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CORRESPONDENCE MEMORANDUM

DATE: April 23, 2013
TO: Group Insurance Board
FROM: Deb Roemer, Director
Disability Programs Bureau
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.

Aetna has met performance standards and total claim counts remain steady. A brief summary is found on page 2 of the report.

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

Attachment: ICI and LTDI Program Annual Report

Reviewed and approved by Lisa Ellinger, Administrator, Division of
Insurance Services.

Electronically Signed 4/26/13

Board	Mtg Date	Item #
GIB	5.21.13	8C

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Group Insurance Board 2012 ICI and LTDI Program Annual Report



Executive Summary

In the midst of a 5-year contract that began January 1, 2009, Aetna continued to focus the fourth year of the contract on increased operational efficiency, partnership with Employee Trust Funds (ETF) for projects and needs and exceeding customer service metrics. Aetna combines best practices in the Disability industry with the customized aspects of the ETF's Income Continuation Insurance (ICI) and Long-Term Disability Insurance (LTDI) programs.

ETF's long-standing relationship with Aetna and the maturity of the partnership results in outstanding customer service. ETF measures Aetna's customer service four ways: phone performance, claim decision turnaround times, evidence of insurability approvals and customer phone surveys. Aetna has met or exceeded all three key measurements for 2012. Ombudsperson activity has significantly decreased over the last 9 years and the activity in 2011 and 2012 did not require any intervention. Overall, service is very good between ETF, claimants and Aetna.

Since 2009, ETF has seen its total claim count increase between 1% and 3% each year. From 2011 to 2012 claims increased 2%. Aetna administers two disability programs for ETF: ICI and LTDI. For the purposes of this report, ICI is broken out by State and Local ICI programs and then separated by Short-Term Disabilities (STD) and Long-Term Disabilities (LTD). State and Local ICI claims decreased from 2011 to 2012. State ICI claims decreased by 5% and Local ICI claims decreased by 18%. LTDI claims increased by 35% from 2011 to 2012. Aetna attributes the influx in LTDI claims to the phase out of ETF's Wis. Stats. \$40.63 program. The phase out of the \$40.63 program makes less employees eligible for \$40.63 and more employees eligible for only LTDI. State ICI has the most number of disability claims; however LTDI has the most dollars associated with disability claims.

Top diagnoses for all disability programs include: musculoskeletal disorders, mental health disorders, neurological disorders, oncologic disorders and injuries. With aging populations, musculoskeletal disorders are common claims in Aetna's book of business and in the public sector as an industry. Common claims in this category include back pain, degenerative conditions and osteoarthritis. Mental health disorders are lengthier claims and drive program durations. Neurological disorder claims are still becoming more prevalent and serious – these types of claims are driven by multiple sclerosis, Parkinson disease and neuropathy due to complications of diabetes. Oncologic disorders are still prevalent in 2012.

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 2012. Aetna will review customer service metrics as well as the disability programs. Disability programs that will be reviewed are State ICI, Local ICI and LTDI. For all programs, Aetna will review the claim counts, claim demographics and claim diagnoses.

Ombudsperson Activity

Aetna's Ombudsperson activity has substantially decreased over the last nine years. Ombudsperson activity in 2004 included 171 contacts a year, and in 2011 and 2012 there were only 5 to 10 contacts. The contacts that were made in 2011 and 2012 were where the Ombudsperson fielded policy and overpayment questions. Aetna's Ombudsperson reported that there were no contacts in 2011 or 2012 that required intervention, meaning that none of the contacts required any type of escalation that went beyond providing information or education to the member. Aetna attributes the decreased Ombudsperson activity to Aetna's claim staff effectively handling issues that in the past required Ombudsperson intervention.

Below is a table of all Ombudsperson contacts for ICI and LTDI since 2004:

Ombuds Activity	
2004	171 contacts
2005	61 contacts
2006	16 contacts
2007	19 contacts
2008	13 contacts
2009	10 contacts
2010	Less than 10 contacts
2011	5 - 10 contacts
2012	5 - 10 contacts

2012 Performance Measures

ETF measures Aetna's performance by four categories: phone statistics, evidence of insurability (EOI) processing, claim decision turnaround times and customer phone surveys. This section will focus on those results.

Phone Statistics

Aetna's phone technology has continuously improved, and Aetna's performance remains consistent with claim volume fluctuation throughout the last five years. Aetna attributes the success of the results to the "Claim Owner model", Aetna's phone technology, and an efficient use of resources.

With the Claim Owner Model, after reporting a claim, the claimant is immediately assigned an Aetna contact for the life of the disability claim. This model allows for effective customer service by providing consistency. ETF claimants can call their claim manager directly and not have to go through a call pool.

Aetna's phone technology allows Aetna to be nimble and flexible with ETF's immediate needs. The phone technology permits the monitoring of ETF claimant call volume by Aetna Operations managers, and allows Aetna Operations managers to shift resources if volume is exceeding the capacity of allocated staff.

Lastly, Aetna has national back up staff and systems in case of power outages, weather issues, or other interference with normal operations. With the effective use of resources, ETF claimant calls can be fielded in any circumstance.

Aetna's phone performance standards are the following:

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

All call metrics in 2012 were exceeded. Please see table below with performance results:

Call Metrics			
Quarter	Calls Received	Level of Service	Calls Abandoned
1st Quarter	2,685	94%	1.60%
2nd Quarter	2,601	91%	2.50%
3rd Quarter	1,689	93%	2.60%
4th Quarter	1,714	92%	2.50%
Annual	8,689	92%	2.30%

Over the course of five years, Aetna has evaluated phone technology and process in order to meet and exceed ETF’s performance standards. Please see table below which demonstrates this effort with the telephone performance standards over the last five years:

Telephone Performance Standards					
	2012	2011	2010	2009	2008
Number of Phone Calls	8,689	10,461	9,605	8,646	10,775
Answered - 60 seconds	92%	93%	93%	90%	94%
Abandoned	2.3%	1.7%	2.4%	2.9%	1.6%

2012 Evidence of Insurability (EOI)

The performance standard for EOI processing is that Aetna sends a determination notice to the applicant of EOI within 15 days of Aetna receiving all information required to render a decision. Aetna met this standard in both 2011 and 2012 with no exceptions.

Aetna processed 291 EOI applications for ETF members. Of the 291 applications processed, 225 were approved and 66 were denied. Of the 66 denied, 39 were denied due to a pre-existing condition, 23 were denied due to no medical information received, and 4 were denied to due height & weight requirements.

Claim Decision Turnaround Time

ETF measures Aetna’s performance by Claim Decision Turnaround Time. With this measure, Aetna must provide a claim determination with written notice to the claimant no later than 15 days from receipt of all information needed to make a determination. Aetna met this performance guarantee for 2012 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 2012 was **4.59** out of 5. For LTD ICI and LTDI, Aetna’s average score for 2012 was **4.62** out of 5. Aetna prides itself as being an extension of the ETF team, and the claimant satisfaction survey results are a reflection on level of service provided to ETF claimants.

2012 New Claims Experience

This section of the annual report will focus on *new claims* in 2012. Overall, ETF has seen between a 1% and 3% increase in claims each year from 2009 to 2012. Total claims in 2012 were up 2% from 2011. On the State ICI level, claims normalized in 2012 after a spike in 2011. Local ICI claims decreased by 18% in 2012. LTDI claims increased by 35% in 2012

Claim Counts by Product							
State ICI		Local ICI		LTDI		Total	
2012	1,663	2012	90	2012	554	2012	2,307
2011	1,740	2011	110	2011	409	2011	2,259
2010	1,662	2010	100	2010	436	2010	2,198
2009	1,657	2009	111	2009	394	2009	2,162

State ICI – STD & 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 his or her position. After the first twelve (12) months the claim transitions 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 a majority of the volume and claim processing in Aetna's administration of ETF's programs. State ICI claims make up 72% of all ETF claims. This is a decrease from 2011, where State ICI claims made up 77% of all ETF claims.

Of all 1,663 State ICI claims in 2012, 1,416 claims were for STD and 247 claims were for LTD. Please see table below for quarterly STD and LTD ICI claim counts.

State Quarterly Claim Counts		
	STD ICI	LTD ICI
Q1	344	85
Q2	359	58
Q3	372	47
Q4	341	57

From a demographic perspective, STD ICI claims are made up of 951 females and 465 males, LTD ICI claims are made up of 156 females and 91 males. Females encompass about 60% of all State ICI claims.

Musculoskeletal claims continue to drive STD ICI durations and utilizations in 2012. Musculoskeletal claims are “wear and tear” type diagnoses that increase with an aging population. Typical musculoskeletal claims include back pain, osteoarthritis and other degenerative conditions. Obstetric care and mental health disorders remain in the top categories for diagnoses. Obstetric care has a high claim count; however the average duration is short. Mental health disorders rank in the top three diagnoses for claim count, total duration days and average duration. The table below details the medical conditions that drive work absence. The table is ordered highest to lowest based on the number of days lost for disability.

State STD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL DISORDERS	475	66575	140
MENTAL HEALTH DISORDERS	154	26681	173
OBSTETRIC CARE	294	16261	55
RHEUMATOLOGIC DISORDERS	90	13891	154
NEUROLOGIC DISORDERS	56	9906	176
ONCOLOGIC DISORDERS	52	8867	170
DIGESTIVE DISORDERS	54	5888	109
CARDIAC DISORDERS	24	2743	114
RESPIRATORY DISORDERS	17	2316	136
NONSPECIFIC DISORDERS	10	2269	226
SKIN DISORDERS	15	1756	117
GYNECOLOGIC DISORDERS	33	1590	48
INJURY/POISONING	86	1066	12

In both 2011 and 2012, LTD ICI durations and utilizations are also driven by musculoskeletal and mental health disorder claims (see table below). In 2012, these two diagnosis categories comprised 65% of total duration days for all LTD ICI claims, which is slightly up from 2011 when the two categories comprised 60% of all duration days. Claims from 2011 and 2012 mirror the same top 5 diagnosis categories in the same order from most duration days to least duration days – musculoskeletal, mental health disorders, neurologic disorders, rheumatologic disorders and oncologic disorders.

State LTD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL DISORDERS	88	22025	250
MENTAL HEALTH DISORDERS	60	17061	284
NEUROLOGIC DISORDERS	32	8473	264
RHEUMATOLOGIC DISORDERS	20	4955	247
ONCOLOGIC DISORDERS	18	3019	167
DIGESTIVE DISORDERS	5	1242	248
SKIN DISORDERS	2	957	478
INJURY/POISONING	4	566	141
NONSPECIFIC DISORDERS	2	480	240
HEMATOLOGIC DISORDERS	2	384	192
CARDIAC DISORDERS	4	377	94
VASCULAR DISORDERS	1	370	370
ENDOCRINE/METABOLIC DISORDERS	1	200	200

Local ICI - STD/LTD

Local ICI claims in 2012 presented a 20 claim decrease from 2011. Of the 90 new claims for Local ICI, 75 were for STD and 15 were for LTD. In 2011 there were 86 STD claims and 24 LTD claims. Please see table below.

Local Quarterly Claim Counts		
	STD ICI	LTD ICI
Q1	14	6
Q2	24	1
Q3	25	6
Q4	12	2

City and County claims make up two-thirds of all Local STD ICI claims. This is an increase from 2011, where City and County claims made up 55% of all STD ICI claims; however in 2009 these employees made up 73% of claims. Please see table below for all Local STD ICI employers.

Local STD ICI	
Employer Type	Claim Count
CITY	27
COUNTY	23
VILLAGE	9
OTHER	9
TOWN	2
SCHOOL	2
FIRE DISTRICT	1
LIBRARY SYSTEM	1
ELECTRIC & WATER	1

As in previous years, the majority 2012 Local LTD ICI claims are County and City employees.

Local LTD ICI	
Employer Type	Claim Count
COUNTY	6
CITY	4
TOWN	2
OTHER	2
VILLAGE	1

From a demographic perspective, the Local STD ICI program has 40 male claims and 35 female claims for 2012. The Local LTD ICI program has 8 male and 7 female claims.

Musculoskeletal Disorders are the leading diagnosis for Local STD ICI Claims. Mental health disorders and oncologic disorders have fewer claim counts than other categories, however the total duration days are significant. Obstetric care claims typically have short durations due to the nature of the disability, which is reflected in the table below.

Local STD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL DISORDERS	26	4147	159
MENTAL HEALTH DISORDERS	5	1566	313
ONCOLOGIC DISORDERS	5	1036	207
OBSTETRIC CARE	11	675	61
ENDOCRINE/METABOLIC DISORDERS	2	638	319
NEUROLOGIC DISORDERS	3	488	162
DIGESTIVE DISORDERS	5	416	83
HEMATOLOGIC DISORDERS	1	365	365
RESPIRATORY DISORDERS	2	329	164
INFECTIOUS DISEASE	1	171	171
RENAL DISORDERS	1	152	152
INJURY/POISONING	7	135	19
VASCULAR DISORDERS	1	133	133
GYNECOLOGIC DISORDERS	2	71	35
EAR/NOSE/THROAT DISORDERS	1	69	69

Musculoskeletal disorders also lead Local LTD ICI claims for claim count and total duration days.

Local LTD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL DISORDERS	9	809	89
ONCOLOGIC DISORDERS	2	662	331
NEUROLOGIC DISORDERS	1	387	387
RHEUMATOLOGIC DISORDERS	1	385	385
MENTAL HEALTH DISORDERS	1	302	302

LTDI

LTDI claim counts rose in 2012. This section will examine the demographic and clinical patterns for 2012 LTDI claims.

In order to be disabled for LTDI, the claimant must be unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or to be of a long-continued and indefinite duration.

67% of all LTDI claims are made up of School and State claims. This is true for prior years, too. When looking at Employer Type, in 2011 State and School categories made up 63% of LTDI claims and in 2010 they made up 62% of LTDI claims. County and City employers make up 19% of all LTDI claims, which is also a similar distribution of years past. Please see table below.

LTDI	
Employer Type	Claim Count
STATE	203
SCHOOL	170
COUNTY	65
CITY	42
HOSP. BD & AUTHORITY	21
OTHER	16
COLLEGE	14
TOWN	10
VILLAGE	10
ELECTRIC & WATER	1
FIRE DISTRICT	1
LIBRARY SYSTEM	1

Of the 554 LTDI claims, 351 are claims for women and 203 are claims for men. The WRS population is 68% female and 32% male, so the LTDI claims are in line with the total population demographics.

LTDI claims have the longest claim durations of Aetna-administered ETF disability programs, and the conditions are the most serious. In 2012, injury and musculoskeletal claims made up the two top diagnoses, comprising almost half of all LTDI claims. In 2010, 2011, and 2012 the top 6 categories for LTDI consisted of the same categories - injury/poisoning, musculoskeletal, neurologic, mental health disorders, oncologic disorders and rheumatologic disorders - however in different rankings (Tables for 2011 & 2012 shown below).

LTDI Claim Count by Top 6 Diagnostic Categories				
2012 LTDI			2011 LTDI	
Diagnosis	Claims		Diagnosis	Claims
INJURY/POISONING	145		MUSCULOSKELETAL DISORDERS	83
MUSCULOSKELETAL DISORDERS	112		NEUROLOGIC DISORDERS	69
NEUROLOGIC DISORDERS	70		MENTAL HEALTH DISORDERS	62
MENTAL HEALTH DISORDERS	64		INJURY/POISONING	47
ONCOLOGIC DISORDERS	52		ONCOLOGIC DISORDERS	35
RHEUMATOLOGIC DISORDERS	31		RHEUMATOLOGIC DISORDERS	26
CARDIAC DISORDERS	14		RESPIRATORY DISORDERS	12
ENDOCRINE/METABOLIC DISORDERS	6		CARDIAC DISORDERS	12

Active Claims Summary

The 2012 and 2011 tables below contain both new and existing claims paid in 2012 and 2011 respectively. These are not just new claims, but rolling numbers of active claims with a snapshot taken at the end of the calendar year.

In 2012 the “Total Cost of Claims” went up by \$3,104,404 and the total number of claims **paid** went up by 244 claims. The average cost per claim actually decreased in 2012 by \$853.47. With the increase in number of claims for LTDI, the continued increase in the “Total Cost of Claims” can be expected. LTDI claims last the longest of all Aetna-administered ETF disability plans; therefore the costs will always be the highest average cost per claim.

2012			
Plan Type	Total Cost of Claims	Number of Claims	Average Cost Per Claim
LTDICI Local	\$ 467,572.57	57	\$ 8,203.03
STDICI Local	\$ 402,190.14	98	\$ 4,103.98
LTDICI State	\$ 7,457,055.33	1,125	\$ 6,628.49
STDICI State	\$ 9,325,911.70	1,834	\$ 5,085.01
LTDI	\$ 25,721,930.22	2,090	\$ 12,307.14
Total	\$ 43,374,659.96	5,204	\$ 7,265.53

2011			
Plan Type	Total Cost of Claims	Number of Claims	Average Cost Per Claim
LTDICI Local	\$ 302,741.99	53	\$ 5,712.11
STDICI Local	\$ 486,193.66	102	\$ 4,766.60
LTDICI State	\$ 7,387,255.41	1,067	\$ 6,923.39
STDICI State	\$ 9,463,361.59	1,868	\$ 5,066.04
LTDI	\$ 22,630,703.31	1,870	\$ 12,101.98
Total	\$ 40,270,255.96	4,960	\$ 8,119.00

Conclusion

Overall, ETF's disability programs with Aetna are running very well. Customer service metrics were all exceeded in the areas of ombudsperson activity, phone performance, claim decision turnaround times, evidence of insurability and customer service surveys. All of ETF's disability claims increased by 2% from 2011 to 2012, however LTDI claims increased 35% from 2011 to 2012. The cost of claims went up from 2011 as a result of increased claim counts in 2012, even though the average cost per claim went down. Key diagnoses that drive disability claims are musculoskeletal disorders and mental health disorders.

For 2013, Aetna will continue to build operational efficiencies and customer service gains by partnering with ETF and the Group Insurance Board. Key areas of focus for 2013 are Aetna's technology, staffing and business processes. The strengths of the partnership between ETF and Aetna are the open lines of communication, experience and tenure of the team, and Aetna's desire to meet changing needs at ETF while still utilizing Aetna's best practices. Aetna will continue to advocate for ETF and the Group Insurance Board internally at Aetna and look to ETF for program direction.