

**Short-Term and Long-Term Disability Programs**  
**DHR2302-DISABLINS**

***SEBC Proposal Review Committee Recommendation***

***November 30, 2023***

**Background:**

- *March – June, 2023:* Development of the RFP scope of work, evaluation criteria, and minimum requirements.
- *June 26, 2023:* Released RFP.
- *June - August, 2023:* Received six intent-to-bids and five bids including MetLife, Prudential, Sedgwick, The Standard and Hartford (incumbent on contract DHR18002-DISAB\_INS).
- *August - October, 2023:* The Statewide Benefits Office (SBO) and Willis Towers Watson (WTW) reviewed the proposals and sent follow-up questions as necessary. This included a request for Best and Final Offer pricing removing the mental/nervous and substance abuse limitations on LTD services.
- *October 5 and 6, 2023:* SBO, WTW and Pension Office held technology demonstrations with all five finalists to evaluate online claimant website, employer portal and reporting capabilities.
- *October 17 and 19, 2023:* The Proposal Review Committee (PRC) met to review relevant historical context, consider the analysis of the bid responses including STD and LTD coverages, return to work services, selection, quality, members experience, communications, integration and account management. Finalist interviews were conducted and MetLife, Prudential, Sedgwick, The Standard and Hartford presented their qualifications and overall capabilities. Afterward, WTW issued additional follow-up questions to the bidders, performed reference checks and continued the pricing analysis.
- *October 2023:* On October 27, 2023, vendors were requested to submit Best and Final Offer pricing by November 1, 2023. All five vendors submitted Best and Final Offers. Vendors were also requested to provide their responses to the follow up questions and Return to Work Scenario by

11/1/23. Vendors were given an extension to 11/3/23. All vendors submitted their responses timely. One vendor, The Standard, did not respond to the Return to Work scenario.

- *November 6, 2023:* The PRC reconvened to review and discuss various SBO and Pension Office procedures, removal of mental and substance abuse limitation, answers to follow-up questions, results from reference checks and pricing analysis.
- *November 20, 2023:* The SEBC provided guidance to the PRC of intent to remove the Mental/Nervous and Substance Abuse limitation from the Disability Insurance Program effective July 1, 2024.
- *November 28, 2023:* PRC members submitted individual score sheets to the SBO and WTW.
- *November 30, 2023:* PRC members met to review scoring and develop a recommendation for submittal to the SEBC for the December 21, 2023 meeting.
- MetLife, Prudential, Sedgwick, The Standard and Hartford are all STD and/or LTD vendors administering services on a national scale. All participated in this RFP process and are qualified and eligible for consideration for the award of a contract, subject to the vendor meeting all minimum requirements, including technology and data security, at the time of the subsequent award.
- Hartford is the current vendor under contract DHR18002-DISAB\_INS Short-Term and Long-Term Disability Program.
- For the purposes of evaluation MetLife (LTD) and Sedgwick (STD) are evaluated together since each vendor will be providing a complimentary service. As it relates to the Scorecard, Sedgwick and MetLife were both weighted 50% for their combined offering.

The PRC discussed the following in determining the recommendation.

- **Short-Term and Long-Term Disability Insurance Program:**
  - All vendors are qualified to administer the Disability Insurance Program as follows:
    - MetLife, LTD with Sedgwick managing the STD under a separate contract
    - Sedgwick, STD with MetLife handling LTD under a separate contract

- Prudential, STD and LTD with Sedgwick (subcontractor) via their AbsenceOne partnership
  - The Standard, STD and LTD
  - Hartford, STD and LTD
- RFP Scoring: Of a total of 40 points, the scores by the type of STD and LTD plan proposed as follows:
    - Sedgwick (handling STD) and MetLife (handling LTD): 27.0
    - Prudential (STD & LTD) AbsenceOne scored: 26.57
    - Hartford (STD & LTD) scored: 28.50
    - The Standard (STD & LTD) scored: 18.4

- The estimated annual cost savings\* for State of Delaware as analyzed by WTW is as follows:

- MetLife/Sedgwick cost savings \$1,168,000
- Prudential cost savings \$395,000
- Hartford cost savings \$768,000
- The Standard offered no cost savings. The cost increase would be \$992,000

\*does not include claim dollars paid to employees in the short-term disability plan and assumes a long-term disability plan design that does not limit Mental/Nervous and Substance Abuse conditions to a maximum of 24 months

- The RFP established the categories (for scoring) vendors were to address in their proposals and included the following:
  - Financial Terms
  - Claims Administration and Disability Management
  - Account Management

- Member Services
  - Integration with Other Benefit Programs
  - Experience and References
  - Responsiveness
- While, all vendors offer short-term and long-term disability program services, the services differ significantly.
    - Prudential (subcontracting with Sedgwick model known as AbsenceOne)
      - Able to provide a customizable technology platform. Partnership provides for consistent branding through STD and LTD and proves a seamless transition for the claimant.
      - Because of the established partnership between Prudential and Sedgwick, this would have a single contract with a single account manager.
      - Automated processes in place for benefit calculations and salary adjustments.
    - Hartford
      - Requires a separate application when a claimant moves from STD to LTD. All other vendors do not.
      - As the current vendor, has customized a number of processes because of limitations of the THAA system to support the administration but does not have any projects on the road map to automate critical processes as requested.
    - MetLife and Sedgwick
      - Has an established process in place with Sedgwick managing the STD on the front end to provide for a seamless transition from STD to LTD. However, there would be a brand change for the claimant when transitioning from STD to LTD.
      - Because the vendors submitted separate proposals, the State of Delaware would have to negotiate and manage two contracts. This would increase State of Delaware resource requirements during both implementation and contract management.
      - System functionality to accept health deductions and changes to deductions.
      - Vendor portal data is in real time.

- Standard
  - Currently does not have system functionality for automated calculation of STD benefits but have committed to have in place for 7/1/24.
  - Does not provide real time updates for data.

As such the PRC recommends the following:

**Recommendation**

RESOLVED that with respect to the Request for Proposal for Short-Term and Long-Term Disability, the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:

- Invite Hartford to negotiate the following conditions for a short-term and long-term disability contract which if successful will result in an award for an initial three-year term effective July 1, 2024 through June 30, 2027, with two optional one-year period extensions:
  - SBO is requesting a 7/1/2024 re-implementation by Hartford. This has been determined to be the best way to ensure all concerns under the current contract are addressed. SBO is also requesting a \$100K implementation credit. Hartford will need to agree to a re-implementation and associated credit and submit a timeline for the re-implementation with all tasks and milestones noted. Re-implementation will include but not be limited to file interfaces, booklets, THAA site, user access, processes as if the State of Delaware is a new client.
  - Hartford’s RTW program needs to have the following items incorporated. Hartford to submit a Performance Guarantee (PG) that incorporates the following RTW essentials:
    - Hartford will enhance coordination between analysts and vocational case managers to identify potential alternate and modified work opportunities.
    - STD
      - Hartford will identify current impediments (limitations/restrictions relevant to job duties) to the STD claimant’s current position.
      - Hartford will assess the STD claimant’s potential for alternate or modified duty.
      - Hartford will actively outreach via email to organizations HR (copying the SBO Return to Work Coordinator) to evaluate options for accommodations. The SBO Return to Work Coordinator will oversee the process, ensure organizations are compliant with State policies and procedures, and provide assistance as necessary.
    - LTD
      - Hartford will evaluate LTD claimants to determine if vocational rehabilitation services would allow the claimant to RTW. If so, Hartford will create a RTW plan and perform referrals to the State of Delaware

Division of Vocational Rehabilitation, or other state vocational rehabilitation programs depending on where the LTD claimant resides.

- Hartford will notify the SBO Return to Work Coordinator via email at least 60 days prior to Hartford determining that claimants are no longer eligible for LTD due to change in definition of disability.
  - Hartford will refer all LTD claimants who are released to RTW to the SBO Return to Work Coordinator for assistance.
  - Hartford will work with claimants to find other jobs outside of State of Delaware employment when they are not eligible for rehire with the State of Delaware. Services should include referrals to the Hartford Job Club.
    - These RTW activities will be summarized on a regular basis to document the number of STD and LTD claimants they are working with, services (including referrals), and the outcomes (including placements).
  - Referrals to and providing information on other State of Delaware resources, such as EAP and Care Management, is a requirement for the claims management services. Hartford will develop and implement the inclusion of this information into communications and scripting (i.e., have examiners explain to employees and provide the appropriate referral information) effective 7/1/2024.
  - Hartford will organize monthly meetings with SBO to review service concerns. This will include an excel tracker log that will detail the concern, list specific efforts to remediate with dates (not just note that something was corrected) and have periods of increased oversight to ensure that concerns are being addressed. This tracker log will be distributed prior to the monthly meetings for review and input by the State of Delaware. Hartford attendees will include the account team, claim representatives and other staff supporting the State of Delaware.
  - The State of Delaware has the right to request and receive replacement representatives with written notice. The requested changes should occur within 120 days. Please note the ask is for everyone on Hartford's side who is aligned to the State of Delaware account.
  - State of Delaware requests a WTW audit in Q4 of 2024. The claim sample will consist of 35 STD claims incurred as of 7/1/24 and forward and 5 LTD claims incurred as of 1/1/22 and forward. Hartford also agrees that interviews (up to five members of Hartford staff aligned to State of Delaware account) are completed as part of the audit.
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- If contract negotiations detailed above are not successful and an agreement is not reached by Hartford's written acceptance of the above terms by close of business on 1/4/2024, the PRC recommends that the SEBC invite Prudential to negotiate the below-listed conditions for a short-term and long-term disability contract (subcontracting with Sedgwick model known as AbsenceOne) for an initial three-year term effective July 1, 2024 through June 30, 2027 with two optional one-year period extensions:

- The SBO is requesting that Prudential agree to implementation activities, development of return to work and referral processes, and account service and claim audit support that meets or exceeds the conditions required by the Hartford as detailed above.
- The contract shall be further subject to approval by the Department of Technology and Information and Department of Insurance and include performance guarantees.