

Date: April 4, 2024  
 To: JLMBC  
 From: Staff  
 Subject: **Report back on Disability Claim statistics**

**JLMBC MEMBERS:**  
Management  
**Dana Brown, Chairperson**  
**Tony Royster, First Prov. Chairperson**  
 Matthew Rudnick  
 Matthew Szabo  
 Holly Wolcott  
  
Employee Organizations  
**Jenita Igwealor, Vice-Chairperson**  
**Marleen Fonseca, Second Prov. Chairperson**  
 Chad Boggio  
 Esteban Lizardo  
 Lisa Palombi

**RECOMMENDATION**

That the JLMBC receive and note the report back on disability claim statistics from 2022 to 2023.

**DISCUSSION**

At its January 4, 2024 meeting, the JLMBC approved Committee Report 24-03: Joint Request for Proposals for Life, Disability, and Accident Insurance Plans. During the discussion of the report, JLMBC members raised numerous questions about the current statistics of disability claim processing, and some JLMBC members noted receiving negative feedback from employees who filed a disability claim. JLMBC members further noted concerns about the length of time members incur for a disability claim to be approved and number of claims denied. The JLMBC asked for a report back on the recent statistics of disability claims.

As the City is actively out to bid for the Disability services provided by the Standard Insurance Company, staff elected to not have the Standard Insurance Company discuss this matter at this time to preserve the integrity of the bid process. Instead, the City collected data from reporting materials covering the JLMBC’s questions provided by the Standard Insurance Company to the City and its consultants, Keenan and Associates. Should the JLMBC wish to discuss this data or the disability claim process further with the Standard Insurance Company, a presentation/discussion can be scheduled for a later date, as discussed at the end of this report.

**A. Disability Claim Process**

In 2018, the Standard Insurance Company implemented a telephonic claim intake process for employees wishing to start the process of filing a disability claim by calling the Standard Insurance Company directly. Prior to this, Employee Benefits Division staff was responsible for initiating each disability claim with an employee and submitting a paper claim package to the Standard Insurance Company to begin the disability claim process. Under the telephone claim intake process, the Standard

Insurance Company speaks directly with the employee and captures all relevant information about the disability directly from the employee. The Standard Insurance Company will then send two questionnaires to the City to collect and verify information provided by the employee. One questionnaire is routed to Employee Benefits Division staff to verify insurance coverage and benefits eligibility, and the other questionnaire is sent to the employee's Human Resources and/or payroll department to verify employment information. The Standard Insurance Company will also require the employee to complete a medical evaluation and have a medical doctor complete paperwork as part of the claim process. The Standard Insurance Company may have follow-up questions for the employee, employer, or doctor before it is able to make its final decision on the claim. During this entire process, the employee is assigned to a claims analyst with whom the employee can contact directly and discuss matters of their claim.

Throughout the claim process, the Standard Insurance Company tries to assess whether or not the claim meets the policy definition of disability. This definition is fully described in detail in the Disability policy, and phrased in a simplified summary in the Open Enrollment guidebook. The guidebook version is copied below:

#### Definition of Disability

It's important to remember that under most disability policies, a covered individual must be unable to work, either at their place of employment or from home, and must experience a loss of income to be eligible for disability benefits in all cases. For benefits to begin, you must meet one of the following definitions of disability:

- You are required to be totally disabled or partially disabled from your own occupation.
- You are totally disabled from your own occupation if, as a result of physical disease, injury, pregnancy, or mental disorder, you are unable to perform with reasonable continuity the substantial and material acts necessary to pursue your own occupation and you are not working in your own occupation.
- You are partially disabled from your own occupation if you are not totally disabled and you are actually working in your own occupation but, as a result of physical disease, injury, pregnancy, or mental disorder, you are unable to earn 80% or more of your indexed pre-disability earnings.
- For supplemental disability coverage only: After 24 months for which Long Term Disability (LTD) benefits are paid, you are required to be totally disabled or partially disabled from all occupations.

## **B. Disability Claim Statistics**

Employee Benefits Division staff pulled report claim data received from the Standard Insurance Company which covers disability claims filed between 2022 and 2023. The following data reflects the overall claim status for claims received by the Standard Insurance Company and their processing time outcomes:

## CITY OF LOS ANGELES DISABILITY CLAIMS FROM 2022 TO 2023.

<u>Claim Status</u>	<u>Short Term Disability</u>		<u>Long Term Disability</u>		<u>TOTAL</u>	
<i>Approved &amp; Still Active</i>	19	2%	74	34%	93	8%
<i>Approved &amp; Closed</i>	622	67%	106	49%	728	64%
<b>Approved</b>	641	69%	180	83%	821	72%
<b>Denied</b>	285	31%	31	14%	316	28%
<b>Pending Decision</b>	0	0%	6	3%	6	1%
<b>Grand Total</b>	<b>926</b>	<b>100%</b>	<b>217</b>	<b>100%</b>	<b>1,143</b>	<b>100%</b>

## AVERAGE CLAIM PROCESSING TIMES IN DAYS

<u>Time to Decision (In Days) *</u>	<u>Short Term Disability</u>	<u>Long Term Disability</u>
<i>Approved &amp; Still Active</i>	3.947368	10.2973
<i>Approved &amp; Closed</i>	4.254019	13.12264
Denied	5.045614	16.83871
<b>Grand Total</b>	<b>4.491361</b>	<b>12.32719</b>

\* For Short Term Disability (STD): Business Days from proof of loss to decision date. For LTD: Calendar Days from proof of loss to decision date

In addition to overall claim decision status and the length of time to obtain a decision, the JLMBC had questions about the reasons for denial. This was further discussed by a workers' compensation ("occupational") related claim versus a non-work related claim. The following data shows the breakout of the same claim count (926 STD claims and 217 LTD claims) by claim type and then further breaks out the denied claims (285 STD denied claims and 31 LTD denied claims) by the reason of the denial.

## OCCUPATIONAL VS NON-OCCUPATIONAL CLAIMS

<u>Short Term Disability</u>			<u>Long Term Disability</u>		
<u>Claim Type</u>	<u>Count</u>	<u>Percentage</u>	<u>Claim Type</u>	<u>Count</u>	<u>Percentage</u>
Non-Occupational	713	77%	Non-Occupational	148	68%
Occupational	213	23%	Occupational	69	32%
<b>Grand Total</b>	<b>926</b>	<b>100%</b>	<b>Grand Total</b>	<b>217</b>	<b>100%</b>

## OCCUPATIONAL VS NON-OCCUPATIONAL CLAIM DENIAL REASONS

STD Denial Reasons	Non-		LTD Denial Reasons	Non-	
	Occupational	Occupational		Occupational	Occupational
Claim Not Filed Timely	2	1	Claim Not Filed Timely	0	0
Member Not Insured	11	3	Member Not Insured	1	0
New Info Under Review	0	1	New Info Under Review	1	0
Pre-existing Condition	0	0	Pre-existing Condition	3	0
Not Disabled From Any Occupation	1	0	Not Disabled From Any Occupation	0	0
Not Disabled From Own Occupation	5	3	Not Disabled From Own Occupation	0	3
Occupational Disability Not Covered	9	104	Occupational Disability Not Covered	0	0
Offsets Exceed Gross Benefit	2	0	Offsets Exceed Gross Benefit	0	0
Other	7	3	Other	0	0
Other Exclusions/Limitations	12	3	Other Exclusions/Limitations	0	0
Proof Of Loss	59	23	Proof Of Loss	4	5
Recovered During The "Benefit Waiting Period"	30	2	Recovered During The "Benefit Waiting Period"	8	0
Returned To Work During The "Benefit Waiting Period"	4	0	Returned To Work During The "Benefit Waiting Period"	6	0
<b>Total (STD)</b>	<b>142</b>	<b>143</b>	<b>Total (LTD)</b>	<b>23</b>	<b>8</b>

Lastly, JLMBC also had questions about disability claim statistics regarding mental health. Under the Disability policy, mental health illness can be approved as a disability if the illness meets the same definition of disability used for any illness or injury. The only policy difference for a mental health illness is the duration of payment on the claim and frequency of claim illness. LTD benefits last up to 18 months during the entire lifetime of an individual for disabilities related to a mental health illness, alcohol use, alcoholism, or drug use or drug addiction. The below statistics cover the above claims for which a mental health illness was the primary cause of disability.

## MENTAL HEALTH ILLNESS CLAIMS

Short Term Disability			Long Term Disability		
Claims Status	Count	Percentage	Claims Status	Count	Percentage
<i>Approved &amp; Still Active</i>	3	3%	<i>Approved &amp; Still Active</i>	11	31%
<i>Approved &amp; Closed</i>	87	76%	<i>Approved &amp; Closed</i>	13	36%
Approved	90	79%	Approved	24	67%
Denied	24	21%	Denied	9	25%
Pending	0	0%	Pending	3	8%
<b>Grand Total</b>	<b>114</b>	<b>100%</b>	<b>Grand Total</b>	<b>36</b>	<b>100%</b>

**MENTAL HEALTH ILLNESS CLAIMS  
AVERAGE CLAIM PROCESSING TIMES IN DAYS**

<u>Time to Decision (In Days) *</u>	<u>Short Term Disability</u>	<u>Long Term Disability</u>
<i>Approved &amp; Still Active</i>	3	5.909091
<i>Approved &amp; Closed</i>	3.747126	13.38462
<i>Denied</i>	6.083333	11.88889
<b>Grand Total</b>	<b>4.219298</b>	<b>9.611111</b>

\* For STD: Business Days from proof of loss to decision date. For LTD: Calendar Days from proof of loss to decision date

**MENTAL HEALTH ILLNESS CLAIM DENIAL REASONS**

<b>STD Denial Reasons</b>	<b>Count</b>	<b>Percentage</b>	<b>LTD Denial Reasons</b>	<b>Count</b>	<b>Percentage</b>
Member Not Insured	1	4%	Member Not Insured	1	11%
Not Disabled From Own Occupation	2	8%	Pre-Existing Condition	1	11%
Occupational Disability Not Covered	14	58%	Recovered During The BWP	4	44%
Other	1	4%	Returned To Work During The BWP	3	33%
Other Exclusions/Limitations	2	8%	<b>Grand Total</b>	<b>9</b>	<b>100%</b>
Proof Of Loss	4	17%			
<b>Grand Total</b>	<b>24</b>	<b>100%</b>			

**Next Steps**

Should the JLMBC want to discuss the disability claim process or the above referenced statistics further, the Standard Insurance Company can be requested to provide a presentation to the JLMBC at a later meeting. The Standard Insurance Company is currently scheduled to present their annual services utilization report to the JLMBC at its December 5, 2024 meeting.

Submitted by:

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Approved by:

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