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Correspondence Memorandum

Date: October 22, 2022

To: Group Insurance Board

From: Jim Guidry, Director
 Benefit Services Bureau

Subject: Income Continuation Insurance 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.

Summary

This memo contains additional information requested by the Board at its August 17, 2022, meeting during a discussion of recommended amendments to the ICI plan language. ETF recommended the Board approve ICI plan language changes that simplify the structure of the program by combining Standard and Supplemental coverage for both the State and Local ICI plans.

The maximum salary level for standard coverage has not changed from \$64,000 since it was established in 1988. Wage growth since then has caused a decrease in the level of premium covered by the employer share, which has had a negative impact on the participation of the program as presented in August ([Ref. GIB | 08.17.22 | 11](#)).

Without Board action, this program will continue to lessen its benefit value to eligible employees.

At the August meeting, the Board requested more information about the recommendation's impact on employers and employees who would experience coverage and premium changes because of this update, including:

- Current supplemental coverage enrollment and premium impact details
- Changes in employer costs by agency
- Sample premium rate tables.

The Board had previously approved a comprehensive redesign of the ICI program in February 2017. The package transformed the ICI program to a short-term benefit with an 18-month benefit period and made other benefit changes. At the end of the benefit

Matt Stohr

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services
 Electronically Signed 11/02/2022

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period, long-term disability benefits would be payable under the [Wis. Stats. § 40.63](#) disability retirement program. This fulfilled the disability redesign goal of administering one short-term and one long-term disability benefit for eligible WRS members. Since 2017, ETF has been focused on implementing the full ICI redesign components, some of which requires statutory changes, and this proposal addressed by this memo is one piece of the 2017 package.

Another item from the package approved by the Board in 2017 was the decoupling of sick leave from the ICI program. ETF's 2023-2025 biennial budget request included statute changes that would remove the sick leave requirements from the program and create an elimination period based premium structure ([Ref. GIB | 11.16.22 | 4](#)).

After five years of consecutive 20% increases, 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. This has created an environment where program changes can be implemented while premiums are lower and reduce the impact for both employees and employers.

Additionally, with a simplified program that permits more choices for employees and updated employer sharing of premiums, the program becomes more appealing to current non-enrollees and new employees, which will boost enrollment in the program overall.

Review of Program Change Recommendation

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.

Recommended amendments to the plan language will change the maximum monthly benefit for standard coverage from \$4,000/month to \$7,500/month. Given that ICI pays a benefit of 75% of earnings, this change raises the maximum salary for standard coverage from \$64,000 to \$120,000. 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 coverage provision.

Premium rates for employers and employees impacted by this change will be restructured to apply the increased maximum earnings limit to the Standard plan.

Supplemental Coverage Enrollment

The Board requested more information on the individuals most impacted by the proposed increase to the maximum income level of the Standard plan to \$120,000. The recommendation affects only state enrollees with incomes above \$64,000.¹

As of December 31, 2021, there were 74,123 total employees eligible for state ICI plan coverage.² Of those eligible state employees, 34,242, or 46%, earned above \$64,000 annually in 2021. Only 67% of eligible employees have enrolled in state ICI coverage. Those members must purchase additional Supplemental coverage to reach maximum coverage under the program.

Table 1 below indicates the number and percentage of state employees with annual salaries above \$64,000 who elected to enroll (or not) in ICI Supplemental coverage.

Table 1: 2021 ICI Supplemental Enrollment: State Employees with annual salaries greater than \$64,000

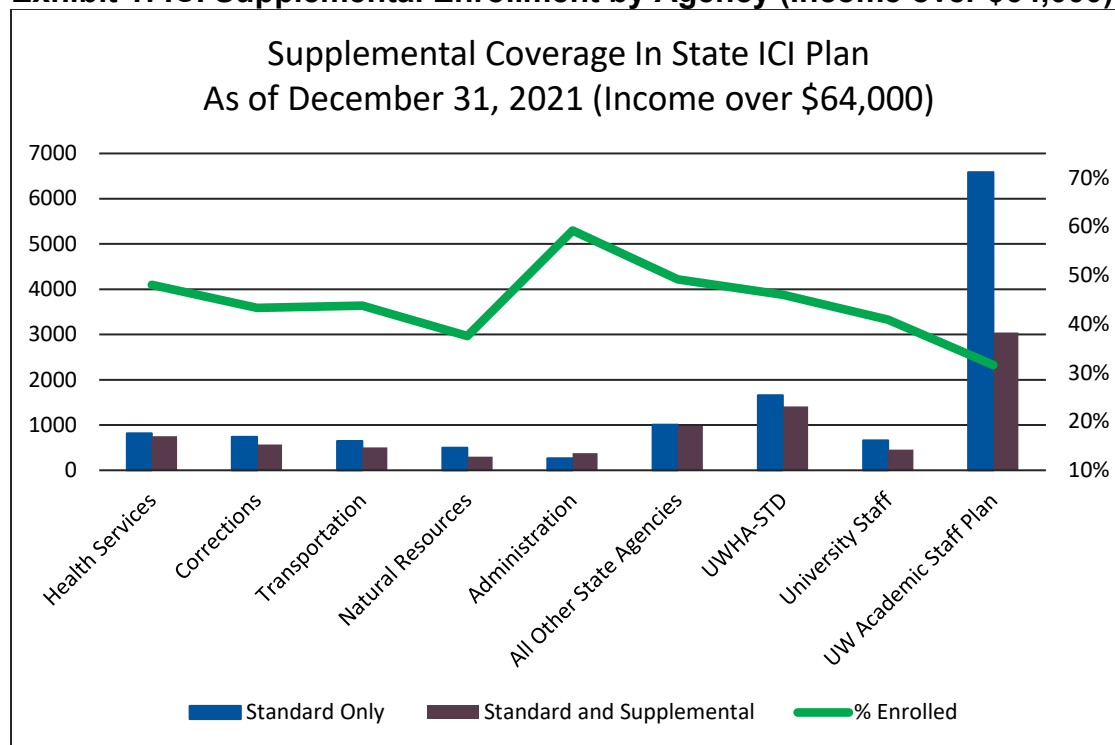
	Total EE	Percentage (%)
Total employees with earnings >\$64K	34,242	
With ICI coverage	22,787	67% of total
No ICI enrollment	11,455	33% of total
Enrolled in ICI and Supplemental	9,191	40% of enrollees
Enrolled in ICI w/o Supplemental	13,596	60% of enrollees

Exhibit 1 below shows the enrollment in Standard and Supplemental coverage by agency (income greater than \$64,000) for the five largest state agencies, the UW system, and the UW Hospital and Clinics. Attachment D has more detailed enrollment information for all agencies. An average of 40% of employees eligible for supplemental coverage have enrolled, with the Department of Administration (DOA) having the highest share of Supplemental coverage enrollees at 59% and the UW faculty plan having the smallest share at 32%.

¹ The Local ICI plan is currently on a premium holiday. Once premiums resume for that plan, the new premium rates for employers and employees will reflect the updated plan design.

² 2021 Insurance Files. Similar Local ICI plan data does not exist to determine the percentages for the local ICI plan.

Exhibit 1: ICI Supplemental Enrollment by Agency (Income over \$64,000)



Tables 2, 3, 4 and 5 show the number of employees eligible for Supplemental enrollment by income level. These tables show the current enrollment and the number of enrollees in each rate category or elimination period and income level. These tables provide insight into the number of employees impacted at each level and, when combined with the proposed premium table in Attachment C, the range of premium changes can be developed for each rate category, elimination period (See Table 6 and 7, and Attachment E) along with the number of enrollees impacted.

Table 2: ICI Enrollees Eligible for Supplemental Coverage – Not Enrolled

Monthly Income	Rate Cat. 1	Rate Cat. 2	Rate Cat. 3	Rate Cat. 4	Rate Cat. 5	Rate Cat. 6	Total
\$5,300–\$6,100	438	162	499	349	371	980	2799
\$6,100–\$6,900	379	152	308	214	218	516	1787
\$6,900–\$7,700	155	68	173	111	152	370	1029
\$7,700–\$8,500	61	50	95	58	73	210	547
\$8,500–\$9,300	44	14	59	40	44	166	367
\$9,300–\$10,100	9	12	17	16	22	72	148
>\$10,100	35	13	51	38	40	153	330

Monthly Income	Rate Cat. 1	Rate Cat. 2	Rate Cat. 3	Rate Cat. 4	Rate Cat. 5	Rate Cat. 6	Total
Grand Total	1121	471	1202	826	920	2467	7007

Table 3: UW Faculty Elimination Period – Not Enrolled

Monthly Income	30-Day	90-Day	125-Day	180-Day	Total
\$5,300–\$6,100	291	701	93	815	1900
\$6,100–\$6,900	201	416	61	583	1261
\$6,900–\$7,700	168	396	56	424	1044
\$7,700–\$8,500	79	205	29	242	555
\$8,500–\$9,300	63	141	21	194	419
\$9,300–\$10,100	37	69	15	138	259
>\$10,100	130	340	42	639	1151
Grand Total	969	2268	317	3035	6589

Table 4: ICI Enrollees Eligible for Supplemental Coverage - Enrolled

Monthly Income	Rate Cat. 1	Rate Cat. 2	Rate Cat. 3	Rate Cat. 4	Rate Cat. 5	Rate Cat. 6	Total
\$5,300–\$6,100	113	40	162	125	184	338	962
\$6,100–\$6,900	195	80	215	170	248	451	1359
\$6,900–\$7,700	109	65	159	141	192	424	1090
\$7,700–\$8,500	91	56	122	112	171	323	875
\$8,500–\$9,300	50	54	87	67	134	301	693
\$9,300–\$10,100	25	13	30	31	51	138	288
>\$10,100	55	54	120	100	127	425	881
Grand Total	638	362	895	746	1107	2400	6148

Table 5: UW Faculty Elimination Period - Enrolled

Monthly Income	30-Day	90-Day	125-Day	180-Day	Total
\$5,300–\$6,100	15	38	8	25	86
\$6,100–\$6,900	31	105	22	103	261
\$6,900–\$7,700	68	189	30	161	448
\$7,700–\$8,500	55	159	21	128	363
\$8,500–\$9,300	41	124	30	125	320
\$9,300–\$10,100	33	107	18	77	235
>\$10,100	195	503	89	543	1330
Grand Total	438	1225	218	1162	3043

Employee Impact

Employees with earnings above \$64,000 will see changes to their ICI premiums, both increases, decreases, or no change, depending on their current supplemental coverage enrollment status.

At the Board’s request, ETF and Milliman, Inc. prepared additional data for employees most impacted by this proposed change. The additional data clarifies the impact of the premiums in each rating category and elimination period. Using the 2021 Insurance files submitted by employers and the premiums for 2023, ETF compared the current 2023 premiums to proposed premiums to determine the impact.

As of December 31, 2021, there are 6,148 employees enrolled in the state ICI plan with supplemental coverage who would experience premium changes from no change to a \$28.26 monthly decrease. In the UW faculty plan, there are 3,043 employees with supplemental coverage who will see monthly premium decreases between \$0.75 and \$20.33.

There are 7,007 employees currently enrolled in the state ICI plan without supplemental coverage who will experience premium changes from no change to a \$62.21 monthly increase. In the UW faculty plan, there are 6,589 employees without supplemental coverage who will see monthly premium increases between \$0.00 and \$34.17. For both groups, there is a direct correlation between the rise in the level of income and the size of premium increases.

Employees enrolled in State Plan Category 6 and UW plan 180-Day elimination period will not see a premium impact because those two categories are employer-pay-all categories and any changes to premiums will be paid by employers.

Tables 6 and 7 illustrates these changes by each ICI rate category; and Tables 8 and 9 show the elimination period, as well as enrollment for each category.

Table 6: Monthly Rate Change by Category/EP-Incomes exceeding \$64,000 without Supplemental

Category	Enrollment	Premium Change Range (Low)	Premium Change Range (High)
Category 1	1129	1.16	62.21
Category 2	479	0.00	47.14
Category 3	1219	0.00	11.12
Category 4	837	0.00	5.65
Category 5	934	0.00	3.04
Category 6	2490	0.00	0.00

Table 7: Monthly Rate Change by Category/EP-Incomes exceeding \$64,000 with Supplemental

Category	Enrollment	Premium Change Range (Low)	Premium Change Range (High)
Category 1	641	0	0
Category 2	364	0	0
Category 3	900	-0.91	-22.58
Category 4	748	-0.75	-18.91
Category 5	1110	-0.66	-17.24
Category 6	2407	-0.66	-20.28

Table 8: Monthly Rate Change by Category/EP-Incomes exceeding \$64,000 without Supplemental (UW)

Elimination Period	Enrollment	Premium Change Range (Low)	Premium Change Range (High)
30-Day	969	0.00	34.17
90-Day	2268	0.00	8.96
125-Day	317	0.00	7.07
180-Day	3035	0.00	0.00

Table 9: Monthly Rate Change by Category/EP-Incomes exceeding \$64,000 with Supplemental (UW)

Elimination Period	Enrollment	Premium Change Range (Low)	Premium Change Range (High)
30-Day	438	-1.16	-20.31
90-Day	1225	-0.91	-20.31

Elimination Period	Enrollment	Premium Change Range (Low)	Premium Change Range (High)
125-Day	218	-0.91	-20.31
180-Day	1162	-0.75	-20.31

The greatest premium increase will be experienced by Category 1 and 2 enrollees because there is no employer share of premium and any change in premium is paid by the employee. Tables 10 and 11 show the impact to enrollees in this category by income range.

Table 10: Category Rate 1 Changes by Income-Incomes exceeding \$64,000

Monthly Income	Enrollment	Premium Change	Range
\$5,300–\$6,100	446	1.16	10.45
\$6,101–\$6,900	379	11.70	21.07
\$6,901–\$7,700	155	22.40	31.69
\$7,701–\$8,500	61	33.10	42.55
\$8,501–\$9,300	44	43.63	53.00
\$9,301–\$10,100	9	54.25	62.21
>\$10,100	35	62.21	62.21

Table 11: Category Rate 2 Changes by Income-Incomes exceeding \$64,000

Monthly Income	Enrollment	Premium Change	Range
\$5,300–\$6,100	170	0.99	8.22
\$6,101–\$6,900	152	8.87	15.97
\$6,901–\$7,700	68	16.97	24.01
\$7,701–\$8,500	50	25.08	32.24
\$8,501–\$9,300	14	33.06	40.16
\$9,301–\$10,100	12	41.11	47.14
>\$10,100	13	47.14	47.14

Tables 10 and 11 illustrate the relationship between income level and premium increases. As income rises, so does the change in premium. Also, as income increases, the number of employees occupying those income levels decreases. In total, 62% of all ICI enrollees would not see any impact from this change, 18% would see a premium decrease, 19% would see a premium increase of less than \$30 per month, and 1% will experience an increase between \$30 and \$62 per month. Employees seeing a premium increase benefit from additional salary coverage up to \$56,000. Attachment E lists the enrollment and premium impact for all premium categories and elimination periods for employees with and without supplemental coverage.

Employer Impact

The employer share of ICI premiums for state employees is established in [Wis. Stats. § 40.05\(5\)](#), and range from 0%–100% of premium. Local employers, similar to the UW faculty plan, also contribute 100% of the premium for the longest elimination period (also currently 180 calendar days).

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 revised rate table is included in Attachment C.

For employers, the impact of increasing the maximum salary under the Standard plan is less complicated than the impact to employees. For the 19,532 employees earning less than \$64,000, neither they nor their employers will have any impact since their income does not reach the level of eligibility for supplemental coverage. Consolidating coverages will increase the employer share of premiums for their employees who make over \$64,000 annually to account for the increased level of coverage under the new maximum earnings level in the Standard plan.

Using information from the 2021 insurance files, Milliman, Inc. developed average premiums for all payroll centers to determine the impact to those employers per enrollee. Table 12, using 2023 premium rates, shows the enrollment, average premium paid by each payroll center for the current and proposed plans, and the difference between those rates. Using the updated 2023 premium rates, this program change would increase overall annual employer costs by \$2.4 million across all payroll centers.

Table 12: Monthly Average ICI Premium Change by Payroll Center – All Enrollees

Employer	Number of Employees	Average Premium Current	Average Premium New	Difference
DOA	19,942	\$12.71	\$15.87	\$3.16
Beyond Vision	31	\$11.65	\$14.63	\$2.98
WHEDA	80	\$16.37	\$22.56	\$6.18
UWHC	5,240	\$8.08	\$11.98	\$3.90
UW	17,025	\$16.64	\$23.42	\$6.78
WEDC	0	NA	NA	NA
Total	42,318	\$13.72	\$18.44	\$4.71

For state payroll center (STAR) agencies, Milliman looked at the ten agencies with the highest enrollment and determined what the average per employee premium cost was under the current and proposed plans. This information is provided in Table 13.

Table 13: Monthly Average ICI Premium Change by State Agency – All Enrollees

Top 10 DOA Agencies by EEs	Number of Employees	Average Premium Current	Average Premium New	Difference
Corrections	5,853	\$10.51	\$11.62	\$1.11
Health Services	3,809	\$10.70	\$13.02	\$2.32
Transportation	1,990	\$15.25	\$19.14	\$3.89
Natural Resources	1,314	\$16.73	\$20.50	\$3.77
Workforce Development	991	\$11.93	\$14.50	\$2.57
Administration	899	\$15.75	\$21.49	\$5.73
Veterans Affairs	602	\$8.50	\$10.22	\$1.72
Revenue	586	\$15.21	\$19.61	\$4.40
Children and Families	415	\$13.42	\$17.26	\$3.85
Ag, Trade & Consumer Protctn	355	\$15.99	\$18.81	\$2.83

Milliman also developed average premium information for increasing the maximum salary to \$90,000 and \$105,000. That information is provided in Attachment F and is a consideration if the Board wants to gradually implement the change.

The impact to the UW System's average premium is due to the system's higher average salaries. At ETF's request, the UW reviewed the proposed changes. The system provided its analysis in a letter on October 7, 2022 (Attachment F), which expressed support for the changes. In its response, the UW estimated that its one-time costs for changes to its systems would be outweighed by the annual savings from reduced administrative requirements in the first year of implementation. The letter also expressed support for statute changes that decouple sick leave from the ICI program.

ICI Reserve Impact

As the Board discussed at its August meeting, increasing the maximum salary for the ICI Standard plan will not have a significant impact to the fund balance. Milliman has prepared financial projections (Attachment G) under the current and proposed plans and two additional scenarios that would increase the maximum salary level over a period of two or three years. As these scenarios demonstrate, the fund reserve ratio remains relatively stable over time and reaches the target by 2027 under every scenario provided.

Employees with More Than One WRS Employer and System Modernization

This memo incorporates ICI plan language identified by the Insurance Administration Systems (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.

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.³

Options

The following options are provided for the Board's consideration:

Option 1

Approve all changes to the ICI plan language as provided in Attachment A effective January 1, 2024.

Option 2

Approve all changes to the ICI plan language provided in Attachment A except amend section 2.16 (3) to require a 3-year graduated increase in the ICI Standard maximum eligible salary beginning January 1, 2024.

Option 3

Approve changes to the ICI plan language that are related to IAS implementation and technical updates only, with an effective date of January 1, 2023.

Recommendation

ETF recommends the Board approve Option 1 as the changes will expand coverage for employees, make the plan simpler for employers and The Hartford to administer, and reduce program complexity.

Implementing the changes proposed in this memo does 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.

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

Attachment A: [ICI Plan Language with revisions](#)

³ 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.

ICI Program Changes

October 21, 2022

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Attachment B: [ICI Plan Language Change Table](#)

Attachment C: [Proposed Premium Rate Table](#)

Attachment D: [Supplemental Coverage Enrollment by State Agency](#)

Attachment E: [Employee Premium Impact Tables](#)

Attachment F: [Employer Premium Scenarios](#)

Attachment G: [ICI Program Financial Projections](#)

Attachment H: [University of Wisconsin Letter, October 7, 2022](#)