

Income Continuation Insurance Program Changes



Item 11 – Group Insurance Board

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Action Items

- 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 ICI plan provisions and reduce administrative complexity.

ICI Program Changes

ETF is recommending the Board approve ICI plan language amendments that update the maximum earnings eligible for coverage under the ICI Standard Plan from \$64,000 to \$120,000.

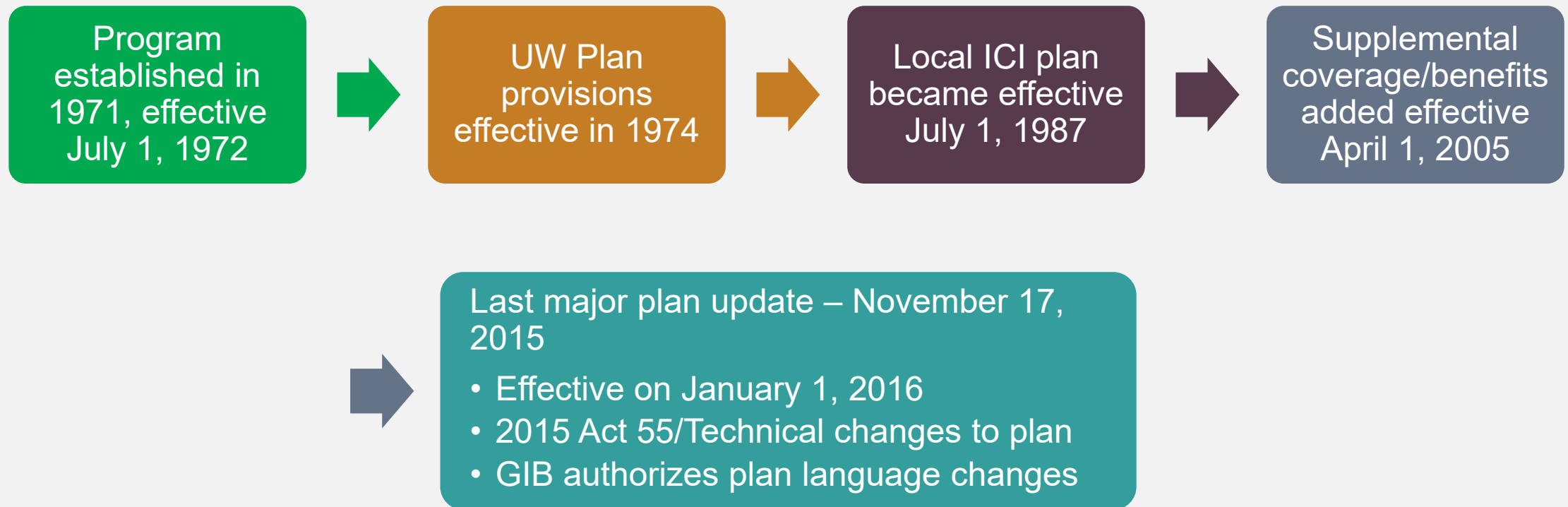
- Consolidates supplemental coverage with standard coverage as approved by the Board in February 2017
- Requires plan language changes
- Increases the share of earnings available for employer share and increases coverage for employees earning more than \$64,000 but aren't enrolled in supplemental coverage
- Reduces program complexity in administration
- Aligns with current IAS/Benefitplace project

Income Continuation Insurance

Voluntary disability income replacement benefit payable to enrolled participants

- Separate state and local plans
- Short-term and long-term benefits payable to age 65
- Monthly benefit – 75% of salary
 - Max monthly benefit Standard coverage only - \$4,000
 - Max monthly benefit with Supplemental coverage - \$7,500
- State ICI premiums are based on salary and accumulated sick leave balances
 - UW Faculty and Academic staff – Elimination period based premium structure
- Local plan has elimination-period based premium structure

ICI History



Standard vs. Supplemental

Standard Plan

- Covers up to \$64,000 of annual earnings
- \$4,000 maximum monthly benefit
- Premiums shared by employees and employers
 - Employer share § 40.05 (5)

Supplemental Coverage

- Coverage for annual earnings from \$64,000 to \$120,000
- \$7,500 maximum monthly benefit
- Employee pays 100% of premiums

The \$64,000 Question

In 2005

- Average active employee salary \$40,617
- 15% of State employees exceed \$64K
 - 11,985 employees
 - 90% with ICI coverage

In 2021

- Average active salary \$59,802
- Protective, Elective groups average salary exceeds \$64K
- 46% of State EE exceed \$64K
 - 34,243 employees
 - 67% with ICI coverage
 - 40% enrolled in Supplemental

ICI Covered Salary

In 2021:

- 75.4% of covered payroll for employees enrolled in Standard ICI
- Combining Standard and Supplemental ICI will reach 93.7% of covered payroll
- Industry standards suggest achieving a level of coverage at approximately 95% or higher of covered salary
 - Employer disability income plans vary in coverage levels
 - 90% of covered salary or above

Premium Impact

Employees

- 6% overall decrease in premiums
- Employer will begin paying premiums for earnings up to \$120K
- Not uniform
 - Most impacted employees will see decreases from this change
 - Some will see increases

Employers

- 28% increase in premiums
- Not uniform
 - Employers with higher salaries will see a greater premium increase
 - Mitigated by recent rate declines and administrative savings
- Assumes all eligible will enroll

Employer Premiums

In the aggregate premiums will be 40% less than 2021

Year	ER Premiums
2021 (Actual)	\$17,638,686
2022 (Projected)	\$9,359,138
2023 (Projected)	\$10,615,280

Individual employer premium increases will vary

- Will remain below 2021 levels

Year	ER 1	ER 2	ER 3
2021 (Actual)	\$7,601,799	\$1,269,640	\$8,580,702
2023 (Projected)	\$4,119,270	\$835,551	\$5,300,561
Change	-46%	-34%	-38%

Other Impacts

- Annual supplemental enrollment period becomes obsolete
 - Annual reviews by employers ends
 - The Hartford will no longer have to process supplemental coverage applications
 - The Hartford will no longer have to check new claims for supplemental coverage.
- One set of premium rate tables
- Program simplified; easier to administer and understand
- Less system development for IAS project
- Local ICI plan on premium holiday

Modernization and Technical Changes

IAS Changes

- Multiple employers within a payroll center
- UW employees in State ICI and UW faculty plans
- Require enrollment into single plan with full salary
- Additional future changes to be identified

Technical Changes

- Reflect current practices
- Update obsolete references
- Clarify plan provisions
- Eliminate unnecessary language
- Renumber and reorder plan provisions

Next Steps: Implementation

Assist employers and The Hartford with updating program administration

Develop 2023 premium rate tables

- Publish end of November 2022

Publish revised plan language

- Updates to ICI Employer Manual

Communication to employers and employees

Review and revise internal processes



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Questions?

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