



STATE OF WISCONSIN
Department of Employee Trust Funds
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CORRESPONDENCE MEMORANDUM

DATE: October 20, 2014
TO: Group Insurance Board
FROM: Deb Roemer, Director
Disability Programs Bureau
SUBJECT: Recommendation for Extension of the Income Continuation Insurance (ICI) and Long-Term Disability Insurance (LTDI) Administrative Services Only Contract with Aetna

Recommendation

Staff requests the Group Insurance Board (Board) exercise the option for a two-year extension of Aetna's contract for the administration of the ICI and LTDI plans.

Staff supports the two-year extension of the contract with Aetna. This would be the second and final two-year extension of the current contract. Aetna has been the third party administrator (TPA) of the ICI and LTDI programs since early 2006. At that time, Aetna purchased the disability business from our TPA, Broadspire Services, Inc. Aetna has satisfactorily administered both programs in accordance with the agreed upon standards and according to the terms of the administrative agreement. Aetna has met or exceeded performance standards related to telephone responses, evidence of insurability deadlines and customer service measures. Complaints regarding the ICI and LTDI programs have been minimal: 10 or less per year from 2009-2013. The majority of complaints have been related to duplication of benefits and overpayment issues.

The annual cost increases for this extension period will continue to be capped at the rate of inflation as measured by the National (U. S. City Average) consumer price index for all urban consumers (CPI-U).

The audit report by Wipfli, LLP on Aetna's compliance for the years 2009 through 2011 indicates that Aetna was compliant with the administrative agreement and found no significant exceptions. Wipfli identified what it described as minor issues with Aetna's reporting to the Department of Employee Trust Funds (ETF) and ensuring that

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

Electronically Signed:
10/30/2014

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documents are scanned into ETF's systems and these issues were resolved. Wipfli will be preparing an updated audit report on Aetna's compliance in 2015.

Finally, as ETF moves forward with development of a new benefits administration system, it would be prudent to leave the current contract in place. The bureau is currently evaluating all of the programs under its authority and extending the current contract will enable the bureau to focus on this evaluation without diverting resources to a new request for proposal process.

Summary

Aetna has the unique perspective and understanding of the needs and expectations required in order to administer the disability programs. All necessary systems, staff, and plan structure are already in place, which allows Aetna to continue to provide an uninterrupted, high level of service. Aetna has demonstrated the ability to continue to administer the ICI and LTDI plans in a manner that reflects the Board's and ETF's customer service values.

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