

# State of Wisconsin - Department of Employee Trust Funds

Independent Accountant's Report on Applying Agreed-Upon Procedures  
for Third Party Administration of the Income Continuation Insurance Benefit Program

Years Ended December 31, 2018, 2019 and 2020



**WIPFLI**

## **Independent Accountant’s Report on Applying Agreed-Upon Procedures for Third-Party Administration of the Income Continuation Insurance Benefits Program**

Department of Employee Trust Funds  
State of Wisconsin  
Madison, Wisconsin

We have performed the procedures enumerated in Sections II and III of this report related to Hartford Life and Accident Insurance Company’s (“The Hartford”) (Third-Party Administrator) compliance with the Income Continuation Insurance Program (ICI) Administrative Agreement for the years ended December 31, 2018, 2019, and 2020. The Hartford’s management is responsible for its compliance with those specified requirements.

The State of Wisconsin - Department of Employee Trust Funds (“ETF”) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are described in Sections II and III of this report.

We were engaged by ETF to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The Hartford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of ETF and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
Madison, Wisconsin

November 22, 2021

## Section I – Objectives and Scope

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# Objectives and Scope

This section of our report is based on the agreed-upon procedures as set forth in the Request for Proposal dated October 17, 2018 and Wipfli proposal dated November 28, 2018. Certain other specific procedures including the desired sample size were discussed with ETF personnel in advance of performance.

## **A. Background - Income Continuation Insurance Program**

The ICI Program was authorized by Wisconsin Statute Section 40.62 and is an optional benefit that replaces up to 75% of a participant's salary if the participant is unable to work because of a disability. The plan is available to all State of Wisconsin employees and all local government employees whose employers have elected to participate in the program. Depending on the participant's age at the time of the disability, benefits may continue until age 70, but normally end at age 65.

The Program is administered by The Hartford (which acquired Aetna's U.S. Group Life and Disability business), who is under contract to provide such services through December 31, 2021. Under the administrative agreement between ETF and The Hartford, The Hartford is responsible for recordkeeping, payment processing, and daily administrative services. ETF is responsible for program administration and oversight.

## **B. Previous Examinations**

The ICI Program was last tested for contract compliance for the period January 1, 2015 through December 31, 2017.

## **C. Objectives**

Our engagement was designed to assist ETF in determining The Hartford's compliance with specified terms of the administrative agreement, adherence to established performance standards and maintenance of participant records and processing claims timely, accurately, and in accordance with regulatory and contractual requirements, as established by ETF, who is responsible for the sufficiency of the procedures for their purposes. In addition, we were engaged to issue a written report that describes the procedures applied and the related findings.

## **D. Scope**

Our engagement extends to the application of the procedures enumerated in Sections II and III of this report. We applied these procedures to the records and systems maintained by The Hartford and ETF. Our procedures were applied to the years ended December 31, 2018, 2019, and 2020.

## Section II – Income Continuation Insurance Procedures and Results

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# Income Continuation Insurance Procedures and Results

## Approved Claims Testing

Under the administrative agreement, The Hartford is responsible for the approval and denial of all claims received and is responsible for reporting approvals and denials to ETF on a periodic basis.

### Procedures

1. Obtained a report of all approved ICI claims for 2018, 2019 and 2020.
2. Randomly selected 60 approved claims per year (80% State ICI and 20% Local ICI) for the years 2018, 2019, and 2020. Sample size was determined based on our discussions with ETF personnel.
3. For selected claims:
  - a. Observed introductory packets were sent to participants and sent timely.
  - b. Observed that the participant was properly enrolled as a Program participant by inspecting the enrollment form.
  - c. Observed that the claim was filed within 12 months of the date of disability.
  - d. Inspected the Employer Statement to ensure it was complete and justified the approval of the claim.
  - e. Mathematically checked the benefit calculation for accuracy and observed that it had been reviewed by an analyst.
  - f. Observed that approval letters were sent to participants and sent timely in accordance with the administrative agreement.
  - g. Observed that copies of approval letters and other participant correspondence were scanned into the ETF system.
  - h. Observed that offsets were properly applied and required follow-ups were performed.
  - i. Inspected claim file for medical information, system notes, and other correspondence to determine that approval was valid and made in accordance with the plan requirements.
  - j. Observed that ongoing claims included ongoing case documentation, such as medical record updates, to document that the disability is ongoing, and that the participant should not return to work.

# Income Continuation Insurance Procedures and Results

## Results

Of the 180 approved claims selected for testing, 173 had no exceptions.

For three claims selected, form DTPA-600 was not properly sent to the participant (items f and g above), which is considered an exception. Form DTPA-600 is sent to the participant to notify them of their claim termination.

In addition, for one claim included in the exception grouping above, form DTPA-100 was not properly sent to the participant (items f and g above), which is considered an exception. Form DTPA-100 informs the participant of their approved claim benefit.

The exceptions related to forms not properly sent noted above represent 1.7% of the total sample.

For four claims selected, a combination of the forms DTPA-600, DTPA-2100, and DTPA-100 were not scanned into the MyETF system (item g above). Form DTPA-2100 is sent when a participant is transitioning from short term disability to long term disability, and there is a potential for the participant to return to work. The form is used to determine if the participant is capable of performing other types of substantial gainful activities. Forms DTPA-600 and DTPA-100 are defined above. This exception is a result of either The Hartford not properly sending the forms to ETF, or ETF receiving the forms and not properly scanning them into the MyETF system. The reason for the exception is not determinable based on the documentation available under the current processes.

The exceptions related to forms not properly scanned into the MyETF system noted above represent 2.2% of the total sample.

See Comments 1 and 2 in Appendix I.

# Income Continuation Insurance Procedures and Results

## Denied Claims Testing

Under the administrative agreement, The Hartford is responsible for the approval, denial, or cancellation of all claims received, and is responsible for reporting approvals, denials, or cancellations to ETF on a periodic basis.

### Procedures

1. Obtained a report of all denied ICI claims for 2018, 2019 and 2020.
2. Randomly selected 10 denied claims per year (80% State ICI, 20% Local ICI). Sample size was determined based on our discussions with ETF personnel and was evenly divided among the three testing years.
3. For selected claims, inspected claim file for medical information, system notes, participant correspondence, etc. to confirm that the denial was valid, made in accordance with the plan requirements, was communicated to the participant in a timely manner, and was adequately documented.

### Results

Of the 30 denied claims selected for testing, 29 had no exceptions. For one claim selected, the file did not contain evidence that Forms DTPA-900 and DTPA-600 were sent to the participant. Forms DTPA-900 and DTPA-600 communicate the denial status of the claim and the reason for the denial.

The exception represents 3.3% of the total sample.

See Comment 1 in Appendix I.



# Income Continuation Insurance Procedures and Results

## Enrollment Testing

There are several routes that potential participants can take to enroll in the ICI Program or elect to decline coverage. Under the administrative agreement, The Hartford is responsible for processing all enrollment claims and reporting the enrollments to ETF on a periodic basis.

## Procedures

1. Obtained reports of open enrollment elections, initial offerings, new hire enrollments, and Evidence of Insurability (EOI) enrollments for the years 2018, 2019, and 2020.
2. Randomly selected 20 enrollment elections per year (80% State ICI, 20% Local ICI). Sample size was determined based on our discussions with ETF personnel and was evenly divided among the three testing years as well as between method of enrollment. Of the 20 enrollments selected each year, 5 were EOI.
3. For selected enrollments, observed MyETF system profiles to confirm participant eligibility and inspected required documentation confirming enrollment (or denial of enrollment) and elective coverage dates.

## Results

Of the 60 enrollments selected for testing, 59 had no exceptions. For one claim selected, the form DTPA-905 could not be located. Form DTPA-905 communicates acceptance and approval and informs the participant of entry into the plan. With no documentation in the system, it is not possible to observe if this form was properly sent.

The exception represents 1.7% of the total sample.

See Comment 1 in Appendix I.

# Income Continuation Insurance Procedures and Results

## **Overpayment Testing**

Under the administrative agreement, The Hartford is responsible for monitoring, calculating, and processing overpayments resulting from a variety of causes.

### Procedures

1. Obtained reports of all overpayments processed for the years 2018, 2019, and 2020.
2. Randomly selected 10 overpayments processed per year (80% State ICI, 20% Local ICI). Sample size was determined based on our discussions with ETF personnel and was evenly divided among the three testing years.
3. For selected overpayments, viewed the communication to the participant, mathematically checked the overpayment calculation, and confirmed the calculation was audited by a second staff member in the MyETF system. In addition, confirmed that participant follow up was performed and deductions were processed timely through The Hartford's system.

### Results

Of the 30 overpayments selected for testing, there were no exceptions.

## Section III – Review of Required Reporting

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# Review of Required Reporting

## Required Reporting – Monthly Funding Reports

Under the administrative agreement, The Hartford is required to provide monthly Funding Reports (invoices and excel claim files). These reports include information on the amount ETF owes The Hartford for claims paid during the given month, adjusted for certain minor transactions.

### Procedures

1. Obtained a sample of 2018, 2019, and 2020 monthly invoice and claim data files for state and local (a sample of three months per year, which includes one state and one local per month, was selected based on discussions with ETF).
2. Traced and agreed the total of the claim data excel file to the total per the invoice.
3. Within each month of the sample obtained above, selected a random sample of two payments per month, resulting in a sample of 36 payments. Sample was determined based on discussions with ETF. For each sample, the following was performed:
  - a. Traced and agreed the payment amount per the funding report to the corresponding check stub in The Hartford's system.
  - b. Mathematically observed the payment calculation for accuracy.
4. Inquired with The Hartford's accounting department regarding the tax payment process. Traced and agreed the total employee and employer tax liability per the invoice to the corresponding tax query.
5. Through enrollment and approved claims testing, observed that coverage effective dates, eligibility requirements, and benefit amounts procedures were valid.

### Results

Of the 36 payments selected for testing, there were no exceptions.

# Review of Required Reporting

## Required Reporting – Deduction Reports

Under the administrative agreement, The Hartford is required to provide monthly deduction reports. These reports include information on the participant deductions processed during the corresponding month.

### Procedures

1. Obtained a sample of the 2018, 2019, and 2020 deduction reports (a sample of three months per year was selected based on discussions with ETF).
2. From each month, three participants were selected equating to a total sample size of 27 participants (80% State ICI, 20% Local ICI).
3. For each deduction, the following procedures were performed:
  - a. Inspected the participant's profile in the MyETF system and observed the reason for the deduction was consistent with the Plans' policies.
  - b. Observed the payment date fell within the range of coverage dates for the deduction.
  - c. Traced and agreed the deduction amount per the deduction report to the pay stub per The Hartford's system.
  - d. Observed the state/local classification per member.

### Results

Of the 27 participants selected for testing, there were no exceptions.

# Review of Required Reporting

## Required Reporting – Claims Financial Statistics

### Procedures

1. Obtained the 2018, 2019, and 2020 quarterly claims financial statistics reports.
2. Obtained the 2018, 2019, and 2020 annual ICI reports.
3. Compared items one and two above.
4. Inquired with The Hartford on the administration process for the data gathering, report processing, and historical data snapshots.

Per inquiry with The Hartford, it was determined that the annual report and claims financial reports are created based on an initial driver of payments in the reporting period. Both reports originate from the same source data from The Hartford Ability Advantage. The claims financial reports provided are generated at a point in time (at the end of each quarter) based on the payment transactions that have occurred during the previous quarter. However, the quarterly reports do not include any payment or claim adjustments that occur post quarter end. The annual reports provided are generated at year end, and include all payment transactions, including adjustments from prior quarters. The Hartford indicated that because the quarterly and annual reports are generated at different points in time, the amounts reported will not match for the more recent years.

The following variances were identified when comparing the total claims financial statistics report to the ICI annual reports.

Year	ICI Annual Report	Claims Financial Statistics Report	Variance (\$)	Variance (%)
2018	\$18,529,727	\$18,529,727	\$0	0.00%
2019	\$19,313,665	\$19,467,061	(\$153,396)	0.79%
2020	\$18,756,656	\$17,953,915	\$802,741	4.45%

See Comment 3 in Appendix I.

# Appendix I – Comments and Recommendations

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# Comments and Recommendations

## Comment 1

It was noted that for five claims, the claims were not processed correctly, resulting in forms not being sent to participants. The cause of the exceptions is not determinable.

Wipfli recommends the following procedures to address this type of exception:

- 1) The Hartford may implement additional training and oversight on claim processing. This can include more frequent training, specific training on known complex areas, or an additional level of review. Increased training and review can assist in identifying areas that need additional attention, whether a particular department or claim type.
- 2) The Hartford internal review – Perform internal reviews on a sample of claims. The review should be completed by an employee who is separate from the processing of the claim. The frequency and sample size will depend on the number of claims processed and may be performed at least annually.

## Comment 2

It was noted that for four claims, the forms were not properly scanned into the MyETF system. Based on the documentation available under the current processes, the cause for the exceptions are not determinable, however the impact is less severe as the forms have been sent to participants. Current procedures are as follows: The Hartford claim analysts process the various forms, which includes sending these forms to the administrative assistants who are responsible for sending the forms to MyETF. The means of transfer include mailing and faxing. ETF receives the forms and scans them into the MyETF system.

Wipfli recommends the following procedures to address this type of exception:

- 1) The Hartford internal review – From a listing of all ETF documents processed, select a sample of forms and confirm with ETF if the form was received and scanned in appropriately. In addition, the claims analysts may select a sample of forms processed during a period of time, and review with the administrative assistants if the forms were properly sent. The frequency and sample size will depend on the number of documents processed and may be performed at least annually.

## Comment 3

It was noted that there were variances when comparing the total quarterly claims financial reports to the ICI annual reports. We recommend that The Hartford provide a reconciliation between the quarterly reports and the annual report.