

# Request for Information

Enhanced Short & Long-Term Disability Insurance  
Employees Benefits Council

State of Oklahoma

Issued: February 10, 2006

Response Deadline: March 3, 2006



## INTRODUCTION

The State of Oklahoma Employees Benefits Council (EBC) is issuing this Request for Information (RFI) to obtain information about fully-insured, voluntary, group, short and long-term disability insurance products which will enhance the current self-insured disability options offered to State employees. This RFI is not an Invitation to Bid (ITB) or a Request for Proposal (RFP) and therefore does not create any obligation between the responding vendor, the State of Oklahoma, or its agencies and subdivisions.

## SECTION I

Two agencies of the State of Oklahoma are primarily responsible for the delivery of benefits to employees of the State and their dependents: The Employees Benefits Council (EBC) and the Oklahoma State & Education Employees Group Insurance Board (Insurance Board).

### **Employees Benefits Council**

EBC is an agency of the State of Oklahoma established in 1992. EBC's service to active state employees can best be described as the "employer" with respect to the design, development, and offering of flexible benefit plan choices. EBC contracts with insurance companies for benefits plans to be offered to state employees via an RFP process each year. Currently, EBC offers health, dental, vision, life, and disability insurance to approximately 37,000 eligible state employees. In addition, EBC administers the Internal Revenue Code Section 125 Flexible Benefits Program and communicates all employee benefit plan materials offered to active State employees. Employees must purchase at least health, dental, life, and disability insurance each year.

EBC's governing body is comprised of five (5) members. The members of the Council are Bryce Fair, Chairman, Bill Goodwin, Susan Reed, Oscar B. Jackson, Jr., and Denver Talley. The Council's Executive Director is Mitch Parsons.

Information about EBC can be found on the Internet at [www.ebc.state.ok.us](http://www.ebc.state.ok.us).

### **Oklahoma State and Education Employees Group Insurance Board (Insurance Board)**

The Insurance Board is a state agency established by law. The Insurance Board's role is best described as the organization that administers the State's self-insured insurance plans. The Insurance Board operates like an insurance company, designing benefit products, paying claims, and maintaining reserves. The Insurance Board is also responsible for the

administration of health and dental insurance benefit choices for (1) participating former Medicare eligible State employees and their eligible dependents, (2) participating former non-Medicare eligible State employees and their eligible dependents, (3) active and participating former education employees and their eligible dependents, and (4) active and participating former employees of other State and local governmental agencies and their eligible dependents. The Insurance Board offers health, dental, life and disability insurance products under the name HealthChoice. HealthChoice's medical insurance plan is a Preferred Provider Organization arrangement with a statewide provider network.

Information about OSEEGIB can be found on the Internet at [www.sib.state.ok.us](http://www.sib.state.ok.us).

### **Benefit Plans Offered to State Employees**

State employees are required to purchase four (4) core benefits: Medical, Dental, Life Insurance, and Disability Insurance. For Plan Year 2006, state employees have the following medical plan choices:

1. HealthChoice PPO (Self Insured; Administered by the Insurance Board)
2. CommunityCare HMO (Fully Insured)
3. Aetna HMO (Fully Insured)
4. PacifiCare HMO (Fully Insured)
5. GlobalHealth HMO (Fully Insured)

State employees can also choose from four (4) different dental plans for Plan Year 2006:

1. HealthChoice Dental (Self Insured; Administration by the Insurance Board)
2. Assurant Benefits Insurance (Fully Insured)
3. Delta Dental (Fully Insured)
4. CIGNA Dental (Fully Insured)

Disability and Life insurance are also required to be purchased and are provided by the Insurance Board on a self-insured basis. Detail information about the disability program is attached. The State also provides vision, dependent life insurance, and flexible spending accounts (health and dependent care) to State employees on a voluntary basis.

### **Employer Contribution**

The State of Oklahoma contributes to the cost of the core flexible benefit plan premiums. This contribution is known as the "benefit allowance" and is currently defined by statute as:

"The greater of Two Hundred Sixty-two Dollars and nineteen cents (\$262.19) per month or an amount equal to the sum of the average monthly premiums of all high option health insurance plans, the average monthly premiums of the dental plans, the monthly premium of the disability plan, and the monthly premium of the basic life insurance plan offered to state employees plus one of the additional amount as follows for participants who elect to include one or more dependents:

- a. For a spouse, seventy-five percent (75%) of the average price of all high option benefits plans available for coverage of a spouse,
- b. For one child, seventy-five percent (75%) of the average price of all high option benefits plans available for coverage of one child,
- c. For two or more children, seventy-five percent (75%) of the average price of all high option benefits plans available for coverage of two or more children,
- d. For a spouse and one child, seventy-five percent (75%) of the average price of all high option benefits plans available for coverage of a spouse and one child, or
- e. For a spouse and two or more children, seventy-five percent (75%) of the average price of all high option benefits plans available for coverage of a spouse and two or more children.” 74 O.S. § 1370

This benefit allowance is offered to active state employees. For Plan Year 2006, the monthly benefit allowance for these employees is as follows: Employee Only, \$433.55; Employee Plus One Child, \$626.01; Employee Plus Children, \$694.39; Employee Plus Spouse, \$837.34; Employee Plus Spouse and Child, \$1,029.80; and Employee Plus Spouse and Children, \$1,098.18. Former employees receiving retirement benefits are provided \$105.00 per month towards the cost of their health insurance premium. Education and local government benefit allowances vary from organization to organization.

Currently, the State intends for the enhanced short/long-term disability product to be a voluntary-paid benefit, meaning the employer contribution is not designed to pay for the premium.

### **Disability Benefit Plans Offered to State Employees**

State employees are currently offered the following types of disability related benefits:

1. Sick Leave. State employees accrue sick leave at a rate of 10 hours per month or 15 days per year. There is no limit to the number of hours that can be maintained. While there is no cash-out of unused sick leave upon termination or retirement, employees are able to convert any unused sick leave, up to 640 hours, into additional service credit for their defined benefit plan benefit.
2. Short-Term Disability. The current short-term disability program is funded and administered by the Oklahoma State & Education Employee Group Insurance Board. Short-term disability is provided to employees on an employer paid basis. Employees are eligible for benefits after 30 days after they begin active employment. The benefit begins after 30 days of consecutive disability and is paid only after the employee’s annual and sick leave are exhausted. The benefit replaces 60% of an employee’s pre-disability income, up to a maximum of \$1,800 per month and lasts up to five (5) months.
3. Long-Term Disability. The current long-term disability program is funded and administered by the Oklahoma State & Education Employee Group Insurance Board. Long-term disability is provided to employees on an employer paid basis. If, after the short-term disability period, the employee continues to be disabled, long-term benefits begin. The benefit continues at 60% of the employee’s pre-disability income, up to a maximum of \$3,000 per month. The benefit generally continues for 24 months if unable to perform the functions of the individual’s own occupation, and beyond 24 months if the employee is unable to perform the functions of any gainful occupation. The following limitations apply:

- a. If the employee has less than one year of service prior to being disability, the benefit is limited to six (6) months.
  - b. If the employee has less than five years of service prior to disability, the benefit is limited to 24 months.
  - c. No benefits are available beyond a maximum of 24 months, if the disability is related to mental health or substance abuse.
  - d. In addition to offsets for annual and sick leave, disability benefits are also offset by the following:
    - i. Social Security benefits
    - ii. OPERS benefits
    - iii. Other disability plan income
    - iv. Workers Compensation
    - v. 50% of wages received while partially disabled
    - vi. Subrogated benefit
4. OPERS Disability Retirement. If an employee is determined by the Social Security Administration (or Railroad Retirement Board) to be permanently disabled, he or she will be eligible for a disability retirement benefit if the employee has a minimum of eight (8) years of credited service in the defined benefit plan. The disability benefit is determined by a formula and is paid as a lifetime annuity.

## **Demographics**

Attached as Appendix A is a document containing demographic information of the insured population of active State employees. Please note that for 2006, the average age of a state employee is 46.1 years old. The average salary of a state employee is \$34,793.00 annually with (26%) of State employees earning over \$40,000 annually. Fifty-seven percent (57%) of the insured workforce is female.

## **SECTION II**

### **Request for Information Objectives**

EBC has observed that the short-term disability benefit of \$1,800 is low and fails to deliver adequate income replacement for employees who salary exceeds \$36,000 per year. Currently, over 13,000 state employees earn more than \$36,000 annually. Furthermore, we believe the current long-term disability benefit of \$3,000 fails to deliver income replacement for those who earn more than \$60,000. Almost 2,000 employees currently earn more than \$60,000 annually.

EBC is considering the procurement of voluntary group disability products to enhance the short-term disability coverage for those active state employees who earn more than \$36,000 per year and enhance the long-term disability coverage for those active state employees who earn more than \$60,000 per year. Any enhanced voluntary group disability product would be offered to active state employees and their dependents in addition to the current medical, dental, life, disability, vision, and flexible spending account benefit plans. The enhanced voluntary disability product must coordinate with the current benefits offered to state employees including the current disability plans offered by the Insurance Board.

Accordingly, EBC is seeking information from qualified vendors about voluntary group disability products through this RFI. Vendors who are interested in providing such product information to EBC must provide a response to EBC by 4:45 p.m., Central Time, Friday, March 3, 2006.

The RFI response, should provide the following information at a minimum:

1. Describe in detail the enhanced voluntary short and long-term disability insurance products that you feel would best fit the State of Oklahoma Employee population. Include plan design features such as eligibility requirements, benefit payment amounts, and exclusions/limitations. Describe in detail how your plan would coordinate with the existing short and long-term disability benefits offered by the Insurance Board.
2. Disclose whether or not your product is licensed in Oklahoma. If licensed, provide evidence of licensure. If not licensed, provide a description of the steps your organization is taking to be licensed in Oklahoma.
3. Describe the minimum underwriting requirements for offering your disability products. For example, disclose group size minimums, age requirements, and/or salary requirements.
4. Do your underwriting requirements exclude or limit coverage to any class of employees such as public safety? If so, describe in detail.
5. Is guaranteed issue offered? If so, under what terms and conditions?
6. Describe the minimum data requirements needed for the disability products.
7. Confirm that your product is a group product, not an individual product.
8. Describe how your organization will help EBC communicate/educate our employees about this product. Also indicate your preferred enrollment approach (e.g. online, paper, telephone, etc.).
9. Can your disability products be purchased without a broker or paid commissions agent?
10. Provide a list of clients currently offering your disability products. Describe your large public sector plan experience.
11. Provide your financial ratings.

In addition to the minimum information requested above, EBC encourages your organization to provide additional material that you feel will be helpful.

**Vendors are strictly prohibited from providing or discussing the costs of their products (administrative fees, premium rates, etc.) at anytime during the RFI process. If EBC solicits a proposal for disability product, cost information will be requested at a later time.**

### **SECTION III**

Vendors wishing to respond to EBC's RFI must submit an original response to the following address no later than 4:45 p.m., Central Time, Friday, March 3, 2006:

Enhanced Disability RFI Response  
c/o Rosalie Garten  
Employees Benefits Council  
200 N. Harvey, Suite 1200  
Oklahoma City, OK 73102

A vendor's response must be organized in the following format:

1. Part I. Part I should only include the name of the organization providing the response along with the name, title, address, telephone number and email address of an authorized representative. Please also identify the location of the office which could serve this account.
2. Part II. Part II will only be comprised of the responses to the items listed in Section III of this RFI.
3. Part III. Part III will include any documents or other items the respondent wishes to include which are relevant to its disability products.

Again the response is due **no later than 4:45 p.m., Central Time, Friday, March 3, 2006.** We encourage respondents to send their response through a method whereby it can track delivery (e.g. FedEx, USPS Certified Mail Return Receipt, etc.).

#### **SECTION IV**

EBC is informally and uncompetitively soliciting information through this RFI. This RFI does not constitute or create any obligation on the part of EBC or the State of Oklahoma. A response to this RFI has no legal significance nor does it guarantee an award of a contract.

Bid specifications developed by EBC and/or the State of Oklahoma for health plans, if any, will be based solely upon the needs and requirements of the State of Oklahoma, its political subdivisions, current employees, future employees, and former employees.

All RFI response contents become the property of the State of Oklahoma. A response to this RFI is not a necessary condition to offer a proposal to EBC and/or the Insurance Board for a product or service.

Questions about this RFI can be directed to the following individuals:

Russell D. Nash  
Deputy Director, Benefits & Contracts  
Administration  
Employees Benefits Council  
(405) 232-1190 ext. 103  
rnash@ebc.state.ok.us

Rosalie Garten  
Flexible Benefits Representative  
Employees Benefits Council  
(405) 232-1190 ext. 122  
rgarten@ebc.state.ok.us

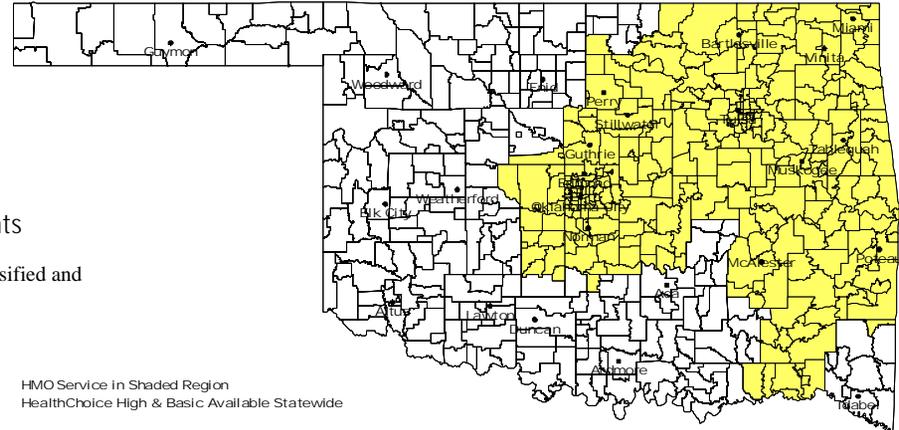
Information about this RFI can also be found on EBC's website at [www.ebc.state.ok.us](http://www.ebc.state.ok.us).

## Selected Demographic Data

- 2006 Average Age: 46 years
- 2006 Average Salary: \$34,793.00\*
- 2006 Gender Distribution: 57% Female; 43% Male
- 2006 Average Health Premium - Employee Only: \$359 per month
- 2006 Average Health Premium - Family: \$1141 per month
- 2006 Coverage Selection: 49% Employee Only; 51% With Dependents

\*Taken from data provided by the Office of Personnel Management. Reflects a weighted average of classified and unclassified positions excluding longevity as of December 2005.

Plan Year 2006 Medical Plan Service Area



## Plan Year 2006 Benefit Allowance

	<u>Month</u>	<u>Year</u>
Employee Only	\$433.55	\$5,202.60
Plus a Child	\$626.01	\$7,512.12
Plus Children	\$694.39	\$8,332.12
Plus a Spouse	\$837.34	\$10,048.08
Plus a Spouse & a Child	\$1,029.80	\$12,357.60
Plus a Spouse & Children	\$1,098.18	\$13,178.16

## Plan Year 2006 Monthly Health Insurance Premiums

	Employee	Employee & Spouse	Employee, Spouse & Child	Employee, Spouse & Children	Employee & One Child	Employee & Children
Aetna Standard	\$ 381.50	\$ 888.85	\$ 1,262.70	\$ 1,262.70	\$ 755.35	\$ 755.35
Aetna Alternative	\$ 344.72	\$ 803.16	\$ 1,140.96	\$ 1,140.96	\$ 682.52	\$ 682.52
CommunityCare Standard	\$ 515.24	\$ 1,049.08	\$ 1,372.62	\$ 1,480.46	\$ 838.78	\$ 946.62
CommunityCare Alternative	\$ 345.02	\$ 686.60	\$ 893.62	\$ 962.62	\$ 552.04	\$ 621.04
GlobalHealth Standard	\$ 327.24	\$ 817.76	\$ 998.04	\$ 1,103.88	\$ 507.52	\$ 613.36
GlobalHealth Alternative	\$ 292.02	\$ 729.78	\$ 890.68	\$ 985.12	\$ 452.92	\$ 547.36
Pacificare Standard	\$ 496.52	\$ 1,206.54	\$ 1,454.80	\$ 1,603.74	\$ 744.78	\$ 893.72
Pacificare Alternative	\$ 305.00	\$ 741.16	\$ 893.66	\$ 985.16	\$ 457.50	\$ 549.00
HealthChoice High	\$ 310.46	\$ 760.68	\$ 917.78	\$ 1,011.08	\$ 467.56	\$ 560.86
HealthChoice Basic	\$ 269.22	\$ 657.40	\$ 792.58	\$ 872.86	\$ 404.40	\$ 484.68
TRICARE Supplement	\$ 59.00	\$ 118.00	\$ 177.00	\$ 218.00	\$ 118.00	\$ 159.00

## PY2006 Vendors & Partners

- Aetna Health Inc.
- CommunityCare Managed Healthcare Plans of Oklahoma
- GlobalHealth, Incorporated
- PacifiCare Health Systems
- Oklahoma State & Education Employees Group Insurance Board (OSEEGIB-HealthChoice)
- Assurant Benefits Insurance
- Delta Dental of Oklahoma
- CIGNA Dental
- CompBenefits Vision Care
- Primary Vision Care Services
- Spectera Vision
- Superior Vision Services
- Vision Service Plan

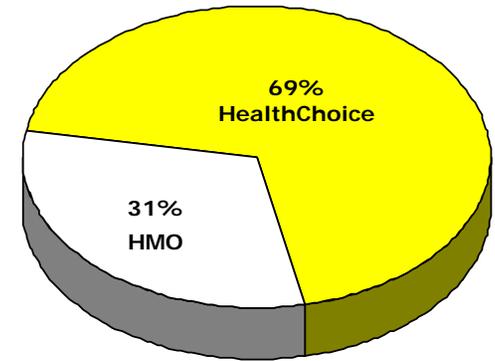
# Quick REFERENCE

## Enrollment Migration

	2005	2006	Gain/Loss	
HealthChoice High	23,367	22,423	(944)	-4%
HealthChoice Basic	3,035	2,781	(254)	-8%
HealthChoice USA	1	1	0	0%
CommunityCare High (2006 Standard)	2,556	1,257	(1,299)	-51%
CommunityCare Low (2006 Alternative)	5,347	5,606	259	5%
CommunityCare 2005 Alternative	108	-	-	-
GlobalHealth High	1,121	1,297	176	16%
GlobalHealth Low	694	660	(34)	-5%
GlobalHealth Alternative	121	-	-	-
Aetna 2006 Standard		1,085	1,085	-
Aetna 2006 Alternative		147	147	-
PacifiCare 2006 Standard		373	373	-
PacifiCare 2006 Alternative		732	732	-

## 2006 Health Plan Mix

69% HealthChoice  
31% HMO



2006 Coverage Tier Selection	Enrollment	% of Total
Employee Only	17,894	49%
Employee & Spouse	5,831	16%
Employee, Spouse, & Child	2,663	7%
Employee, Spouse, & Children	3,761	10%
Employee & Child	3,523	10%
Employee & Children	2,714	7%

Selected Salary Ranges	Employees
\$10,000 - \$20,000	1,935
\$20,001 - \$30,000	13,605
\$30,001 - \$40,000	11,417
\$40,001 - \$50,001	5,105
Over \$50,001	4,607

Annual Salaries as of December 2005

## Selected Historical Data

\* Compensation data provided by the Office of Personnel Management. Compensation from 1994 to 1998 is an average based upon certain benchmark classified positions and includes longevity. Compensation from 1999 through 2005 is a weighted average of classified and unclassified positions excluding longevity. Compensation for 2006 is weighted average of classified and unclassified positions excluding longevity as of December 2005.

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Quantity of HMO Carriers	5	8	6	6	5	4	3	2	2	2	4
Employee Count	38,067	38,131	36,613	36,622	37,202	36,556	39,986	36,755	35,074	35,565	36,386
Average Age	N/A	N/A	44.08	44.54	44.46	45.1	45.19	45.59	46.51	46.06	46.10
Ratio of Female Employees	N/A	N/A	54.4%	54.8%	54.4%	55.3%	55.6%	55.7%	55.5%	56%	57%
Ratio of Male Employees	N/A	N/A	45.6%	45.2%	45.6%	44.7%	44.4%	44.3%	44.5%	44%	43%
Average Compensation*	\$24,869	\$24,509	\$26,961	\$27,297	\$27,545	\$29,821	\$30,681	\$30,693	\$32,887	\$32,887	\$34,793
Benefit Allowance - EE	\$187.19	\$187.19	\$224.69	\$262.19	\$262.19	\$262.19	\$272.82	\$319.51	\$371.46	\$407.92	\$433.55
Average Health Premium - EE	\$148.22	\$144.06	\$141.61	\$150.88	\$163.32	\$187.30	\$229.49	\$277.57	\$303.21	\$332.99	\$359.00
Benefit Allowance Health - Family	\$187.19	\$187.19	\$224.69	\$397.46	\$385.68	\$412.54	\$625.95	\$735.15	\$858.74	\$952.71	\$1098.18
Average Premium Health - Family	\$419.62	\$401.5	\$396.28	\$419.77	\$462.03	\$475.93	\$660.16	\$795.96	\$875.36	\$961.20	\$1141.00
Ratio Employee Only	N/A	N/A	58%	59%	57%	57%	56%	54%	52%	51%	49%
Ratio With Dependents	N/A	N/A	41%	41%	43%	43%	44%	46%	48%	49%	51%