

Proposal to Serve  
**State of  
New Hampshire**

Request for Information  
RFI# 2019-224

Twin State Voluntary Family  
and Medical Leave Insurance Plan

March 2019

**AnthemLife**





## Confidential Information

Certain confidential and proprietary information ("Confidential Information")\* may be disclosed to Employer and/or to Employer's consultant (together referred to as "Employer") as a part of this Request For Proposal (RFP) process. Confidential Information is our ("Company") exclusive property and is a trade secret of Company. By accepting Company's RFP response, Employer agrees that the Confidential Information shall remain Company's sole property. Employer agrees to hold the Confidential Information in confidence, to only use or disclose it as necessary to review and evaluate Company's response to this RFP, and to maintain it with the same degree of care used in safeguarding its own confidential information. No portion of the Confidential Information may be disclosed, furnished, or otherwise made available to any other entity or person, including any competitor, third party administrator or other insurer without the prior written consent and agreement of Company.

\* Confidential Information shall mean the systems, procedures, methodologies and practices used by Company in connection with the claims processing, claims payment, medical management and utilization monitoring functions (including but not limited to, software programs and other computerized medical and case management and claims processing systems), together with the participating provider network, including provider and/or customer contracts and arrangements, the negotiated fees, terms and discounts with providers, provider tax identification numbers, customer and supplier lists, information about our corporate structure and any affiliates, and other non-public information about Company. Confidential Information shall also include any other information specifically identified as such by Company prior to disclosure.



## The Proposal

The terms of the proposal hereinafter set forth (the "Proposal") are subject to negotiation and execution of a written agreement, which will supersede the contents of the Proposal. The Proposal does not constitute an agreement, and is based on assumptions made from the written information in our possession which was provided by you. We retain the right to modify the Proposal if the information upon which the Proposal is based is changed or supplanted.



State of New  
Hampshire

## Cover Page

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Twin State Voluntary Family and Medical Leave Insurance Plan  
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### Submitted by:

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### Submission Date:

Thursday, March 7 by 3:00 p.m.

# State of New Hampshire RFI# 2019-224

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Section 1

# Vendor Information



# State of New Hampshire

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### Vendor Information

The State is seeking information to aid in establishing an FMLI program available to all state employees and, on a voluntary basis, private employers and employees in New Hampshire and Vermont.

The RFI has 2 key objectives:

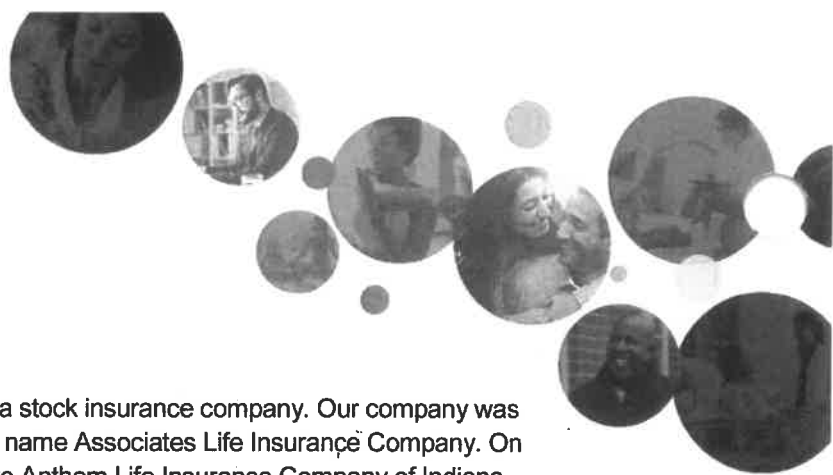
- Provide prospective respondents with information regarding the program's planned structural and operational features.
- Solicit respondent information to assist the State in preparing an RFP.

In response to this RFI, the State seeks responses from insurance carriers qualified to provide an FMLI plan meeting the requirements set forth in Section 2(b) above. Carrier responses should address the processes for claims administration as well as premium collection for both public and private employers (taking into account the fact that private employers may participate at differing cost sharing levels). Carrier responses should also address the potential per employee cost of the plan for state employees for both six weeks of wage replacement payments and 12 weeks. The State is interested in receiving pricing and administrative information on providing a higher wage replacement percentage for lower wage earners and/or progressively pricing the individual premium for lower wage earners. The state also seeks information from employers, organizations and individuals with knowledge of existing FMLI programs or the market/operational challenges for such programs.

Respondents are encouraged to provide feedback if they believe that the structural and operational features of the Plan as outlined in Section 2(B) above could be adjusted to better achieve the Plan's goal of providing affordable, cost-effective family medical leave insurance to public and private sector employees.

In addition, Respondents are encouraged to offer suggestions about the most cost-effective methods of creating and administering the pool described in Section 2(B) (11) for individuals who are self-employed or who work for employers who choose not to offer FMLI coverage.

The State is seeking feedback on the information in this RFI and will consider any information, including partial responses, received in response to this RFI. If the State moves forward in the development of an RFP, the RFP process will be open to all respondents regardless of their decision to participate in this RFI.



Anthem Life Insurance Company (Anthem Life) is a stock insurance company. Our company was incorporated in Indiana on June 7, 1956 under the name Associates Life Insurance Company. On October 1, 1990, the company changed its name to Anthem Life Insurance Company of Indiana.

Anthem Life, a leader in the group life and disability market, has distinguished itself as a strategic subsidiary of Anthem, marketing group life and disability products primarily within Anthem's Blue Cross and Blue Shield regions.

Our Manchester Sales and Service Office will provide all account management services.

Providing far more than just a benefit check, our Life and Disability plans offer employees and their families financial peace of mind and valuable services that help them stay healthy and productive. We specialize in Life and Disability insurance products backed by exceptional customer service and decades of experience for more than 4 million employees.

We have been providing a coordinated FML administration and STD product since 2006. In 2013, we launched our in-house FML administration product. Our FML product is integrated with Short Term Disability, our Resource Advisor program and with Anthem Medical when applicable. We also administer New York's new Paid Family Leave (PFL) program.

We have been administering Life and Disability coverage to our customers for more than 60 years. This experience allows us to provide you the benefits and services expected in a Life and Disability company.

### **Back to health, back to work, back to life**

We offer a complete portfolio of products that deliver a powerful solution for absence and disability management. But we offer more than that. When you purchase stand-alone disability from us, you also receive the benefit of our company's medical expertise. That's a strong advantage of working with a leading health insurance carrier for your disability program.

### **FML/PFL Administration**

We understand the challenges employers face maintaining compliance with FML and other state leave laws. That's why we offer leave administration services that are fully integrated with our STD program and Anthem medical plans, as well as 24/7 online claim status and customizable reporting through a secure web portal.

Our leave administration product gives employees a single point of contact for FML, STD and NY PFL claims submission, and it provides employers the assurance that leaves are managed consistently, efficiently and in full compliance with federal and state regulations. Both STD and standalone FML claims are managed by client-designated disability case managers. This allows us to track leaves concurrently and consolidate communications to both employees and employer representatives.



## Our Experience will help the State of New Hampshire and the State of Vermont

We have decades of experience serving large employer groups with complex needs. With nearly 39 million members, we're one of the largest health plans in the country. What sets us apart isn't just our size and strength, but our determination to make health care fundamentally better—for everyone.

As you work through the process of determining the structure of your proposed FMLI program, we are excited to collaborate on plan design, eligibility, funding, billing and participation requirements based on our background in the life and disability industry. We recognize the importance of building a paid leave plan that will attract employers and employees to your states – and keep them there. If we do receive an RFP, we will use our expertise in providing disability, FMLA and NY PFL to illustrate our ability to offer a top notch approach to FMLI administration. "Easy to Do Business with," is one of our company's core values, and is the key driver in handling claims accurately and timely and promptly resolving issues when they arise.

With more than 32,000 clients and serving more than 4.2 million members with life, disability, FMLA and NY PFL plans, we are experienced and look forward to building our relationship with you should we have the opportunity to offer FMLI benefits.

We are committed to working collaboratively with you throughout the RFI process and prospective RFP process.

### When you need us, we are there

Our dedicated call center is available 8 a.m. until 8 p.m. Eastern, Monday through Friday.



**99.8%**

claims accuracy



**90.4%**

of calls answered in  
20 seconds or less  
by a person,  
not a recording



**1.4 days**

average claims  
processing time  
for Life



**7.5 days**

claims decision from  
first notice of claim  
for Disability

Providing far more than just a benefit check, our plans offer your employees and their families' financial peace of mind and valuable services helping them stay healthy and productive. We specialize in Life and Disability insurance products that are backed by exceptional customer service and decades of experience than 4.2 million employees.





## Comprehensive support when your employees need it most

Our fundamental strategies include:

- o Putting people in control of their financial security when facing some of life's toughest challenges—the death of a family member or a disability
- o Supporting employers' efforts to provide complete benefit packages that help attract and retain valuable employees
- o Offering producers, agents, brokers and consultants product choices, expertise and resources to better serve their clients

What sets us apart is not just our size and strength, but our determination to make health care fundamentally better—for everyone.

## A foundation of confidence

With consistent ratings for more than five years, our customers can be confident that we are financially strong and can pay what we promise, today and tomorrow. Our financial ratings are described below.

### 2018 financial ratings\*

A.M. Best	A (Excellent)
Standard & Poor's	A+ (Strong)
Moody's	A2 (Good)
Fitch	AA-

\*Held by our parent company

Section 2

# Cost Estimates



# State of New Hampshire

## RFI# 2019-224

### Appendix A: Cost Estimate

#### ***RFP 8.1: COST ESTIMATE TABLE***

Item	General Requirements Description	Cost
1	Third party vendor one-time implementation fee	\$1,500 per group
2	Third party vendor monthly hosting fee	\$0.30 PEPM with a minimum of \$200 per group
3	Third party vendor monthly documents and file interface fee	\$600
4	Anthem internal staffing costs	\$1.50-\$2.00 PEPM
5	FMLI claims cost for state employees (assuming a 60% benefit)	Six-week benefit: 0.346% - 0.404% of covered wages Twelve-week benefit: 0.554% - 0.646% of covered wages
6	Premium Tax	2% of total premium
7	Risk and Contingency Margin	3-6% of total premium
8	Commission	A set percentage of total premium, if applicable

In the above table, we have broken out our estimated cost for offering an FMLI product into several components. On top of the FMLI claims payments, there are also costs related to the third party vendor that we use for administering leave type products, as well as Anthem's own costs for staff needed to implement cases and adjudicate claims. Below, we have included more detail as well as commentary on these cost components.

#### **Third Party Vendor Fees**

Anthem uses a third party vendor's services to track family, medical and other types of leaves. As listed in items 1 and 2 in the cost estimate table, this vendor's fees include one-time costs as well as monthly costs on a per group basis. The \$1,500 per group required for initial implementation and minimum of \$200 per group per month for hosting leads to our existing FML administration product being cost prohibitive for smaller group sizes. As such, we currently only offer FML administration to groups of 250 lives or more.



The proposed FMLI program requires that groups of 20+ group size with 100% participation be charged the state rate. Unless we are able to negotiate fee structure changes, we would have to undercharge smaller groups and/or overcharge the state employees to offer both populations the same rate. One solution may be to pool small cases together and administer them as one large case with one eligibility file, but we are unsure of how feasible this would be.

Item 3 is a monthly fee spread across all groups and would result in a minimal cost PEPM given that the state plan alone would have 18,500 people.

The third-party vendor also charges a one-time history file development fee of \$1000 per group. Since FMLI would be a new product, we anticipate that most groups would not initially need this service. Any other programming, consulting, or interface file development needed by a group would incur additional charges as well.

### **Anthem Staffing Costs**

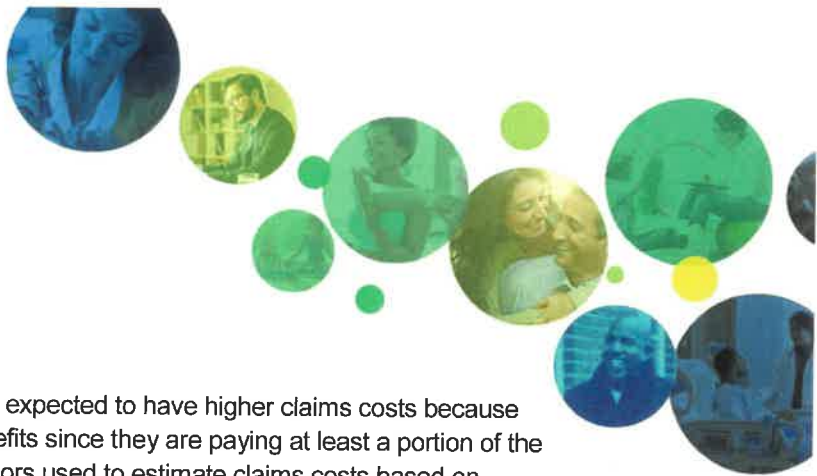
This cost component (item 4) covers Anthem's internal staff responsible for case implementation, leave tracking using the third party vendor's system, and claims adjudication. Smaller groups are often just as time-intensive to implement and set up as larger groups are. This is another reason why we currently only offer FML administration to groups of 250+ lives.

### **FMLI Claims Cost**

Claims costs for state employees (item 5) have been presented as a percent of covered wages in order to demonstrate how FMLI rates can be income-sensitized. We are assuming that FMLI benefits will not be offset by any other benefits. We have also assumed a one-year rate guarantee. We can offer a two-year rate guarantee with a 3% load to claims costs.

Assuming the maximum covered annual wages of \$132,900, the estimated maximum PEPM claim cost for a six-week benefit plan would fall within the range of \$38.34 - \$44.73, while the maximum PEPM claim cost for a 12-week benefit plan would fall within the range of \$61.34 - \$71.56. Employees with lower wages will receive a lower weekly benefit and have a lower expected claim cost, resulting in a lower premium rate.

Claims costs for groups with 100% participation would be assumed to have similar claims costs as the state employees. However, smaller group sizes would be expected to experience more volatility and we would adjust for this by applying a higher risk and contingency margin (item 7) when building up to their premium rate.



Groups with less than 100% participation would be expected to have higher claims costs because their employees would be more aware of their benefits since they are paying at least a portion of the premium. An illustrative sample of participation factors used to estimate claims costs based on participation percentage is shown below:

Participation	Factor
25%	1.60
30%	1.50
50%	1.27
75%	1.05
90%	1.02

The proposed FMLI program also references a separate risk pool for employees who are self-employed or work for an employer who does not offer FMLI. We would be uncomfortable quoting for this population. Offering FMLI on an individual voluntary basis would result in a high level of anti-selection that would be difficult to price adequately for, even if a modest level of subsidization by the state plan were allowed.

### Retention Components

To build up to the final premium rate, we would add on the retention components of premium tax, risk and contingency margin, and if applicable, commission. These would be expressed as percentages of the total premium. The risk and contingency margin would be higher for smaller groups and lower for larger groups to account for anticipated differences in claims volatility.



Section 3

# Business and Technical Requirements



# State of New Hampshire RFI# 2019-224 Business and Technical Requirement

## Statement of Work

### 5.1 ANTICIPATED REQUIREMENTS

The purpose of this RFI is to determine whether there are solutions capable of meeting the State's anticipated requirements and to determine alternatives for meeting those requirements that are consistent with the overall vision for the State.

The State's discovery efforts to date have resulted in a desire to obtain access to solutions with the following attributes:

#### 5.1.1 Business Requirements

Establish a family medical leave insurance program which will cover all state employees in Vermont and New Hampshire as well as be available to private employers and employees on a voluntary basis.

Confirmed. Through Anthem, Inc., our affiliates Anthem Life would administer FMLI for the State of New Hampshire. Our UniCare affiliate would administer the State of Vermont.

Anthem Life has FML approved in the State of New Hampshire; however, there are special coverages added in this RFI that would require a special filing for approval to include in our current FML administrative agreement.

For the State of Vermont, we will need to file a full FMLI administrative agreement for approval as this product is not currently in force with UniCare.



## 5.1.2 Functional Requirements

Provide administrative services for implementation of the program including premium collection, claims processing, information and outreach services to covered individuals, and benefits tracking and administration. It is anticipated that the successful carrier(s) will interact with the NH DAS in determining the eligibility of state employees and with private employers and human resource officers in determining the eligibility of private sector employees.

Anthem Life's FML/PFL provides job-protected, paid time-off for New Hampshire or Vermont workers to bond with a new child, care for a seriously ill family member, attend to family matters associated with a qualifying military exigency, or for the employee's own serious health condition.

The basics of the plan include:

### Out of State Employees

We assume that an employer with employees working in New Hampshire or Vermont for a specified number of days in a calendar year would be eligible to offer FMLI coverage. FMLI is a benefit for people who *work* in New Hampshire or Vermont; it does not matter where the employer is headquartered or where the employee lives.



Examples:

- o An employee who works from their home in New Hampshire is covered even if the employer is located outside of New Hampshire.
- o An employer that is located outside of New Hampshire does not need to cover employees who live in New Hampshire but work in Maine.

### Billing

- o Funding options would likely be restricted to fully-insured plans
- o Premiums to be paid by employees through payroll deductions
  - Employers can choose to pay all or a portion of FMLI premium if they elect to offer a voluntary plan
  - State employees will have a non-contributory plan
  - We would recommend that the states handle billing and eligibility for the plan for self-employed individuals and employees of employers that do not participate in the FMLI program.
- o We would bill monthly along with other lines of coverage
- o We require a weekly or bi-weekly eligibility file feed for our leave management system, which may be a difficult deliverable for small employers. This feed enables us to:
  - Drive automated generation of notice of employees rights and responsibilities, letters, forms, etc. within timelines required under future FMLI regulations
  - Automatically notify employers of requests for FMLI
- o Employers will have online access to FMLI reports and claim status



## Implementation - Communications

- New clients receive a FMLI policy
- Employees receive a brochure containing information about our telephonic claim filing process and FMLI FAQs

## FMLI Claims Administration

### Situations that Qualify for FMLI

- The birth of a child and to care for the newborn child within one year of birth
- The placement with the employee of a child for adoption or foster care and to care for the newly placed child within one year of placement
- Caring for the employee's spouse, child, or parent who has a serious health condition
- A serious health condition that makes the employee unable to perform the essential functions of his or her job, or
- Any qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a covered military member on "covered active duty," or to care for a covered service-member with a serious injury or illness if the eligible employee is the service-member's spouse, son, daughter, parent, or next of kin (military caregiver leave)

### Claim Filing and Payment

- Claims are filed telephonically
- Automated notice will be sent to employer advising them of receipt of claim
- Automated letter will be sent to employee acknowledging receipt of claim
- Weekly benefit payments via check
- We recommend that only full days of FMLI be tracked and paid. Employers would be responsible for their own leave policies for time period of less than a day
- FMLA and FMLI would run concurrently

### Assumed differences between PTO and FMLI

- The state can allow employee to use PTO/sick time in full day increments in lieu of FMLI to receive full pay if employee chooses.
- Employee can designate how much PTO to use and does not need to exhaust PTO. The PTO used will count toward usage of the FMLI entitlement and employer can submit a claim for reimbursement for the PTO amount.
- The State of New Hampshire or the State of Vermont can also allow but not require an employee to use PTO together with FMLI in order to receive full pay.

It is important the State of New Hampshire and the State of Vermont provide notice that a period of leave under FMLI is also a period of FML leave.