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**Correspondence Memorandum**

**Date:** April 20, 2017

**To:** Group Insurance Board

**From:** Gina Fischer, Jim Guidry, Megan Jeffers, Policy Analysts  
Deb Roemer, Director  
Benefit Services Bureau  
Division of Retirement 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.**

Attached, please find Aetna's Annual ICI and LTDI Program report. A brief summary is found on page 3 of the report.

Aetna has met all performance standards with no exceptions.

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

Attachment: 2016 ICI and LTDI Program Annual Report

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services

Electronically Signed 5/17/17

Board	Mtg Date	Item #
GIB	5.24.17	10D

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# Group Insurance Board 2016 ICI and LTDI Program Annual Report



## **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 2016. Aetna will review customer service metrics, State ICI, Local ICI, and LTDI disability programs. For all programs, Aetna will review the claim counts, claim statuses, claim demographics, and diagnostic categories. In addition, Aetna will show 2016 performance compared to 2015 performance in each category.

Aetna administers two disability programs for Employee Trust Funds (ETF):

1. Income Continuation Insurance (ICI)
2. Long-Term Disability Insurance (LTDI)

For the purposes of the annual report, ICI is broken out by State and Local ICI programs and then separated by Short-Term Disability (STD) and Long-Term Disability (LTD).

## **Executive Summary**

Employee Trust Funds (ETF) and Aetna Life Insurance Company's partnership continues in 2017. ETF's long-standing relationship with Aetna and the tenured Aetna operations team results in another year of outstanding customer service.

Aetna continues to invest in improved systems which allow for better use of resources and improved customer service.

Aetna partnered with ETF on the following efficiencies in 2016:

- Aetna continued to partner with ETF on the implementation of the electronic enrollment process for Central Payroll employers. This process was lengthier than originally thought and required a high level of collaboration between the organizations and a significant investment of time.
- Aetna provided additional reporting for the development of the new ICI enrollment and premium billing system being developed at ETF and will continue to partner with ETF on their ongoing system and program enhancements.

In addition, Aetna will be working with ETF in 2017 to sunset the LTDI program and provide detailed reporting to determine the handling of the LTDI run-off of existing claims, with no new LTDI claims being accepted after 1/1/2018.

## 2016 Performance Measures

ETF measures Aetna's performance by four categories:

1. Phone statistics
2. Evidence of insurability (EOI) processing
3. Claim decision turnaround time
4. Phone surveys

### Phone Statistics

Aetna's phone performance standards are the following:

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

In 2016 both phone performance standards were met without exception. All quarterly and annual call metrics in 2016 are shown in the table below:

Call Metrics					
2016	Total Calls Received	Service Level	Total Answered in 60 seconds	Abandonment Rate	Calls Abandoned
Q1	1,911	92.0%	1,764	1.7%	32
Q2	1,902	93.0%	1,769	3.5%	66
Q3	1,842	96.0%	1,784	1.7%	32
Q4	1,851	95.0%	1,766	1.1%	20
Total YTD	7,506	94.0%	7,083	2.0%	150

Aetna continues to evaluate phone technology and processes in order to meet and exceed ETF's performance standards. The table below demonstrates this effort with the telephone performance standards over the last five years:

Telephone Performance Standards			
Year	Total Number of Phone Calls	Total Answered in 60 seconds	Abandonment Rate
2016	7,506	94.0%	2.10%
2015	8,123	94.5%	1.1%
2014	8,345	92.0%	2.0%
2013	8,574	91.0%	2.4%
2012	8,689	92.0%	2.3%
Average over last 5 years	8,247	92.7%	2.0%

## 2016 Evidence of Insurability (EOI)

Aetna's performance standard for EOI processing is to send a determination notice to the EOI applicant within 15 days of Aetna receiving all information required to render a decision. Aetna met this performance standard in 2016 with no exceptions.

In 2016 Aetna processed 364 EOI applications for ETF members. A summary by plan is shown in the table below:

<b>Summary by Plan</b>	
Total State Applications Received:	215
Approved:	147
Denied:	68
Total Local Applications Received:	149
Approved:	118
Denied:	31
<b>Annual Total</b>	
Total Applications Received:	364
Approved:	265
Denied:	99

## Claim Decision Turnaround Time

Aetna's performance standard for Claim Decision Turnaround Time is all claims must have a claim determination with written notice to the claimant within 15 days from receipt of all information needed to make a determination. Aetna met this performance standard in 2016 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 2016 was **4.67** out of 5.
- For LTD ICI and LTDI, Aetna's average score for 2016 was **4.84** out of 5.

Aetna prides itself in being an extension of the ETF team. The claimant satisfaction survey results are a reflection of high quality service provided to ETF claimants.

## 2016 New Claim Experience

This section of the annual report will focus on *new claims* in 2016.

Historically, ETF has seen between a 1% to 3% fluctuation in new claims each year; however, in both 2015 and 2016 we saw a 6% to 7% decrease in new claims compared to the previous year.

New Claim Counts by Plan					
	2016	2015	2014	2013	2012
<b>State ICI</b>	1,434	1,581	1,645	1,648	1,663
<b>Local ICI</b>	149	137	118	130	90
<b>LTDI</b>	427	409	532	507	554
<b>Total</b>	2,010	2,127	2,295	2,285	2,307

### 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 claims may transition 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 the majority of the volume and claim processing in Aetna's administration of ETF's programs. State ICI claims account for 71% of all new ETF claims in 2016.

There were a total of 1,434 new State ICI claims in 2016. A breakdown of new claims by quarter and plan are shown in the table below:

<b>2016 State Quarterly Claim Counts</b>		
	<b>STD ICI</b>	<b>LTD ICI*</b>
Q1	305	63
Q2	301	46
Q3	303	60
Q4	300	56

*\*New LTD ICI claims are transitioned from existing STD ICI claims.*

The STD plan accounts for 84% of new State ICI claims in 2016.

Total new STD ICI claims: 1,209

Total new LTD ICI claims: 225

The claim volume of both STD and LTD State ICI claims showed a decrease of 9% compared to 2015, which totaled 1,581 State ICI claims.

From a claim demographic perspective, State STD ICI claims are made up of 66% of claims belonging to females with an average age of 41 and 34% of claims belonging to males with an average age of 48. State LTD ICI claims are made up of 57% of claims belonging to females with an average age of 49 and 43% of claims belonging to males with an average age of 50.



The table below details the medical conditions that drive work absence for the State STD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a ‘withdrawn’ status or claims that were ‘denied’. The “Injury/Poisoning” diagnostic category includes injuries due to fractures of the skull, neck and trunk, upper or lower limb, etc. Poisoning includes wrong substance given or taken in error, complications of surgical or medical care, overdose of substances, etc. The “Other” category includes all diagnostic categories reporting less than 5 claims for 2016.

<b>State STD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MUSCULOSKELETAL DISORDERS	360	55023	153
MENTAL HEALTH DISORDERS	125	22885	183
OBSTETRIC CARE	320	18391	57
RHEUMATOLOGIC DISORDERS	57	12777	224
NEUROLOGIC DISORDERS	56	11407	204
ONCOLOGIC DISORDERS	62	10519	170
CARDIAC DISORDERS	22	4194	191
DIGESTIVE DISORDERS	35	4087	117
OTHER	12	3388	282
INJURY/POISONING	45	2717	60
EYE DISORDERS	8	1982	248
GYNECOLOGIC DISORDERS	25	1621	65
RESPIRATORY DISORDERS	7	1296	185
ENDOCRINE/METABOLIC DISORDERS	7	1196	171
SKIN DISORDERS	6	1018	170

Musculoskeletal disorders continue to drive State STD ICI lost work days and utilization in 2016. Musculoskeletal claims include back pain, osteoarthritis, and other degenerative conditions.

Musculoskeletal disorders, mental health disorders, and obstetric care remain the top categories for diagnoses in 2015 and 2016 for the State STD ICI plan.

Musculoskeletal disorders average duration increased by 12 days from 2015 to 2016; however, the average duration for mental health disorders decreased by 15 days in 2016. Obstetric care continues to have a high claim count; however, the average duration for these claims remains short and only increased by four days from 2015 to 2016.

The table below details the medical conditions that drive work absence for the State LTD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a ‘withdrawn’ status or claims that were ‘denied’. The “Other” category includes all diagnostic categories reporting less than 5 claims for 2016.

<b>State LTD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MENTAL HEALTH DISORDERS	51	14812	290
MUSCULOSKELETAL DISORDERS	63	14718	234
NEUROLOGIC DISORDERS	32	9196	287
OTHER	20	4681	234
RHEUMATOLOGIC DISORDERS	7	3610	516
ONCOLOGIC DISORDERS	7	2829	404

Musculoskeletal disorders also drive the State LTD ICI plan in utilizations in 2016.

Mental health disorders, musculoskeletal disorders, and neurologic disorders remain the top diagnostic categories in 2015 and 2016 for the State LTD ICI plan.

Musculoskeletal disorders average duration decreased by 58 days from 2015 to 2016. Neurologic disorders average duration also decreased significantly in 2016 by 83 days, and mental health disorders decreased by 51 days in 2016.

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

There were a total of 149 new Local ICI claims in 2016. A breakdown of new claims by quarter and plan are shown in the table below:

<b>2016 Local Quarterly Claim Counts</b>		
	<b>STD ICI</b>	<b>LTD ICI</b>
Q1	27	9
Q2	31	4
Q3	39	7
Q4	28	4

The STD ICI plan accounts for 83% of new Local ICI claims in 2016.

Total new STD ICI claims: 125

Total new LTD ICI claims: 24

The volume of both STD and LTD Local ICI claims increased from 2015 to 2016 by 9%. In 2015, there were 124 STD claims and 13 LTD claims for a total of 137 new claims.

From a claim demographic perspective, Local STD ICI claims are made up of 67% of claims belonging to females with an average age of 35 and 33% of claims belonging to males with an average age of 49. Local LTD ICI claims are made up of 50% of claims belonging to females with an average age of 54 and 50% of claims belonging to males with an average age of 49.

The table below details the medical conditions that drive work absence for the Local STD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a ‘withdrawn’ status or claims that were ‘denied’. The “Other” category includes all diagnostic categories reporting less than 5 claims for 2016.

<b>Local STD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
MUSCULOSKELETAL DISORDERS	36	4613	128
OBSTETRIC CARE	40	2694	67
OTHER	19	2528	133
ONCOLOGIC DISORDERS	5	966	193
RHEUMATOLOGIC DISORDERS	5	635	127
MENTAL HEALTH DISORDERS	6	446	74

Musculoskeletal disorders also drive the Local STD ICI plan in lost work days and utilization in 2015 and 2016. Obstetric care remains high in claim volume in 2016, but the average duration remains low at 67 days.

The table below details the medical conditions that drive work absence for the Local LTD ICI plan. The table is sorted highest to lowest based on the number of days lost for disability (total days). The table does not include claims with a ‘withdrawn’ status or claims that were ‘denied’.

<b>Local LTD ICI Claims - Diagnostic Categories and Durations</b>			
<b>Diagnosis</b>	<b>Claims</b>	<b>Total days</b>	<b>Average Duration</b>
NEUROLOGIC DISORDERS	6	1958	326
MENTAL HEALTH DISORDERS	4	1489	372
MUSCULOSKELETAL DISORDERS	5	1175	235
RHEUMATOLOGIC DISORDERS	2	945	473
ONCOLOGIC DISORDERS	3	778	259
CARDIAC DISORDERS	2	532	266
ENDOCRINE/METABOLIC DISORDERS	2	377	189

Neurologic disorders lead the Local LTD ICI claims for 2016.

## LTDI

Under LTDI, disability is defined as:

- The inability to engage in any substantial gainful activity by reason of a medically determinable impairment, whether physical or mental, which can reasonably be expected to result in death or to be permanent or of long-continued and indefinite duration.

There were a total of 427 new LTDI claims in 2016. A breakdown of new claims by quarter is shown in the table below:

<b>2016 LTDI Quarterly Claim Counts</b>	
	<b>LTDI</b>
Q1	126
Q2	127
Q3	88
Q4	86

From a claim demographic perspective, LTDI claims are made up of 63% of claims belonging to females with an average age of 52 and 37% of claims belonging to males with an average age of 53.

<b>LTDI</b>	
<b>Employer Type</b>	<b>Claim Count</b>
STATE	143
SCHOOL	132
COUNTY	47
CITY	45
HOSP. BD & AUTHORITY	21
TOWN	17
COLLEGE	11
VILLAGE	9
EMS	1
OTHER	1

In 2015 and 2016, 64% of all LTDI claims are made up of School and State claims.

The table below illustrates top diagnoses for LTDI claims. The table is sorted highest to lowest based on the number of claims. The table does not include claims with a ‘withdrawn’ status or claims that were ‘denied’. The “Injury/Poisoning” diagnostic category includes injuries due to fractures of the skull, neck and trunk, upper and lower limb, etc. Poisoning includes wrong substance given or taken in error, complications of surgical or medical care, overdose of substances, etc. The “Other” category includes all diagnostic categories reporting less than 5 claims for 2016.

<b>LTDI Claims - Diagnostic Categories</b>	
<b>Diagnosis</b>	<b>Claims</b>
INJURY/POISONING	128
MUSCULOSKELETAL DISORDERS	65
MENTAL HEALTH DISORDERS	52
NEUROLOGIC DISORDERS	46
ONCOLOGIC DISORDERS	33
OTHER	19
RHEUMATOLOGIC DISORDERS	18
CARDIAC DISORDERS	10
RESPIRATORY DISORDERS	9

In both 2015 and 2016, the top two diagnostic categories for LTDI claims are injury/poisoning and musculoskeletal; these diagnostic claim types comprise 51% of LTDI claims in 2016.

## Comparisons

Musculoskeletal disorders remain a top diagnostic category for lost work days across ETFs plans in 2016. Because these are disorders that increase with an aging population this is not unique to ETF, but rather it is the top diagnostic category across Aetna's book of business in both STD and LTD.

Musculoskeletal disorders represent 32% of total claim volume in STD and LTD. The tables below detail the top five diagnostic categories in STD in 2016 for Aetna's book of business:

<b>Aetna's Overall book of business STD Diagnostic Categories</b>	
<b>Diagnosis</b>	<b>Percentages</b>
MUSCULOSKELETAL DISORDERS	32%
ALL OTHER	28%
OBSTETRIC CARE	19%
DIGESTIVE DISORDERS	9%
MENTAL HEALTH DISORDERS	7%

The table below details Aetna's top five diagnostic categories in LTD in 2016 for Aetna's book of business:

<b>Aetna's Overall book of business LTD Diagnostic Categories</b>	
<b>Diagnosis</b>	<b>Percentages</b>
MUSCULOSKELETAL DISORDERS	28%
ALL OTHER	26%
NEUROLOGIC DISORDERS	22%
ONCOLOGIC DISORDERS	9%
MENTAL HEALTH DISORDERS	8%



## Active Claim Summary

The tables below contain both new and existing claims paid in 2012 through 2016. These are not just new claims, but the total number of active claims at a point in time; the end of each calendar year.

State ICI claims make up 33% of the cost of all ETF disability programs. State STD ICI claim counts decreased in 2016; however, the average cost per claim saw a small increase. State LTD ICI claim counts increased slightly in 2016 with a minimal decrease to the average cost per claim.

State ICI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
STD	2016	\$8,998,313.49	1,603	\$5,613.42
	2015	\$8,508,791.47	1,709	\$4,978.81
	2014	\$8,765,501.97	1,791	\$4,894.19
	2013	\$9,179,493.34	1,775	\$5,171.55
	2012	\$9,294,015.50	1,835	\$5,064.86
LTD	2016	\$10,108,727.21	1,245	\$8,119.46
	2015	\$9,769,243.73	1,202	\$8,127.49
	2014	\$9,161,100.53	1,225	\$7,478.45
	2013	\$8,051,576.15	1,171	\$6,875.81
	2012	\$7,424,877.33	1,125	\$6,599.89

Local STD ICI claim counts increased from 2015 to 2016 with an average cost per claim decreasing by \$624.27. The LTD ICI claim counts increased by 14; however, the average cost per claim saw a decrease of \$666.54.

Local ICI				
	Year	Total Cost of Claims	Number of Claims	Average Cost per Claim
STD	2016	\$575,479.99	154	\$3,736.88
	2015	\$601,838.49	138	\$4,361.15
	2014	\$466,569.68	122	\$3,824.34
	2013	\$611,354.07	121	\$5,052.51
	2012	\$402,190.14	98	\$4,103.98
LTD	2016	\$468,861.54	75	\$6,251.49
	2015	\$422,000.03	61	\$6,918.03
	2014	\$277,929.06	67	\$4,148.19
	2013	\$501,175.62	66	\$7,593.57
	2012	\$466,172.57	57	\$8,178.47

The average cost per claim in the LTDI plan is the highest of all ETF disability plans administered by Aetna, because these claims have the longest duration, the most serious conditions, and the fewest number of offsets. The average cost per claim decreased slightly by \$13.63 in 2016 with an additional 115 claims.

<b>LTDI</b>				
	<b>Year</b>	<b>Total Cost of Claims</b>	<b>Number of Claims</b>	<b>Average Cost per Claim</b>
LTDI	2016	\$38,386,052.02	2,689	\$14,275.21
	2015	\$36,779,464.18	2,574	\$14,288.84
	2014	\$33,372,190.10	2,462	\$13,554.91
	2013	\$28,970,956.60	2,282	\$12,695.42
	2012	\$25,734,653.06	2,090	\$12,313.23

In 2016 the total cost of all ETF disability plans combined increased by \$2,456,096.35, or 4.4%, and the total number of claims increased by 1.4% (82 claims).

<b>All Disability Programs (State ICI, Local ICI, LTDI)</b>			
	<b>Year</b>	<b>Total Cost of Claims</b>	<b>Number of Claims</b>
All Disability Programs (State ICI, Local ICI, LTDI)	2016	\$58,537,434.25	5,766
	2015	\$56,081,337.90	5,684
	2014	\$52,043,291.34	5,667
	2013	\$47,314,555.78	5,415
	2012	\$43,321,908.60	5,205

## **Conclusion**

Customer service metrics were exceeded in the areas of phone performance, claim decision turnaround times, and customer service surveys. The performance standard for EOI processing was also met for the year.

The total new claim volume for ETF in 2016 decreased by 5.5% compared to 2015; or by 117 fewer claims.

Since 2011 we have seen a gradual decrease in the number of new State ICI claims. In 2016, the State ICI plans saw a 9% decrease, or a decrease of 147 new claims, when compared to 2015. The Local ICI plans saw a 9% increase, or an increase of 12 new claims, from 2015 to 2016. The LTDI plan saw a 4% increase in new claims from 2015 to 2016, or an increase of 18 claims. Because the LTDI claims encompass the most serious conditions, with the longest durations and fewest number of offsets, this plan drives the total cost of claims paid.

In 2017, Aetna will continue to focus on enhanced operational efficiencies and customer service by continuing to partner with ETF and the Group Insurance Board. A key area of attention in 2017 will be supporting ETF with moving the existing LTDI claims in-house as they sunset the program beginning 1/1/2018. Aetna will assist by providing the eligibility and claim information needed through reporting to ensure they have all of the information necessary to ensure a smooth transition.

Aetna looks forward to continuing our relationship with through a one year contract extension with optimism that we will add an additional year through 2019.