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CORRESPONDENCE MEMORANDUM

DATE: 04/25/14

TO: Group Insurance Board

FROM: Gina Fischer, Policy Analyst
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. A brief summary is found on page 2 of the report.

Aetna has met all performance standards.

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

Electronically Signed:
05/02/2014

Board	Mtg Date	Item #
GIB	5.21.14	6C

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Group Insurance Board 2013 ICI and LTDI Program Annual Report



Executive Summary

Employee Trust Funds (ETF) and Aetna Life Insurance Company's partnership continues in 2014 with the disability programs. Aetna begins the first year of the two-year contract extension meeting customer service metrics. In 2013, ETF and Aetna focused on operational efficiencies for the disability programs. A project to automate a Long-Term Disability Insurance (LTDI) administrative process resulted in a savings of 168 hours of full-time employee expenses for ETF and a savings of 40 hours of overtime expenses for Aetna. The partnership also focuses on simplifying the experience for ETF employees on disability claim. An example of this is the increased utilization of Aetna's online and mobile technology available to ETF claimants. Aetna continues to combine best practices in the Disability industry with the customized aspects of ETF's Income Continuation Insurance (ICI) and Long-Term Disability Insurance (LTDI) programs.

ETF's long-standing relationship with Aetna and the maturity of ETF's tenured Aetna operations team results in outstanding customer service. ETF evaluates 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 four key measurements for 2013. Ombudsperson activity has significantly decreased over the last 9 years and the activity between 2011-2013 did not require any intervention. Overall, service is very good between ETF, claimants and Aetna.

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). From 2009 through 2012, ETF's total new claim count steadily increased between 1% and 3% each year. From 2012 to 2013, the new claim count decreased by 1%. In 2013, new State ICI claims decreased by 1% while new Local ICI claims increased by 44%. LTDI claims normalized with an 8.5% decrease from 2012 to 2013 after a spike in claims in 2012. 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, mental health, and neurological conditions. With aging populations, musculoskeletal conditions 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 conditions are lengthier claims and tend to drive program durations. As with 2012 trends, neurological 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.

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 2013. In addition, 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 statuses, claim demographics and claim diagnoses.

2013 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. Furthermore, 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 quarterly and annual call metrics in 2013 were met. Please see table below with performance results:

Call Metrics			
Quarter	Calls Received	Level of Service	Calls Abandoned
1st Quarter	2,278	90.0%	3.2%
2nd Quarter	2,394	90.6%	2.0%
3rd Quarter	2,039	90.9%	3.0%
4th Quarter	1,863	92.2%	1.5%
Annual	8,574	91.0%	2.4%

Over the 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					
	2013	2012	2011	2010	2009
Number of Phone Calls	8,574	8,689	10,461	9,605	8,646
Answered - 60 seconds	91%	92%	93%	93%	90%
Abandoned	2.4%	2.3%	1.7%	2.4%	2.9%

2013 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 has met this standard since 2011 with no exceptions.

In 2013 Aetna processed 266 EOI applications for ETF members. Of the 266 applications processed, 204 were approved and 62 were denied. Of the 62 denied, 33 were denied due to a pre-existing condition, 21 were denied due to no medical information received, and 8 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 2013 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 2013 was **4.84** out of 5. For LTD ICI and LTDI, Aetna's average score for 2013 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.

2013 New Claims Experience

This section of the annual report will focus on *new claims* in 2013. Overall, ETF has seen between a 1% and 3% fluctuation in new claims each year from 2009 to 2013. Total new claims in 2013 were down 1% from 2012. State ICI claims continue to normalize after a spike in 2011. Local ICI claims increased by 44% from 2012 to 2013, although typically the fluctuation from year to year is +/- 10%. LTDI claims increased by 35% in 2012; however the claims decreased by 8.5% in 2013.

New Claim Counts by Product							
State ICI		Local ICI		LTDI		Total	
2013	1,648	2013	130	2013	507	2013	2,285
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 – 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 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 continue to make up 72% of all new ETF claims in 2012 and 2013. This is a decrease from 2011, where State ICI claims made up 77% of all new ETF claims.

Of all 1,648 new State ICI claims in 2013, 1,414 claims were for STD and 234 claims were for LTD. State STD ICI claims cyclically have the highest counts in 2nd and 3rd Quarter. Please see table below for quarterly STD and LTD ICI new claim counts.

State Quarterly Claim Counts		
	STD ICI	LTD ICI
Q1	341	64
Q2	365	55
Q3	365	59
Q4	343	56

From a demographic perspective, STD ICI claims are made up of 1,014 females and 400 males, LTD ICI claims are made up of 135 females and 99 males. Females encompass about 70% of all State ICI claims. The average age for a female on STD ICI is 42 years old and for a male is 47 years old. For LTD ICI, the average age of a female on claim is 49 and the average age of a male is 50.

Musculoskeletal claims continue to drive State STD ICI lost work days and utilizations in 2013. Musculoskeletal claims are “wear and tear” diagnoses that increase with an aging population. Typical musculoskeletal claims include back pain, osteoarthritis and other degenerative conditions. Obstetric care and mental health claims remain in the top categories for diagnoses for ETF. Obstetric care has a high claim count; however the average duration is short. Mental health claims 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 and does not include claims with a “Withdrawn” status or claims that were “Denied”. The “Other” category includes all diagnostic categories reporting less than 10 claims for 2013.

State STD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL	457	61606	134
MENTAL HEALTH	166	30245	182
OBSTETRIC CARE	294	16771	57
RHEUMATOLOGIC	108	15187	140
NEUROLOGIC	56	13128	234
ONCOLOGIC	62	11884	191
OTHER	48	8416	171
DIGESTIVE	50	5119	102
CARDIAC	30	3960	132
INJURY/POISONING	62	3327	53
RESPIRATORY	18	3088	171
GYNECOLOGIC	39	2293	58

LTD ICI durations and utilizations trends remain consistent and are driven by musculoskeletal and mental health claims (see table below). From 2011-2013, these two diagnosis categories comprise over 60% of total duration days for all LTD ICI claims. Claims between 2011 and 2013 have the same top 4 diagnosis categories in the same order from most duration days to least duration days – musculoskeletal, mental health, neurologic, and rheumatologic conditions. The “Other” category includes all diagnostic categories with less than 5 claims reported. This table does not include claims with a “Withdrawn” status or claims that were “Denied”.

State LTD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL	73	22257	304
MENTAL HEALTH	58	20157	347
NEUROLOGIC	30	8937	297
OTHER	19	5470	224
RHEUMATOLOGIC	16	4809	300
CARDIAC	6	2718	453
ONCOLOGIC	9	2622	291
DIGESTIVE	5	550	110

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

Local ICI claims in 2013 presented a 44% claim increase from 2012. Of the 130 new claims for Local ICI, 110 were for STD and 20 were for LTD. In 2012 there were 75 STD claims and 15 LTD claims. Please see table below.

Local Quarterly Claim Counts		
	STD ICI	LTD ICI
Q1	21	3
Q2	30	6
Q3	27	6
Q4	32	5

In 2012 and 2013 City and County claims make up 67% 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. City and County claims have historically been leading employer types for Local LTD ICI claims. Please see table below for all Local ICI claim counts by employer type.

Local ICI		
Employer Type	STD Claim Count	LTD Claim Count
CITY	38	7
COUNTY	36	5
OTHER	17	2
TOWN	8	0
VILLAGE	6	4
SCHOOL	3	0
LOCAL	2	1
FIRE DISTRICT	0	1

From a demographic perspective, the new claim counts for the Local STD ICI program were 68 female and 42 male claims for 2013. The average age of a female on a Local STD ICI claim was 40 and a male was 49. The Local LTD ICI program had 12 male and 8 female claims. The average age of a female on a Local LTD ICI claim was 49 and a male was 53.

Musculoskeletal conditions are the leading diagnosis for Local STD ICI Claims. Neurologic conditions have fewer claim counts than other categories, however the total duration days are significant. Although the claim count is high for Obstetric care claims, typically these types of claims have short durations due to the nature of the disability. The “Other” category includes all claims with only one claim recorded in a diagnostic category. Claims with a “Withdrawn” status and claims that were “Denied” are not included in the table below.

Local STD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
MUSCULOSKELETAL	38	5503	144
NEUROLOGIC	7	1959	279
OBSTETRIC CARE	34	1946	57
DIGESTIVE	4	1018	254
CARDIAC	5	1000	200
OTHER	4	626	157
RHEUMATOLOGIC	6	574	95
ONCOLOGIC	3	308	102
INJURY/POISONING	7	176	25

Neurologic, musculoskeletal and mental health conditions lead Local LTD ICI claims for claim count and total duration days. Claims with a “Withdrawn” status are not included in the table below.

Local LTD ICI Claim - Diagnostic Categories and Durations			
Diagnosis	Claims	Total Days	Average Duration
NEUROLOGIC	4	1769	442
MUSCULOSKELETAL	5	1729	345
MENTAL HEALTH	5	1681	336
EYE	1	429	429
ONCOLOGIC	1	386	386
INFECTIOUS DISEASE	1	378	378
RESPIRATORY	1	373	373
HEMATOLOGIC	1	86	86

LTDI

Claim counts stabilized and decreased slightly in 2013 after a 35% increase from 2011 to 2012. In general, Aetna would expect to see claim counts increase each year as the number of employees who are eligible to choose between Wis. Stat. 40.63 Disability Retirement benefits and LTDI benefits decreases, and the number of individuals who are only eligible for LTDI increases.

Below is a table showing new LTDI claims by quarter.

LTDI Quarterly Claim Counts	
	LTDI
Q1	136
Q2	126
Q3	119
Q4	126

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.

Over 60% of all LTDI claims are made up of School and State claims which aligns with prior years. When looking at Employer Type, in 2012 State and School categories made up 63% of LTDI claims and in 2011 they made up 62% of LTDI claims. County and City employers make up 18% of all LTDI claims, which is also a similar distribution of years past. Please see table below.

LTDI	
Employer Type	Claim Count
STATE	188
SCHOOL	120
COUNTY	51
OTHER	48
CITY	39
HOSP. BD & AUTHORITY	28
VILLAGE	12
COLLEGE	11
TOWN	9
FIRE DISTRICT	1

Of the 507 LTDI claims, 322 are claims for women and 185 are claims for men. The latest statistics show that the WRS population is 68% female and 32% male, so the LTDI claims are in line with the total population demographics. The average age for a female on LTDI is 51 and for a male the average age is 52.

LTDI claims have the longest claim durations of Aetna-administered ETF disability programs, and the conditions are the most serious. In 2012 & 2013, injury and musculoskeletal claims made up the two top diagnoses, comprising almost half of all LTDI claims. Similar to 2012, neurologic, mental health and oncologic claims remain significant diagnoses for LTDI claims in 2013. The table below illustrates top diagnoses for LTDI claims. The “Other” category includes diagnostic categories with less than 5 recorded claims for 2013. Claims with a “Withdrawn” status and claims that were “Denied” are not included in the table.

LTDI Claim Count by Diagnostic Categories	
2013 LTDI	
Diagnosis	Claims
INJURY/POISONING	140
MUSCULOSKELETAL	89
NEUROLOGIC	67
MENTAL HEALTH	56
ONCOLOGIC	46
OTHER	18
RHEUMATOLOGIC	17
RESPIRATORY	11
DIGESTIVE	7
CARDIAC DISORDERS	6
RENAL DISORDERS	6

Active Claims Summary

The tables below contain both new and existing claims paid in 2011, 2012 and 2013. These are not just new claims, but rolling numbers of active claims with a snapshot taken at the end of the calendar year.

State ICI claims make up 36.4% of the cost of all ETF's disability programs. State STD ICI claim counts decreased in 2013 which decreased the total cost of claims for the year from 2012. State LTD ICI claim counts, as well as the total cost of claims, continued to increase in 2013.

State ICI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
STD	2013	\$ 9,179,493.34	1,775	\$ 5,171.55
	2012	\$ 9,294,015.50	1,835	\$ 5,064.86
	2011	\$ 9,463,361.59	1,868	\$ 5,066.04
LTD	2013	\$ 8,051,576.15	1,171	\$ 6,875.81
	2012	\$ 7,424,877.33	1,125	\$ 6,599.89
	2011	\$ 7,387,255.41	1,067	\$ 6,923.39

Local ICI claim counts increased in 2013, also increasing the total cost of claims for the program from 2012. With a 23% increase in claim count and in average cost per claim, Local STD ICI costs increased by \$209,164 for the year. Local LTD ICI costs continue to increase in 2013 with increased claim counts.

Local ICI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
STD	2013	\$ 611,354.07	121	\$ 5,052.51
	2012	\$ 402,190.14	98	\$ 4,103.98
	2011	\$ 486,193.66	102	\$ 4,766.60
LTD	2013	\$ 501,175.62	66	\$ 7,593.57
	2012	\$ 466,172.57	57	\$ 8,178.47
	2011	\$ 302,741.99	53	\$ 5,712.11

LTDI claims last the longest of all Aetna-administered ETF disability plans; therefore the costs will always be the higher than ICI plans for average cost per claim. ETF continues to see a trend in increasing number of paid claims and increasing average costs per claim, which results in a higher total cost of LTDI claims in 2013.

LTDI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
LTDI	2013	\$ 28,970,956.60	2,282	\$ 12,695.42
	2012	\$ 25,734,653.06	2,090	\$ 12,313.23
	2011	\$ 22,630,703.31	1,870	\$ 12,101.98

In 2013 the total cost of claims went up by \$3,992,647.18 and the total number of claims paid went up by 210 claims. The average cost per claim increased in 2013 by \$225.29. With the increase in the average cost per claim and the increase in the number of paid claims, ETF sees a 9% increase in the total cost of claims for all disability programs from 2012.

All Disability Programs (State ICI, Local ICI, LTDI)				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
All Disability Programs (State ICI, Local ICI, LTDI)	2013	\$ 47,314,555.78	5,415	\$ 7,477.77
	2012	\$ 43,321,908.60	5,205	\$ 7,252.09
	2011	\$ 40,270,255.96	4,960	\$ 6,914.03

Conclusion

ETF's disability programs with Aetna are mature and continue to run as anticipated in 2013. Customer service metrics were again all exceeded in the areas of phone performance, claim decision turnaround times, evidence of insurability and customer service surveys. In total, ETF's overall disability new claim activity decreased by 1% from 2012 to 2013, with State ICI and LTDI claims driving this small decrease because claims for those programs also decreased for the year. The cost of claims went up from 2012 as a result of increased paid-claim activity and increased average cost per claim. Key diagnoses that drive disability claims are musculoskeletal, mental health and neurologic conditions.

For 2014, Aetna will continue to focus on enhanced operational efficiencies and customer service gains by partnering with ETF and the Group Insurance Board. Key areas of focus for 2014 remain as Aetna's technology, staffing and business processes. The strengths that separate the partnership between ETF and Aetna from the rest are the open lines of communication, experience and tenure of both teams, 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.