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Correspondence Memorandum

Date: July 22, 2022

To: Group Insurance Board

From: Jim Guidry, Director
Benefit Services Bureau

Subject: Income Continuation Insurance (ICI) Program Changes

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the recommended changes to the Income Continuation Insurance (ICI) program state and local plan language contained in Attachment A to simplify plan provisions and reduce administrative complexity.

Summary

This memo recommends the Board approve ICI plan language changes simplifying ICI coverage by combining Standard and Supplemental coverage for both the State and Local ICI plans. The Board previously approved a comprehensive redesign of the ICI program in February 2017, which also included raising the salary limit for standard coverage to $120,000. ETF recommends moving forward with this part of that package along with other technical changes as it expands coverage for employees, makes the plan simpler for employers and The Hartford to administer, and reduces program complexity without reducing the level or duration of benefits. All ICI plan language amendments require Board approval. These changes do not require an amendment to statutes. Previously approved program redesign changes that require statutory changes, such as removing the sick leave requirements in the ICI program, will continue to be pursued.

Implementing the changes proposed in this memo do not affect the ICI benefit levels or program eligibility, except to expand coverage to employees who are currently eligible for Supplemental coverage but not enrolled. The changes also reduce premiums for employees currently enrolled in Supplemental coverage.

Specific amendments to the plan language would change the maximum monthly benefit for standard coverage from $4,000/month to $7,500/month, which is the current maximum benefit for an employee with Supplemental coverage. ICI coverage currently available through Supplemental plan provisions will be incorporated into the Standard plan by this action, removing the need for a separate Supplemental provision.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
Electronically Signed 07/29/2022

Matt Stohr

Board	Mtg Date	Item #
GIB	08.17.22	11

Premium rates for employers and employees impacted by this change will be restructured to apply the increased maximum earnings limit to the Standard plan. Total premium costs for employees are expected to decrease approximately 30%, while total premiums for employers are expected to increase 28% on average. Individual premium rate changes for employees and employers will vary, depending on the individual employee's salary, and premium rate category or selected elimination period. Premiums for employers, while increasing under this change, will remain 40% under 2021 premium levels in place prior to the Board's recent rate reductions of 50% for 2022 and 20% for 2023.

Program Description

The ICI program is a voluntary disability income replacement program open to all eligible state employees and all local government employees whose employer has elected to participate in the ICI program.

The ICI program provides a disability income benefit equal to 75% of an employee's average monthly earnings. There are two levels of ICI coverage: Standard and Supplemental. Standard coverage insures up to a maximum annual salary of $64,000 ($5,333/month), resulting in a $4,000 maximum monthly benefit. Employees can also purchase Supplemental coverage for earnings that exceed $64,000 up to annual maximum covered earnings of $120,000, increasing the maximum monthly benefit to $7,500. Long-term ICI benefits also include a $75/month add-on benefit to help cover medical costs for recipients.

The ICI program includes benefits for both short-term and long-term disabilities. Short-term benefits will last up to 12 months from the date the employee became disabled. After 12 months, long-term benefits become available for eligible recipients. Long-term ICI benefits last until the recipient reaches age 65 for most employees. In some instances, benefits may be payable beyond age 65.

ICI program costs are funded with employee and employer premium contributions. Premiums for most state employees are based on an employee's annual salary and their level of accumulated sick leave. Premiums for the University of Wisconsin faculty and academic staff (UW faculty), as well as local government employees are based on an employee's annual salary and an employee-selected elimination period[1]. ETF publishes ICI premium rate tables for both the employer and employee share of premiums. Premium rates are reviewed and adjusted annually by the Board. Employers pay a share of the premium for Standard coverage, but do not contribute anything for Supplemental coverage. Employees who elect Supplemental coverage must pay the entire Supplemental coverage premium.

The employer share of ICI premiums for state employees is established in Wis. Stat. § 40.05 (5). For most state employees, other than UW faculty, employers are required to pay a specific percentage of premium based on the employee's accumulated sick leave

[1] The local ICI program is currently on a premium holiday.

balance at the end of the previous calendar year. The employer share of the premium can range from 0% to 100% of premium. The remaining premium that is not paid by the employer is paid by employees.

The employer share of premiums for UW faculty is 100% of the longest elimination period (180 days) with employees contributing the difference in premiums if they wish to enroll in one of the shorter elimination periods. UW faculty must also accumulate one year of state service before becoming eligible for an employer contribution. Table 1 lists the ICI premium categories and the statutorily required employer contribution for employees eligible for state ICI plan coverage.

Table 1: ICI Employer Contribution to ICI Premiums

ICI Premium Category	Employer Contribution
1. Less than 184 hrs. Sick Leave (SL)	0%
2. At least 184, but less than 520 hrs. SL	0%
3. 80 Hrs. SL (accumulated in prior year)	67%
4. At least 520, but less than 728 hrs. SL	77%
5. At least 728, but less than 1040 hrs. SL	85%
6. More than 1040 hrs. SL	100%
7. UW – 30 Day Elimination Period	Category 10 Amount
8. UW – 90 Day EP	Category 10 Amount
9. UW – 125 Day EP	Category 10 Amount
10. UW – 180 Day EP	100%

Local employers, similar to the UW faculty plan, also contribute 100% of the premium for the longest elimination period (also currently 180 calendar days), but unlike the UW faculty plan, local employees do not have to accumulate one year of service to receive an employer contribution. Instead, they are eligible for an employer contribution immediately upon enrollment.

ICI claims are administered on behalf of ETF by The Hartford Life Insurance Company (The Hartford).

Program History

The state ICI program was created by 1971 Wisconsin Act 125 and became effective July 1, 1972. The UW faculty and academic staff provisions became effective on July 1, 1974. The local ICI program became effective on July 1, 1987. Supplemental coverage was added to the ICI program beginning on April 1, 2005.

Wis. Stats. sections § 40.05 (5) and § 40.62 (1) establish the basic premium structure of the ICI program and establish the long and short-term coverage requirements for the plan. The bulk of the ICI program requirements and benefits are established in the ICI plan language as specified by Wis. Stat. section § 40.61 (1). The ICI plan language serves as the governing document for plan administration. The Board must approve any changes to the ICI plan language.

The last major revision to the ICI plan language occurred in 2015. These changes were done to implement the program changes created by 2015 Wisconsin Act 55 (Act 55) and made technical updates to the plan language.

At its February 8, 2017, meeting the Board approved a comprehensive redesign of the ICI program, which essentially converted it to a short-term disability program, with Disability Retirement Annuity benefits serving as the long-term disability option for employees. This package required statutory changes for some of its provisions, such as the decoupling of sick leave balances to determine ICI premium cost-sharing. ETF has been unable to obtain the needed statutory changes. The Supplemental coverage changes presented in this memo were included in that original package but do not require statutory change.

At the same meeting, the Board approved the closure of the Long-Term Disability Insurance program effective December 31, 2017, and subsequently reopened the § 40.63 disability retirement annuity program beginning January 1, 2018. These changes were part of ETF's goal to redesign its disability programs by simplifying program requirements, reducing program duplication, enhancing administrative efficiency, and reducing program complexity to better serve members and employers.

Appendix 1 at the end of this memo lists the specific program changes made by both Act 55 and the program changes approved by the board on February 8, 2017.

Supplemental ICI Benefits

The purpose of the ICI program is provided in Wis. Stat. § 40.62 (1) which states "The group insurance board shall establish an income continuation insurance plan providing for full or partial payment of the financial loss of earnings incurred as a result of injury or illness…". Supplemental benefits were added to the ICI program beginning on April 1, 2005. Supplemental benefits were intended to provide additional coverage for those employees with earnings above the plan maximum of $64,000 annually[2]. The addition of Supplemental benefits in 2005 extended ICI coverage to a maximum of $120,000 annual earnings. The difference in the premium for the increased coverage is paid solely by employees, and employers do not share in the cost. Supplemental coverage increased the monthly benefit amount from $4,000 per month to a maximum $7,500 monthly.

In 2005, when Supplemental benefits were added to the ICI program, the average earnings for Wisconsin Retirement System active members were $40,617[3] and few members exceeded the $64,000 maximum earnings limit. By 2021, the average

[2] The Board established the current combination of 75% benefit level and $4,000 maximum benefit effective April 1, 1988. Prior to that ICI benefits were tiered based on monthly salary levels, with different percentages and maximum benefit amounts.

[3] *WRS Twenty-Fourth Annual Actuarial Valuation as of December 31, 2004*, p. I-9, retrieved from https://etf.wi.gov/boards/etf/2004/12/31/ji20050623item5pdf

earnings for active WRS members had risen to $59,802[4]. A closer examination of the active participants in 2021 indicates that average earnings for the protective, executive, and elected employee categories all exceed the $64,000 maximum for standard coverage. Table 2 compares 2021 and 2004 earnings information for WRS active employees by employee group.[5]

Table 2: Earnings information for WRS active employees

Group	2004 Ave. Earnings	2021 Ave. Earnings
General	$39,764	$58,179
Executive and Elected	$60,379	$93,428
Protective w/SS	$47,266	$73,249
Protective wo/SS	$58,546	$89,016
All Actives	**$40,617**	**$59,802**
Prior Year	$39,494	$58,317

As of December 31, 2021, there were 74,127 total employees eligible for state ICI plan coverage.[6] Employers covered under the state ICI plan include:

- All state agencies
- University of Wisconsin System
- University of Wisconsin Hospitals and Clinics
- Beyond Vision
- WI Economic Development Corporation
- WI Housing and Economic Development Authority
- WI Health and Educational Facilities Authority
- Fox River Navigational System Authority.

Of those eligible state employees, 34,243 or 46% earned more than $64,000 annually in 2021. Those members must purchase additional Supplemental coverage to reach maximum coverage under the program. Currently, only 67% of those members have enrolled in ICI coverage. By comparison, at the end of 2004 just prior to Supplemental coverage becoming effective, there were 11,985 (15%) of the total workforce with earnings that exceeded $64,000 with 90% of those employees enrolled in ICI.[7]

Table 3 indicates the number and percentage of employees with annual salaries above $64,000 who choose to enroll (or not) in ICI Supplemental coverage.

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[4] *WRS Forty-First Annual Actuarial Valuation and Gain/Loss Analysis, December 31, 2021*, p. E-2, retrieved from https://etf.wi.gov/boards/etf/2022/06/23/etf4ar

[5] ibid

[6] 2021 Insurance Files. Similar Local ICI plan data does not exist to determine the percentages for the local ICI plan.

[7] 2004 Insurance files

Table 3: 2021 ICI Supplemental Enrollment: State Employees with annual salaries greater than $64,000

	Total EE	Percentage (%)
Total employees with earnings >$64K	34,243	
With ICI coverage	22,788	67% of total
No ICI enrollment	11,455	33% of total
Enrolled in ICI and Supplemental	9,191	40% of enrollees
Enrolled in ICI w/o Supplemental	13,597	60% of enrollees

As indicated in Table 3, 60% of ICI enrolled employees with earnings above the standard plan maximum forego Supplemental coverage in the state ICI plan.

ETF engaged Milliman, Inc., the agency's disability actuary to review the covered payroll for 2021 to determine the level of coverage under the standard plan. Standard practice in the disability income insurance industry is to offer benefits based on a minimum of 95% of covered payroll. Contained in Attachment C, Milliman's analysis indicates that 75.4% of ICI enrollee's earnings are covered under the standard plan.[8] The percent of covered payroll varies among premium categories and elimination periods, with the UW faculty plan having the lowest coverage percentage.

Because the maximum earnings limit for standard coverage has not changed to reflect wage growth since 2005, employees have seen the share of their covered earnings eligible for an employer premium contribution decline over time. This results in members choosing to only cover the first $64,000 of their earnings to save on premium payments. ICI is a voluntary program, and coverage is often canceled by employees when contributions for other employee benefits, such as health insurance premiums or retirement contributions, increase. Recent increases in ICI premiums have also caused members to decline or cancel coverage, causing further enrollment declines. Currently the ICI program is in good fiscal condition and premiums will be down approximately 60% in 2023 from 2021 levels. As salaries continue to increase and the employer share of premium contributions is determined by a smaller percentage of earnings, employees will become disincentivized from enrolling in Supplemental coverage, or in ICI at all. This scenario also puts the program at risk for adverse selection as a greater share of the enrollees will be employees with medical conditions that cause them to anticipate they may need to file for disability benefits.

Merging the Standard and Supplemental plans will address the decline in the percent of covered payroll. Attachment C projects that combining the two coverages will lead to coverage of 93.7% of payroll for ICI enrollees. Milliman projects that if Standard and Supplemental coverage were combined and the earnings limit increased to $136,000, the program would be within the industry standard of 95%. Milliman provided a covered payroll analysis for several different, higher maximums in Attachment C.[9]

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[8] Attachment C – Milliman, July 12, 2022 letter
[9] Ibid, p. 2

<u>Administration of ICI Supplemental Coverage and Benefits</u>
Any eligible employee can enroll in Supplemental ICI coverage during any annual Supplemental coverage open enrollment period. Employers must annually notify all eligible employees about the availability of Supplemental coverage if their earnings exceed $64,000 and they are not currently enrolled in Supplemental coverage, which, as Table 3 shows, is currently 13,597 contacts that must be made every year. Employers must also calculate and collect from each employee the additional premium for Supplemental coverage enrollment. Employers must also verify that any employees who elected Supplemental coverage in the previous year still had annual earnings exceeding the eligibility limit of $64,000. If not, that employee's Supplemental coverage must be terminated, and the employer must adjust premium deductions.

Supplemental coverage applications are reviewed by The Hartford, ICI's contracted program administrator, for completeness, timeliness, and to verify eligibility and the effective date of coverage. When The Hartford processes a benefit claim, they must verify Supplemental ICI enrollment to determine the correct benefit amount to distribute to the member.

With the proposed change, employers and The Hartford will no longer need to perform these processes.

<u>ETF Modernization</u>
ETF is in the process of modernizing its benefit systems and is currently in the initial phase of implementing Benefitplace as the Insurance Administration System (IAS) for the future. Managing the ICI program is included in the planning and configuration of this system, which provides the potential for more comprehensive enrollment data and billing capabilities than are available currently.

In addition to simplifying the program for members and employers, expanding Standard coverage by consolidating it with Supplemental coverage will remove the requirement to build Supplemental plan provisions into Benefitplace. This is directly related to ETF's strategic goal of implementing modern, secure, and resilient information technologies through the development of solutions that support an effortless customer experience.

<u>ICI Premium Rates</u>
ICI premiums are currently paid by employees and employers, based on the criteria established in Wis. Stats. § 40.05 (5). This statute establishes that employers will pay a specific percentage of the total premium based on the amount of accumulated sick leave an employee has as of the end of the previous calendar year. This statute also establishes the requirement for UW faculty to receive an 100% employer contribution for a 180-day elimination period. UW faculty can enroll in a shorter elimination period and pay the difference in premium from the 180-day period.

Consolidating the Standard and Supplemental plans will allow ETF to develop one premium rate table for employee earnings up to $10,000 per month ($120,000 annually). Employers will no longer need a separate table of premium rates to determine premiums for Supplemental coverage.

The local ICI plan is currently on a premium holiday. Once premiums resume for the local ICI plan, it will also have updated Standard coverage premium rate tables.

Consolidating plans will increase the employer share of premiums to account for the increased level of coverage under the new maximum earnings level in the Standard plan. Employees could also see changes to their ICI rates, but some will see increases in premiums while others will see premium declines. Table 4 describes the potential effects on employers and employees under various employee scenarios.

Table 4: Impact of proposed changes to ICI premiums

Scenario	Supplemental Coverage	Premium Impact Employees	Premium Impact Employers
All employees < $64K	N/A	None	None
Category (Cat) 1,2 Salary > $64K	Y	None	None
Cat 1,2 Salary > $64K	N	Increase	None
Cat 3-5 Salary > $64K	Y	Decrease	Increase
Cat 3-5 Salary > $64K	N	Increase	Increase
Cat 6 Salary > $64K	Y	Decrease	Increase
Cat 6 Salary > $64K	N	None	Increase
UW 30, 90, 125 EP > $64K	Y	Decrease	Increase
UW 30, 90, 125 EP > $64K	N	Increase	Increase
UW 180 EP > $64K	Y	Decrease	Increase
UW 180 EP > $64K	N	None	Increase

At ETF’s request, Milliman also studied the effects of the consolidation of Standard and Supplemental coverage on employee and employer premiums. Milliman’s detailed letters are included in Attachments D and E.[10] The results of Milliman’s review are summarized below:

- Premium rates for the local ICI program will not be affected by this change since it is currently on a premium holiday and local employers and employees are not paying premiums for ICI coverage.
- Claims costs for the state ICI Program are expected to increase by $460,000 to $1.3 million, or 3% - 7%[11] largely due to increased coverage for employees with salaries greater than $64,000 who do not currently have Supplemental coverage.
- Premium contributions for the state ICI program are expected to increase by approximately $1.5 million, or 9% , but as Tables 4-9 indicate, this will not be a uniform change.

[10] Originally dated November 24, 2021, and March 21, 2022, Milliman updated both letters on July 8, 2022, to incorporate the 20% premium rate reduction for 2023 adopted by the Board on May 18, 2022.
[11] Attachment D-Milliman November 24, 2021, letter updated 7/8/2022

- Employees: Employees with Supplemental coverage could see their total ICI premiums decline by as much as 30% because their employers will take on a larger share of the premium. Employees eligible for but not enrolled in Supplemental coverage could see their premiums increase between 30-50% because of the higher earnings coverage and the associated increase in the level of benefits available to them.[12]
- Employers: Premium contributions from state employers are projected to increase 28% overall, with some employers experiencing an increase in their share of premiums by as much as 33%, primarily due to the increase in standard coverage to $120,000 of annual earnings. Those employers also tend to have a higher share of employees with earnings above the current standard plan maximum of $64,000.

The increased employer share of premiums for this change is not insignificant. However, when compared to previous rates paid by employers, they are still projected to pay 40% less in premiums than in 2021.[13] The additional employer premium cost is also mitigated by administrative savings for eliminating annual Supplemental coverage processes. Table 5 compares 2021 premiums paid by state employers to projected premiums for 2023 under the current plan and under the proposed plan.

Table 5: Employer ICI Premium Comparison by Employer

Employer	2021 Contributions	2023 Current Plan	2023 Proposed Plan
State Agencies	$7,601,779	$3,334,209	$4,119,270
Beyond Vision	$11,134	$5,113	$6,324
WHEDA	$39,296	$17,512	$23,670
UWHC	$1,269,640	$587,065	$835,551
UW	$8,580,702	$3,844,081	$5,300,561
WEDC	$0	$0	$0
Total	**$17,502,551**	**$7,778,980**	**$10,285,375**

It should also be noted that projected premium increases assume this change will generate new enrollments by eligible employees. Premium projections in Table 5 are based on all eligible employees participating and represents the maximum potential increase for employers. As a voluntary benefit, employees still retain the choice to enroll or not and if some of the expected enrollments do not materialize, the premium impact to state employers would be less than projected.

To illustrate the effects on employers and employees individually, ETF developed examples of monthly premiums for employees at certain income levels and in specific

[12] Ibid table, p. 9
[13] Attachment E-Milliman March 21, 2022, letter updated 7/8/2022, p. 1

rate categories or elimination periods along with the impact to the employer share of premiums.

Table 6 below shows the changes in premiums for a state employee with an annual salary of $70,000. The premium rates differ, depending on the premium category that the employee is enrolled in.

Table 6: State Employee with Annual Salary of $70,000

Premium Category	Supplemental Coverage	2022 Premiums	2023 Premiums	Difference
Cat 1. < 184 hrs. Sick Leave	Y	$82.90	$66.32	($16.58)
Cat 1. < 184 hrs. Sick Leave	N	$73.26	$66.32	($6.94)
Cat 3. 80 Hrs. SL (accumulated in prior year)	Y	$18.34	$11.78	($6.56)
Cat 3. 80 Hrs. SL (accumulated in prior year)	N	$12.94	$11.78	($1.16)
Cat 6. > 1040 hrs. SL	Y	$3.53	$0.00	($3.53)
Cat 6. > 1040 hrs. SL	N	$0.00	$0.00	No change

The effects on employer premiums by premium category would be:

- Category 1: No change because the employer does not contribute until the employee reaches Premium Category 3 or higher.
- Category 3: Even though the employer would now be contributing to the premium for earnings over $64,000, their premium would be **reduced by $2.37** from the 2022 rates, due to the 20% overall drop in ICI premiums for 2023.
- Category 6: **Reduced by $1.90** from the 2022 rates due to the 20% overall drop in ICI premiums for 2023.

Table 7 below shows the changes in premiums for a state employee with an annual salary of $120,000. The employees who do not currently have Supplemental coverage, other than those in Premium Category 6, will see an increase in premiums, but their covered salary will also benefit from increased earnings coverage from $64,000 to $120,000.

Table 7: State Employee with Annual Salary of $120,000

Premium Category	Supplemental Coverage	2022 Premiums	2023 Premiums	Difference
Cat 1. < 184 hrs. Sick Leave	Y	$151.02	$120.82	($30.20)
Cat 1. < 184 hrs. Sick Leave	N	$73.26	$120.82	$47.56
Cat 3. 80 Hrs. SL (accumulated in prior year)	Y	$54.83	$21.41	($33.42)
Cat 3. 80 Hrs. SL (accumulated in prior year)	N	$12.94	$21.41	$8.47
Cat 6. > 1040 hrs. SL	Y	$25.51	$0.00	($25.51)
Cat 6. > 1040 hrs. SL	N	$0.00	$0.00	No change

The change in employer premiums by premium category would be:

- Category 1: No change because the employer does not contribute until the employee reaches Premium Category 3 or higher.
- Category 3: The employer’s premium would increase by $17.19.
- Category 6: The employer’s premium would increase by $15.69.

Table 8 below shows the changes in premiums for a UW faculty member with an annual salary of $70,000. The premium rates differ depending on the employee-selected elimination period.

Table 8: UW Faculty Member with Annual Salary of $70,000

Elimination Period (EP)	Supplemental Coverage	2022 Premiums	2023 Premiums*	Difference
30-day	Y	$48.93	$36.49	($12.44)
30-day	N	$40.32	$36.49	($3.83)
90-day	Y	$15.25	$9.54	($5.71)
90-day	N	$10.58	$9.54	($1.04)
180-day	Y	$3.32	$0.00	($3.32)
180-day	N	$0.00	$0.00	No change

*Assumes the member has at least 1 year of state service. If less than one year of WRS service, the employer share would be $0.00.

Even though the employer would now be contributing towards the premium for earnings over $64,000, their premium would be **reduced by $2.05** from the 2022 rates (regardless of the EP) due to the 20% overall drop in ICI premiums for 2023.

Table 9 below shows the changes in premiums for a UW faculty member with an annual salary of $120,000. The employees who do not currently have Supplemental coverage, other than those with a 180-day elimination period, will see an increase in premiums. The covered salary for this group will also increase from $64,000 to $120,000.

Table 9: UW Faculty Member with Annual Salary of $120,000

Elimination Period (EP)	Supplemental Coverage?	2022 Premiums	2023 Premiums*	Difference
30-day	Y	$108.34	$66.35	($41.99)
30-day	N	$40.32	$66.35	$26.03
90-day	Y	$47.08	$17.33	($29.75)
90-day	N	$10.58	$17.33	$6.75
180-day	Y	$25.41	$0.00	($25.41)
180-day	N	$0.00	$0.00	No change

*Assuming that the member has at least 1 year of state service. If less than one year of WRS service, the employer share would be $0.00.

The employer premium would increase by $15.62 regardless of the employee-chosen EP.

ICI Program Funding

The state ICI program became fully funded in 2020 and the Board was able to reduce premiums for 2022 by 50% and again by 20% for 2023. Milliman projects that consolidating these plans will have only a marginal impact to the state ICI reserve balance when compared to the baseline and keeps the surplus within the Board's targeted range for the program.[14]

Employees with More Than One WRS Employer and IAS

This memo incorporates ICI plan language identified by the IAS project team as necessary for successful implementation of Benefitplace. The changes are related to enrollment provisions for employees with more than one WRS employer.

[14] Attachment D-Milliman November 24, 2021, letter updated 7/8/2022, p 4-6

The current ICI plan language requires employees with more than one WRS employer to enroll for coverage at each employer. The amendment before the Board changes this requirement to state that only one enrollment is necessary if the employee holds two positions under the same payroll center (i.e., the UW or STAR). If an employee has two positions under different payroll centers, separate enrollments will still be required. For UW employees with positions covered by both the state ICI plan and the UW faculty plan, the change requires those dual-employees to enroll in the UW faculty plan.

We anticipate further changes to the plan language will be necessary as we get closer to IAS implementation. ETF will bring these changes to the board as they are identified.

Technical Updates
The final package of changes to the ICI plan language includes technical changes needed to reflect current practices, update obsolete references, clarify plan provisions, eliminate unnecessary language, and to renumber and reorder plan provisions. Attachment B provides specific details surrounding the technical updates.[15]

Conclusion
ETF recommends moving forward with this proposed program update along with the other technical changes as it expands coverage for employees, makes the plan simpler for employers and The Hartford to administer, and reduces program complexity without reducing the level or duration of benefits.

Implementing the changes proposed in this memo do not affect ICI benefit levels or program eligibility requirements, except to expand coverage to employees who are currently eligible for Supplemental coverage but not enrolled. The changes also reduce premiums for employees currently enrolled in Supplemental coverage.

Most employees affected by this change will see premium reductions, but not all. Employers will experience premium increases, as their statutory responsibility to share in ICI premiums will increase to cover up to $120,000 of annual earnings. However, given the reduction in ICI premiums in 2022 and 2023, the effects on employers is less significant than it would have been had ETF proposed this change prior to the premium reductions, all employers will still pay less in premiums under the revised plan than they paid in 2021 under the current plan structure.

This is the opportune time to amend the ICI program to implement this package of changes. The good fiscal health of the program and recent decreases in premiums will minimize the effects on employers and impacted employees. IAS implementation will benefit from these changes by simplifying program and system design requirements. The benefits of these changes will help enable ETF to continue to meet its strategic vision and goals.

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[15] Attachment B is a tabular listing of the proposed plan language updates. The changes are color-coded to identify the subject type the change is related to. Items with blue labels are changes to Standard and Supplemental coverage. Items in green are IAS related changes. Items in yellow are technical changes.

Staff from ETF and Milliman will be at the board meeting to discuss any questions.

Attachment A: ICI Plan Language with revisions

Attachment B: ICI Plan Language Change Table

Attachment C: Milliman July 12, 2022, letter; ICI Covered Payroll Analysis

Attachment D: Milliman November 24, 2022, letter; ICI Program Changes, updated July 8, 2022

Attachment E: Milliman March 21, 2022, letter; ICI Program changes (Employer Contributions), updated July 8, 2022.

Appendix 1

2015 ICI Plan Changes

Act 55 changes:

- Determination of the effective date of initial ICI enrollees
- Lengthened the time available to an employee to enroll for coverage under deferred enrollment periods from 30 to 60 days
- Modified the definition of eligible employee

Technical Program changes:

- Reduced plan language redundancies
- Reflected updated procedures
- Eliminated incorrect or unnecessary plan language
- Clarified plan language ambiguities
  - Eligibility after disenrolling in coverage
  - Duration of Supplemental coverage
  - Enrollment in Supplemental coverage
  - The effective date of premium waivers
  - Benefits available to former employees
  - Use of sick leave

The comprehensive changes to the state and local ICI programs that were approved by the Board in 2017 included changes that would remake the program and included:

- Replace current premium structure for State employees (i.e., “premium categories”) with an elimination period (EP) based structure
- Decouple sick leave requirements from premium and benefit determinations
- Eliminate long-term ICI benefits
- Increase short-term ICI benefit duration to 18 months after completion of employee-selected EP
- Eliminate $75 long-term add-on
- Reduce the benefit amount from 75% of salary to 70%.
- Replace Supplemental coverage with enhanced Standard coverage
  - Increase the maximum monthly benefit for Standard coverage to $7,000 for $120K of annual income
- Remove UW employee 12-month waiting period for employer contribution
- Change return to work/rehabilitative income offset from 75% to 70%