- LTDI claims seem to show a 24-month increase and decrease pattern in alternating years

2009 Total LTDI Claims by Employer Type

2009 LTDI by Employer Type

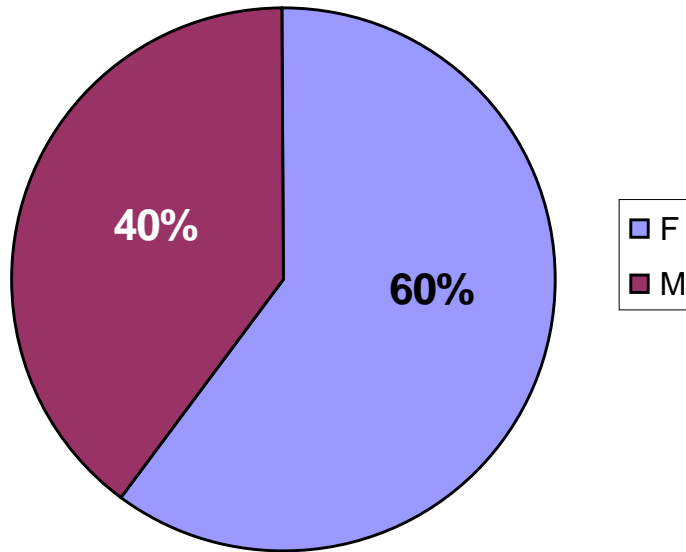


Employer	Claims
STATE	91
SCHOOL	77
COUNTY	32
CITY	23
VILLAGE	9
COLLEGE	9
HOSPITAL	6
OTHER	3
TOWN	2

- **88%** of the LTDI claims were generated out of State, School, County and City
- State employer is again the majority at **35%** (40% in 2008, 37% in 2007)
- School employers make up **31%** (26% in 2008, 21% in 2007)
- County employers make up **13%** (16% in 2008, 15% in 2007)

2009 Claims by Gender - LTDI

2009 New LTDI Claims by Gender

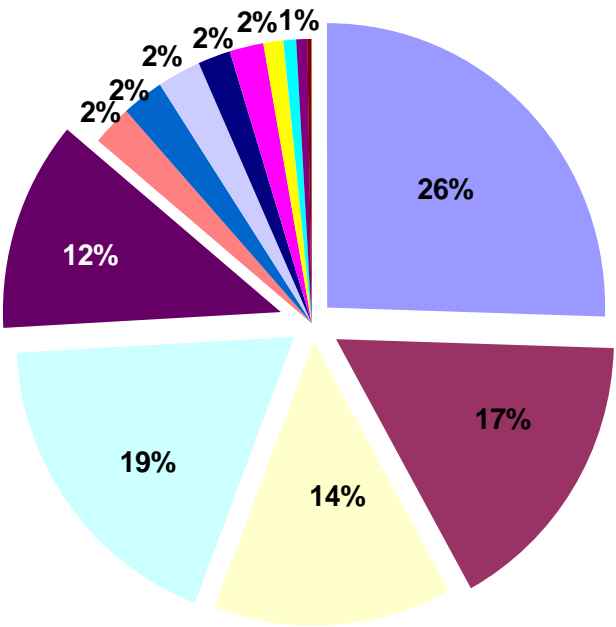


New LTDI Claims

- **151 Female LTDI claims**
- **101 Male LTDI claims**
- This lines up with WRS population
 - 38% Male
 - 62% Female

2009 New LTDI Claims 252 by Disability Type

2009 LTDI Claims by Diagnosis



- Musculoskeletal
- Mental Disorders
- Nervous/Sense Organs
- Neoplasms
- Circulatory
- Poisoning
- Genitourinary
- Digestive
- Congenital Anomalies
- Respiratory
- Ill-Defined Conditions
- Skin/Subcutaneous Tissue
- Infectious Diseases
- Endocrine

Musculoskeletal	64
Mental Disorders	41
Nervous/Sense Organs	35
Neoplasms	46
Circulatory	30
Poisoning	6
Genitourinary	6
Digestive	6
Congenital Anomalies	5
Respiratory	5
Ill-Defined Conditions	3
Skin/Subcutaneous Tissue	2
Infectious Diseases	1
Endocrine	1
Blood Disorder	1

Active Claims Summary

- The 4,406 claims contain both new and existing claims paid during 2009
- STD claims transition to LTD after one year
 - So, in the course of a year as some ICI STD claims transition to LTD, new STD claims are beginning
- LTD claims last much longer
 - which explains the higher number of active LTD claims compared to new LTD claims
 - and the associated cost of those claims



<u>Plan Type</u>	<u>Total Cost Of Claims</u>	<u>Number of Claims</u>	<u>Average Cost Per Claim</u>
LTDICI Local	\$185,475.05	42	\$4,416.07
STDICI Local	\$354,791.24	92	\$3,856.43
LTDICI State	\$6,499,101.54	1,026	\$6,334.41
STDICI State	\$8,263,083.80	1,717	\$4,812.51
LTDI	\$18,394,766.63	1,529	\$12,030.59
Total	\$33,697,218.26	4,406	\$7,648.03

Possible Program Approaches

Plan Design

- Evaluate if there is any advantage to ETF in terms of cost savings or productivity by making the STD period of a claim 6 months instead of 1 year
- STD claims generally have more frequent clinical touches and stronger focus on healthy return to work within the first 6 months of a claim
- ETF has an average STD duration that is double that of a majority of the Aetna business
- Is ETF interested in a more clinical model? Currently, the focus is on customer service but Aetna can slightly and slowly add emphasis to healthy return to work. This decision would be one made carefully and slowly as slight culture changes would have to be managed by Aetna and ETF staff jointly

Mental Health Handling

- When claims start out as one diagnosis but then last longer than 6 months- a secondary diagnosis of depression will often develop and may actually become the primary reason for the employee's absence
- Evaluate what Aetna can do in terms of its Mental Health Unit
 - This unit has a specialized clinical staff that has a focus on this particular problematic diagnosis
 - The Aetna ETF team still has ownership of the claim but can refer to this specialized area for even more concentrated attention

Integration

- Aetna can currently coordinate with ETF's other benefit vendors
 - Life Insurance, Health Insurance, Disease Management, Wellness

Technology

- Aetna can offer even more data to ETF with the WKAB Web system
- If ETF were able to feed any information to Aetna electronically, Aetna could provide even more accurate and richer diagnostic and cost information to ETF

Wellness

- Can Aetna help the State of WI with any wellness approaches?

Approach for 2010



- **Maintain customer service levels**
- **Maintain staffing strength, experience and numbers**
- **Continue to mold Aetna approaches according to ETF's program**
- **Look for program efficiency and enhancement opportunities – be consultative where possible**
- **Look to ETF/GIB for priority guidance**
- **Protect program strengths while evolving the program**
- **Aetna will continue to value the relationship with the State of Wisconsin GIB and ETF**



Questions & Answers