

**CITY OF AUSTIN
SCOPE OF WORK
SHORT TERM DISABILITY AND LONG TERM DISABILITY INSURANCE
SOLICITATION NUMBER: RFP JRD0306**

1. PURPOSE

The City of Austin, hereinafter referred to as the "City," seeks Proposals from carriers to provide fully-insured Short Term Disability (STD) and Long Term Disability (LTD) insurance coverage for City eligible employees, and employees of Affiliated Employers, hereinafter referred to as "Covered Persons" commencing on January 1, 2016.

2. BACKGROUND

The City provides access to benefit programs to Covered Persons. The City's benefit plan year is January 1 to December 31. Open Enrollment begins mid-October and ends mid-November of each year. The Hartford is the current STD and LTD carrier. The current contract began January 1, 2011 and will end December 31, 2015.

2.1. As of January, 2015, 11,960 employees participate in the STD program, which includes 1,737 sworn Police, 449 sworn EMS and 1,021 sworn Fire employees. STD insurance is a fully insured product paid by the City for all regular budgeted employees scheduled to work 20 or more hours per week.

2.2. As of January, 2015, 8,661 employees participate in the LTD program. LTD insurance is a fully insured product paid by an employee scheduled to work 20 or more hours per week and enrolled in the benefit.

2.3. Effective October 1, 2013, the City began providing two additional leave programs which reduced the number and amount paid out for STD claims for non-sworn employees.

2.3.1. Parental Leave – is available for employees who qualify for FMLA for the birth of a child. The maximum amount of parental leave is 240 hours. Employees receiving this benefit only receive the minimum disability benefit.

2.3.2. Leave Bank – is available for employees who qualify for FMLA and do not have enough accrued leave to get them through an illness, accident, or unexpected FMLA event. Employees receiving this benefit only receive the minimum disability benefit.

2.4. **Definitions:**

2.4.1. **Actively At Work** – The City considers actively at work to mean that the Employee is: 1) Physically present at his or her customary place of employment with the intent and ability of working the scheduled hours and doing the normal duties of his or her job on that day; or 2) On sick leave, vacation leave, family medical leave, or an approved leave of absence.

2.4.2. **Affiliated Employers** – Are the City of Austin Employees' Retirement System, the Austin Fire Fighters Relief and Retirement Fund, and the City of Austin Police Retirement System.

2.4.3. **Agreement** – The document that describes the contractual obligation between the City and the Contractor.

2.4.4. **Back Door Integration** – An indirect benefit for LTD that may provide a higher percentage of income after the Deductible Income and the dependent's Social Security. The benefit amount cannot exceed 70% of Pre-Disability Earnings.

2.4.5. **Certificate** – The document mutually agreed upon by the parties which details the coverage and is provided to Covered Persons.

2.4.6. **Covered Persons** – City of Austin employees working in regular budgeted positions and employees of Affiliated Employers.

2.4.7. **Dedicated Customer Service Unit** – Dedicated staff that is assigned to the City of Austin account, has the disability expertise, and understands the uniqueness of the City's eligibility and claims processes.

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- 2.4.8. **Deductible Income** – Reduced income earned from employment or income earned from other sources such as Social Security, Workers' Compensation, Retirement or disability benefits received from other employer-sponsored plans.
- 2.4.9. **Employee Work Week** – The City of Austin's work weeks are as follows: Part-time Employees – 20 to 29 hours per week; Full-time Employees – 30 or more hours per week; Emergency Medical Services (EMS) – up to 48 hours per week; and Firefighters – up to 53 hours per week. The Contractor will base benefits on the employee's work week.
- 2.4.10. **Policy** – The document provided to the Employer that describes the terms and conditions of coverage.
- 2.4.11. **Pre-Disability Earnings** – The employee's base salary on the day before the disability began. Employee base salary does not include any overtime earnings, stipends, or incentives.
- 2.4.12. **Pre-existing Condition** – A disease or injury which in the 3 months before the date employee became covered was: diagnosed or treated; or services were received for the disease or injury; or employee took drugs or medicines prescribed or recommended by a physician for that condition.
- 2.4.13. **Return-to-Work Provision** – An additional incentive provided for a period of time to encourage disabled employees to return to work. The insured can receive up to 100 percent of Pre-Disability Earnings, based on a combination of disability benefits and return to work earnings, under this provision.
- 2.4.14. **Work Earnings** – The amount earned by an employee returning to work but less than the Pre-Disability Earnings.

3. SCOPE OF WORK

- 3.1. **Title of Programs:** City of Austin STD and LTD Insurance Programs.
- 3.2. **Objective:** To contract with a vendor to provide the City with a comprehensive, cost-effective, fully insured integrated STD and LTD program. The initial term of the contract shall be a thirty six (36) month period with three (3)12-month extension options.
- 3.3. **General Requirements:** Proposal for a fully insured STD and LTD disability program shall include all Covered Persons. The disability products shall be an integrated approach with one insurance company providing STD and LTD.
- 3.4. **General Information:**
 - 3.4.1. The City shall accept Proposals from insurance companies, insurance agents and brokers. Insurance companies are not required to have a broker represent them; the City may contract directly with an insurance company.
 - 3.4.2. Broker's fees/commissions are at the Contractor's expenses.
- 3.5. **Program Coverage Requirements:**
 - 3.5.1. **STD** Description of Coverage:
 - 3.5.1.1. Coverage is for off-the-job disabilities only.
 - 3.5.1.2. The waiting period is 30 days for disability caused by Illness, Injury, or Pregnancy.
 - 3.5.1.3. The benefit payout period is up to 60 days after the waiting period is completed.
 - 3.5.1.4. Periods of partial disability will not count toward completion of the Benefit Waiting Period.
 - 3.5.1.5. There is no Pre-existing Condition clause for STD coverage.

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3.5.2. Benefit Amount:

- 3.5.2.1. The maximum weekly benefit is 70% of Pre-Disability Earnings, up to \$1,200.
- 3.5.2.2. Employee's maximum benefit is reduced by Deductible Income.
- 3.5.2.3. The minimum weekly benefit is \$15.
- 3.5.2.4. Coverage includes Return-to-Work Provisions. This provision is a combined total of disability benefits and Work Earnings not to exceed 100% of Pre-Disability Earnings.
- 3.5.2.5. The normal benefit payout period for Routine Child Birth Delivery will be a minimum of 14 calendar days or 10 business days, unless the doctor determines a longer benefit period is medically necessary.
- 3.5.2.6. The normal benefit payout period for a C-Section Child Birth Delivery will be a minimum of 28 calendar days or 20 business days, unless the doctor determines a longer benefit period is medically necessary.
- 3.5.2.7. The Contractor will pay the City's share of Social Security and Medicare taxes, file quarterly 941 statements, and prepare any and all year end filings as required by federal or state laws.

3.5.3. **LTD** Description of Coverage:

- 3.5.3.1. Coverage is for on and off-the-job disabilities.
- 3.5.3.2. The waiting period is 90 days for disability caused by Illness, Injury or Pregnancy.
- 3.5.3.3. The benefit payout period is until the Covered Person is no longer deemed disabled, no longer qualifies for LTD, or reaches age 65, whichever comes first.
- 3.5.3.4. Periods of partial disability may count toward completion of the Benefit Waiting Period.
- 3.5.3.5. There is no coverage for any Pre-existing Conditions until the earlier of 12-months of continuous coverage or 6-months without treatment of the conditions. Employees should not suffer a loss or gain of coverage due to a change in disability vendor.
- 3.5.3.6. The Contractor agrees to waive employee LTD premiums once the employee is approved for LTD.

3.5.4. Benefit Amount:

- 3.5.4.1. The maximum monthly benefit shall be 60% of Pre-Disability Earnings, up to \$7,500.
- 3.5.4.2. Employee's maximum benefit will be reduced by Deductible Income.
- 3.5.4.3. The maximum benefit period is determined by claimant's age when disability begins:

If the period of total disability starts prior to the date employee reaches age 62, it will end with the calendar month in which employee reaches age 65.

If employee's period of disability starts on or after the date they reach age 62, it will end with the expiration of the number of months of total disability, after the waiting period is met, as figured from the following schedule:

Maximum Benefit Period	
Age When Disability Begins	Maximum Benefit Period
Age 62 or under	The employee's 65 th birthday or the date the 42 nd Monthly Benefit is payable, if later.
Age 63	The date the 36th Monthly Benefit is payable.
Age 64	The date the 30th Monthly Benefit is payable.
Age 65	The date the 24th Monthly Benefit is payable.
Age 66	The date the 21st Monthly Benefit is payable.
Age 67	The date the 18th Monthly Benefit is payable.
Age 68	The date the 15th Monthly Benefit is payable.
Age 69 or older	The date the 12th Monthly Benefit is payable.

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- 3.5.4.4. The amount paid to a disabled employee, including any combination of workers' compensation benefits, wage continuation benefits, sick leave, personal leave and wages for work performed, will not exceed the Pre-Disability Earnings which they would have received for such a period at their regular hours and rate of pay, except for the minimum listed below.
- 3.5.4.5. The minimum benefit is the greater of (a) \$100; or (b) 10% of the maximum monthly benefit unreduced by Deductible Income, whichever is greater.
- 3.5.4.6. Eligible employees who are Police Officers or Firefighters receive one year of paid leave for on-the-job injuries. However, if eligible, they could receive the minimum monthly benefit.
- 3.5.4.7. Coverage includes Return-to-Work Provisions. This provision is a combined total of disability benefits and Work Earnings not to exceed 100% of Pre-Disability Earnings.

3.6. Effective Dates and Termination Dates of Coverage Requirements:

3.6.1. STD:

- 3.6.1.1. The Group Policy's effective date is January 1, 2016.
- 3.6.1.2. Coverage is effective on the first day of employment for all newly hired employees who are in a regular budgeted position and are scheduled to work 20 or more hours per week on their first day of employment.
- 3.6.1.3. Coverage is terminated at the end of the pay period in which employees terminate or retire. If an employee becomes disabled while an active employee, the fact that they terminate employment with the City will not affect an eligible claim.

3.6.2. LTD:

- 3.6.2.1. The Group Policy's effective date is January 1, 2016.
- 3.6.2.2. Coverage for newly hired eligible employees is effective on their first day of employment.
- 3.6.2.3. When electing coverage due to an IRS qualifying event, coverage begins the first day of the following pay period.
- 3.6.2.4. When terminating coverage due to an IRS qualifying event, coverage ends on the last day of the pay period.
- 3.6.2.5. When adding LTD during annual open enrollment coverage is effective January 1.
- 3.6.2.6. When terminating employment with the City, coverage for a Covered Person, who is not receiving LTD benefits, ends on the last day of the pay period.
- 3.6.2.7. If an employee becomes disabled while an active employee, the fact that they terminate employment with the City will not affect an eligible claim.

3.7. Eligibility Requirements:

- 3.7.1. The Contractor shall agree to abide by the City's policies and procedures regarding eligibility and effective dates for all Covered Persons. **Refer to Exhibit A**, 2015 Employee Benefits Guide.
- 3.7.2. The City reserves the right to determine if a participant is considered a late entrant.
- 3.7.3. The Contractor shall agree to the City's definition of Actively at Work, as defined in 2.4.1.
- 3.7.4. The Contractor shall agree that all regular employees who are scheduled to work 20 or more hours per week are eligible to participate.
- 3.7.5. The City determines eligibility during the contract period. The City only allows employees to choose LTD coverage during:
 - 3.7.5.1. Annual Open Enrollment, regardless of their current enrollment.
 - 3.7.5.2. Within 31 days of employment.
 - 3.7.5.3. In conjunction with a mid-year IRS qualifying event.

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3.7.6. The Contractor shall agree to provide STD benefits to the City's Mayor, City Council, and/or employees who have waived their salaries.

3.8. Transition and Implementation Requirements:

- 3.8.1. Within thirty (30) days of the contract being awarded, the Contractor shall meet with the City to finalize the plan design, administrative procedures, and expectations.
- 3.8.2. Within thirty (30) days of the meeting referenced in 3.8.1, the Contractor shall provide the City with at least five copies of an administrative manual detailing the plan design, administrative procedures, and expectations as agreed upon during the meeting.
- 3.8.3. The Contractor shall provide training and education for appropriate City staff (approximately 10 employees) concerning all facets of program administration.
- 3.8.4. The Contractor shall provide the City staff with all materials and communications for review and approval prior to distribution.
- 3.8.5. The Contractor shall meet with the City concerning reporting responsibilities, and financial responsibilities within (30) days of the contract being awarded.
- 3.8.6. The Contractor shall provide certificates in paper and PDF format, to the City at no additional cost, within (30) days of completion of certificate, but no later than 30 days after both the City and Contractor agree on an approved certificate. The initial supply shall be 350 STD certificates and 200 LTD certificates. Additional certificates shall be provided at the City's request.
- 3.8.7. The Contractor must be fully operational including ability to verify benefits and process claims as of 12:01 a.m. January 1, 2016.

3.9. Customer Service Requirements:

- 3.9.1. The Contractor shall respond to telephone calls and electronic mail from City staff or employees within one business day.
- 3.9.2. The Contractor shall provide secured email portal for confidential transactions.
- 3.9.3. With regard to LTD claims, the Contractor shall assist an employee with the initial Social Security Disability Application process.
- 3.9.4. The Contractor's customer service shall include, at a minimum: claims inquiries, problem resolution, and education of the plan.
- 3.9.5. The Contractor shall provide dedicated staff to process City's STD and LTD claims.

3.10. Claims Processing and Payment Requirements:

- 3.10.1. The Contractor shall maintain accurate payment processing for completed and approved disability claims.
- 3.10.2. The Contractor shall pay disability claims within five (5) business days after receiving a clean claim.
- 3.10.3. The Contractor shall not require a claim to be filed and denied through STD in order for an LTD determination to be made.
- 3.10.4. In the case of a City employee injured on an outside part-time job, the Contractor shall coordinate between the part-time employer to pay up to the benefit allowance.

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- 3.10.5. The Contractor shall be able to expedite claims based on special requests from City staff.
- 3.10.6. The Contractor shall not require that the City verify what type of earnings the employee is receiving (i.e. sick/vacation leave) during the 30-day waiting period. Employees using sick and/or vacation time during their 30-day waiting period will not be penalized.
- 3.10.7. Once approved for disability, the Contractor shall allow an employee to work a minimum of 6-months before a new waiting period applies. Should the employee return to work and then has a relapse of their condition causing them to miss additional work, the STD minimum will be 15 days.
- 3.10.8. The employee has 60 days from the date of disability to file a STD claim unless the employee is unable to file.
- 3.10.9. The employee has 180 days from the date of disability to file a LTD claim unless the employee is unable to file.
- 3.10.10. The City requires a seamless transition between short and long term disability claims.
- 3.10.11. The Contractor shall provide City Benefits staff access to view online status of claims.
- 3.11. Reporting Requirements:**
 - 3.11.1. The Contractor shall provide quarterly and year end reports within 60 days after a reporting period.
 - 3.11.2. The Contractor shall provide the City with the ability to produce reports online.
 - 3.11.3. At a minimum, the reports shall include but not limited to the following information:
 - 3.11.3.1. STD Reports:
 - a) Claim Number
 - b) Claimant Name
 - c) Initial Disability Date
 - d) Claim Receipt Date
 - e) Clean Claim Date
 - f) Initial Payment Date
 - g) Notification Date
 - h) Total Benefit Paid (Cumulative balance)
 - i) Employer Taxes
 - j) Net Total Payment (Cumulative balance)
 - 3.11.3.2. LTD Reports:
 - a) Claim Count by diagnosis category Quarterly
 - b) Premium Totals with Claims and Loss Ratio
 - c) Average Claim Duration
 - d) Claim Count broken out by Open, Pending, Closed
 - e) Claim Count Distribution
 - f) Percent of Closed Claims
 - g) Claim Count by Diagnosis
 - h) Paid Benefits and Reserves by Diagnosis
 - i) Claim Count by Age/Gender
 - j) Claim Count by Length of Service
 - k) Claim Count by Salary
 - l) Claim Count by Department
 - m) Social Security Approval Rates

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3.12. Federal, State and Local Law and related Requirements:

- 3.12.1. The Contractor shall administer the plan in strict compliance with federal, state and local laws.
- 3.12.2. All coverage provided shall ensure compliance with the Federal Family and Medical Leave Act of 1993. Specifically, the coverage certificate shall allow participants to continue coverage while on Family Medical Leave. Reinstatement of coverage upon the participant's return from leave without any exclusions or limitations will be required.
- 3.12.3. City of Austin personnel policies and procedures will govern over the Contractor's administrative procedures.
- 3.12.4. The Contractor shall notify the City of changes in law, regulations, or other requirements that affect the disability plans offered by the City within 30 days of enactment.
- 3.12.5. The Contractor shall provide assurance of its compliance with HIPAA rules and regulations and that it will comply with Section 0640 – HIPAA Business Associate Agreement.