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Correspondence Memorandum

Date: February 10, 2025
To: Group Insurance Board
From: Gene Janke, Benefit Services Bureau Director
Division of Benefits Administration
Subject: Income Continuation Insurance Program Contract Extension

The Department of Employee Trust Funds (ETF) requests the Group Insurance Board (Board) approve the extension of the contract for third party administration of the Income Continuation Insurance (ICI) Program with The Hartford Life and Accident Insurance Company (The Hartford) for two years, beginning January 1, 2027, through December 31, 2028.

Background

In August 2021, The Hartford and ETF signed a five-year contract to provide administrative services for the ICI program on behalf of the Board, which is scheduled to end December 31, 2026. The contract included one two-year extension, for 2027 and 2028.

In December 2024, The Hartford and ETF signed contract amendment number 1 that increased the annual retainer fee paid to The Hartford for 2025 and 2026.

The Hartford has consistently met or exceeded the performance standards set forth in the contract, including:

- Answering incoming calls on average within 30 seconds, with an abandoned call rate of 3% or less.
- Sending written notice of approval/denial of new claims within 5 days of receiving all information needed to make a determination and "Evidence of Insurability" applications within 15 days.
- Financial and coding accuracy of 98% or higher.
- Sending written notice of determination on claim reconsideration requests within 60 days of receiving all information needed to make a determination.

Advantages of extending the current administrative services contract with The Hartford include:

Patti Epstein

Reviewed and approved by Patti Epstein, Chief Benefits Officer, Division of Benefits Administration
Electronically Signed 02/20/2025

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- **Staff focus.** The primary reason for this request is to allow Benefit Services Bureau (BSB) to focus more staff resources on the implementation and stabilization of My Insurance Benefits, which has a scheduled go-live date of July 2025. Without the extension, staff will need to focus on developing a request for proposals (RFP), reviewing proposals, and selecting a vendor.

ETF must request the Board approve release of an RFP approximately two years in advance of the go-live date of a new contract. This time is needed to: draft, review, approve, and release the RFP; have evaluation committee members review and score proposals; hold evaluation committee meetings; conduct vendor reference checks and vendor presentations; select a vendor(s); receive approval from the Board on the vendor selection; and sign a contract. Additional time is built in after contracts are signed and before the go-live date in case a new vendor has to be onboarded for open enrollment. The timeline for the current ICI contract was as follows: ETF asked the Board on February 5, 2020, for permission to release that RFP for a contract start date of January 1, 2022.

- **Experienced customer service.** The Hartford maintains a strong partnership with ETF in the administration of the ICI program, and they provide our members access to an experienced team. Over 60% of The Hartford's key staff have at least 7 years of experience working with the ICI program. The Customer Claim Specialist (Ombudsperson) has over 20 years of experience working with ETF on this program.

Disadvantage of extending the current contract with The Hartford:

- **Possible cost increase.** The Hartford has indicated in preliminary discussions that if the contract is extended, there will likely be fee increases. Issuing an RFP could result in awarding a contract to a lower cost vendor. At the same time, the Board's actuary for the ICI Program has stated that competition may be limited because there are only a small number of vendors capable of administering the ICI program, and that cost increases are being seen across the ICI third party administrator landscape. In the previous RFP, only two vendors submitted proposals with one vendor, The Hartford, able to meet the requirements of the RFP.

Proposal

ETF recommends the Board approve the extension of the ICI contract with The Hartford for an additional two years, beginning January 1, 2027, through December 31, 2028. This is the final extension available under the current contract.

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