



Virginia
Retirement
System

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Robert P. Schultze
Director

November 1, 2007

The Honorable Vincent F. Callahan, Chairman
House Appropriations Committee
General Assembly Building, 9th Floor
910 Capitol Street
Richmond, VA 23219

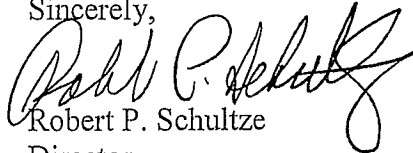
The Honorable John H. Chichester, Chairman
Senate Finance Committee
General Assembly Building, 10th Floor
910 Capitol Street
Richmond, VA 23219

Dear Governor Kaine, Chairman Chichester and Chairman Callahan:

Item 473 of the 2006 Appropriations Act (Chapter 3, Acts of Assembly, 2006, Special Session 1) directed the Virginia Retirement System (VRS) to conduct a post implementation review of the Virginia Sickness and Disability Program. The VRS was to report these findings and recommendations to the Chairmen of House Appropriations and Senate Finance. A copy of the report is enclosed.

Please contact me at (804) 344-3120 if you have any questions or comments regarding this report.

Sincerely,



Robert P. Schultze
Director

Enclosure

Virginia Sickness and Disability Program

A Post Implementation Review



Report to the General Assembly
November 1, 2007

Summary

The Virginia Sickness and Disability Program (VSDP) was approved by the 1998 Session of the General Assembly, effective January 1, 1999. VSDP, which is currently available to eligible state employees, was developed to replace the traditional employee sick leave and long-term disability retirement programs. Because VSDP has been in effect for almost a decade with no significant benefit or program adjustments, the duration and maturity of the program was sufficient that a post implementation review of the benefit structure and process was warranted. As a result, language in the 2006 Appropriations Act directed VRS to conduct a post implementation review of VSDP.

VSDP provides a bundled package of sick leave, short-term disability benefits, long-term disability benefits, and employer-paid long-term care insurance. Based on results from focus group interviews and a survey of agency human resource staff, VSDP is considered an important element of state employees total compensation package. Moreover, agency human resource staff responded positively regarding the Virginia Retirement System and its third party administrator's management of the program. Finally, survey responses clearly indicate that VSDP claimants have had a positive experience with the claims process and the assistance provided by the VSDP third party administrator.

Benchmarking the VSDP benefit structure against plans considered to be industry standards was another research activity of this review. For this analysis, the disability benefit structure for 25 employers, with similar disability programs were reviewed. This review indicates that VSDP departs from industry standards because of the lack of a pre-existing condition exclusion or eligibility waiting period, the definition of disability, and the occurrence of repeat short-term disability claims. Finally, the review included an analysis of employee return to work and actions that could support more widespread penetration of a return to work culture in agencies utilizing VSDP to support those efforts.

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I. Introduction

The Virginia Sickness and Disability Program (VSDP) was approved by the 1998 Session of the General Assembly, effective January 1, 1999. VSDP, which is currently only available to eligible state employees, was developed to replace the traditional employee sick leave and long-term disability retirement programs. VSDP has been in effect for almost a decade and it was determined that a review of the benefit structure and process was appropriate. As a result, language in Item 473 of the 2006 Appropriations Act (Chapter 3, Acts of Assembly, 2006, Special Session I) directed VRS to conduct a post implementation review of VSDP (Appendix A).

Overview of VSDP Benefits and Funding

All eligible employees hired on or after January 1, 1999 are automatically enrolled in the VSDP. As currently structured, VSDP provides employees with sick leave and family and personal leave and short- and long-term disability coverage. Short-term disability benefits are funded entirely by the employing agency. Long-term disability benefits are pre-funded through actuarially determined rates paid by each state agency.

VSDP Established in Response to Workforce Commission Findings

VSDP was implemented to address the findings of the Joint Commission on Management of the Commonwealth's Workforce, which conducted its work during the mid-1990s. The Commission determined that the existing state employee sick leave and disability retirement programs did not in all cases provide continuous income protection for employees. The shortcomings were particularly acute in the cases of: temporary disability, chronic and catastrophic illness or injury, and short service employees, particularly in terms of maternity.

Based on the Commission's findings, VSDP was developed to address a number of goals and objectives. These included:

- providing short-term, chronic and catastrophic protection;
- relating income replacement to state service;

- assisting in recovery and return to work;
- simplifying and making disability benefits more understandable; and
- providing flexibility in plan administration.

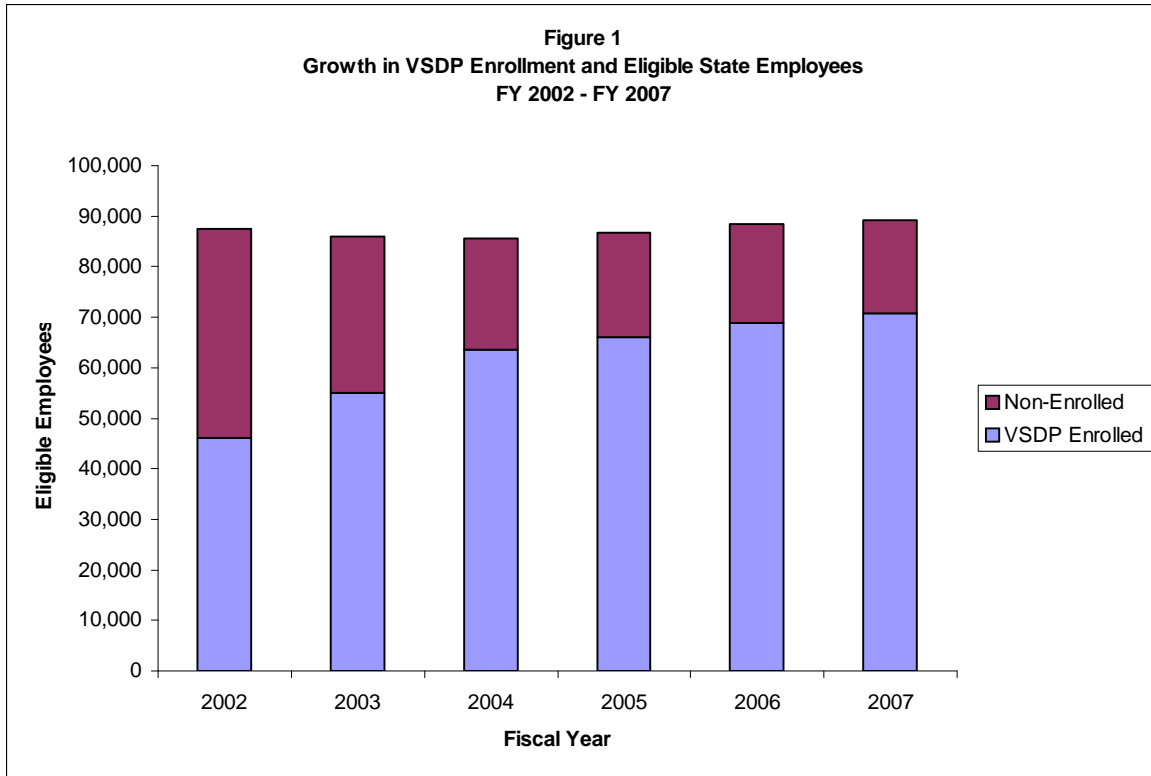
The 1998 General Assembly approved legislation establishing VSDP, which incorporated a benefit design reflecting these goals and objectives. VSDP's structure and benefits are proscribed in § 51.1-1100- 1140 of the *Code of Virginia*. VSDP became available to all eligible state employees on January 1, 1999.

VSDP Eligible State Employees

Eligible state employees hired or rehired on or after January 1, 1999 are enrolled in the VSDP as a condition of employment. Employees hired prior to 1999 were given the option either to enroll in VSDP or remain enrolled in the traditional sick leave and disability retirement program. VSDP is available to only eligible state employees including: members of the Virginia Retirement System (VRS), State Police Officers Retirement System (SPORS), and the Virginia Law Officers' Retirement System (VaLORS). The VSDP also covers part-time salaried state employees who work for at least 20 hours a week.

Ineligible state employees include, among others, members of the Judicial Retirement System (JRS). Employees of political subdivisions, including public school divisions, are not eligible for the VSDP. Wage employees and part-time classified state employees who do not work at least 20 hours a week are not eligible for VSDP. VSDP also does not cover part-time and adjunct faculty or teaching, research and administrative faculty of Virginia colleges and universities who participate in the Optional Retirement Plan.

As of June 2007, more than 70,000 state employees were enrolled in VSDP, which is about 80 percent of the eligible workforce. Enrollment in VSDP has increased steadily every year since FY 2002 (Figure 1). This growth reflects three factors: (1) new state employees are automatically enrolled in VSDP, (2) employees hired prior to January 1999 are leaving the state's workforce, and (3) an additional open enrollment was



authorized in 2002 which provided an opportunity for those who had not joined VSDP in 1999 to join.

Administration of the Virginia Sickness and Disability Program

To administer the VSDP benefit structure for members applying and receiving benefits, VRS has contracted with Unum, a large private sector company that specializes in the design and administration of an array of employee benefit programs and services. Unum, through its disability claim process, administers claims starting with intake, determines eligibility, pays claims as required, assists claimants in returning to work, and defends against invalid claims. Unum also dedicates staff to the VRS account and one staff has an office located in the VRS facility. These staff interact and provide technical assistance to VRS staff and the employing state agencies. In addition, Unum provides VRS and all state agencies with periodic reports and on-line assistance.

Unum provides VRS and VSDP a seamless and comprehensive disability management program. From the filing of the initial claim, Unum manages the claim

from short-term disability through the entire duration of long-term disability if necessary.

Specific services include:

- single claim filing with no-refiling when a disability case moves from short-to long-term disability;
- coordination with Workers' Compensation;
- a designated claim team;
- ability for affected employees to file claims 24 hours a day, 365 days a year;
- coordination of short-term disability and leave management;
- active and extensive medical case management;
- payment of long-term disability benefits;
- Social Security advocacy services;
- development of return-to-work programs; and
- extensive analysis and reporting of claims and financial information.

Unum also conducts customer satisfaction surveys and program reviews. Results are used by Unum and VRS to evaluate the quality, timeliness, and accuracy of VSDP administrative services.

The contract with Unum to administer VSDP has 34 individual performance standards that must be met or financial penalties will be imposed. The performance standards include but are not limited to: claims administration, accuracy, reports, customer service, appeal process, recoveries, return to work, and account management services. Compliance with the performance standards are evaluated annually by VRS compliance staff with results reported to the VRS program staff for follow-up and remediation.

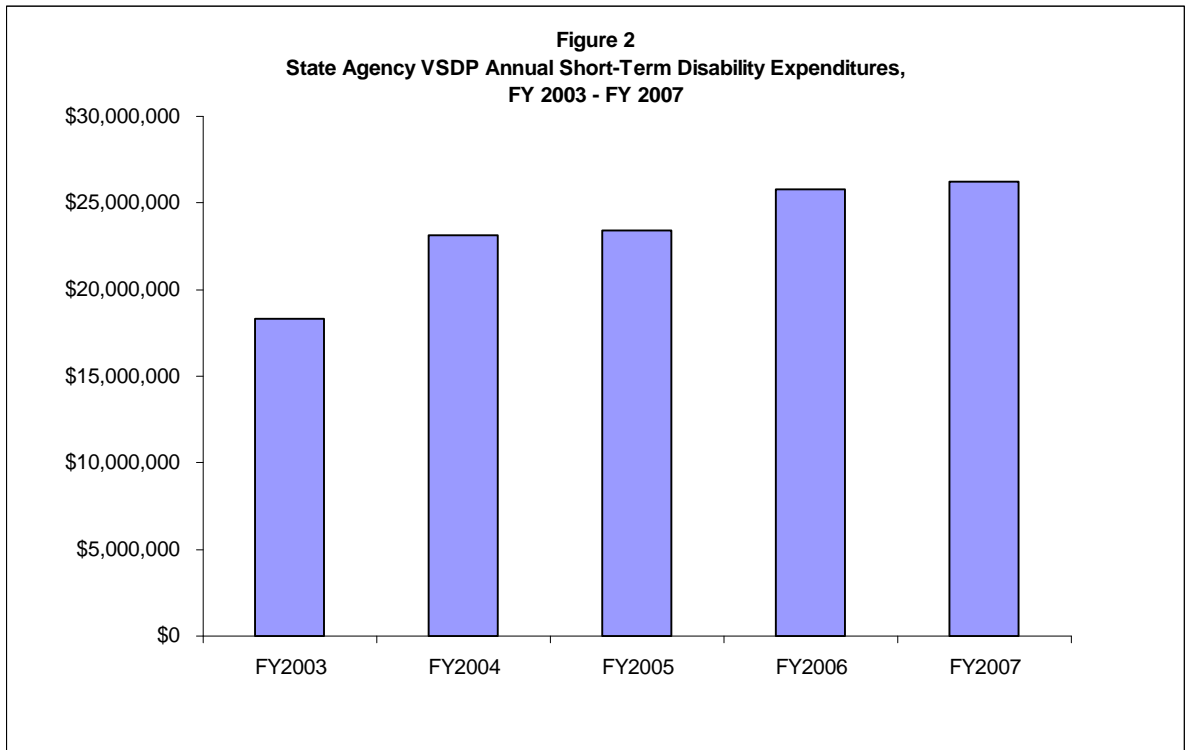
VRS has a unit with five program specialists who administer the Unum contract, provide technical assistance to state agencies, and monitor Unum's VSDP program administration activities. In addition, the unit is responsible for ensuring coordination of services between VSDP and VRS is seamless. They serve as subject matter experts for publications released by VRS regarding VSDP and hold training sessions for VRS employees as well as outside agencies.

Funding Short-Term Disability Benefits

Funding for short-term disability benefits is the responsibility of the employing agencies using appropriated agency funds. During short-term disability, the employing agency processes all payroll entries including any required offsets. Agencies reported expending more than \$26.0 million in FY 2007 for short-term disability expenses, primarily the disabled employees’ salaries. Reported short-term disability expenditures have increased by about 43 percent from FY 2003 through FY 2007 (Figure 2). In contrast, VSDP enrollment increased by about 28 percent during that same time period. More than half of the remaining increase in short-term disability expenditures is likely attributable to the annual increases in employee compensation that occurred during that period.

Funding Long-Term Disability Benefits

Costs for long-term disability benefits and the administration of the program are funded through an actuarially determined employer contribution rate that is a percentage applied against an employer’s total payroll reported to VRS. The employer contribution



rate as of the June 30, 2007 valuation was 1.96 percent of payroll. This rate reflects the amount to prefund benefits and a portion of the unfunded liability. Contributions paid by each employer agency go into the Virginia Retirement System Disability Trust Fund. Long-term disability benefits and the third party administrative costs for case management are paid from this Trust Fund. Fund activity for the FY 2005 – FY 2007 period is provided in Table 1.

Review Activities

The post implementation review of the VSDP utilized a number of activities and methods. Document reviews of the VSDP, other state disability plans, and private corporations were conducted. A consultant, Milliman Inc, was retained to benchmark VSPD benefits against organizations that used disability plans that were considered industry standards. Two surveys, one to agency human resource officers and benefit administrators and one to VSDP benefit recipients, were administered. Finally, three focus groups, one in Wytheville, Richmond, and Newport News, with agency human resource staff were conducted.

Table 1			
Virginia Sickness and Disability Trust Fund Activity			
FY 2005 – FY 2007			
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Employer Contributions	\$54,505,000	\$57,991,000	\$65,726,000
Investment Income	12,723,000	17,562,000	40,036,000
Long-Term Disability Benefits	(12,872,000)	(15,475,000)	(17,127,000)
Long-Term Care Insurance	(7,050,000)	(5,894,000)	(7,234,000)
Third Party Administrator Expenses	(5,918,000)	(5,970,000)	(8,921,000)
VRS Administrative Expenses	<u>(476,000)</u>	<u>(576,000)</u>	<u>(766,000)</u>
Fund Balance	\$144,234,000	\$191,872,000	\$263,586,000

II. The VSDP and Customer Satisfaction

The Virginia Sickness and Disability Program (VSDP) became effective January 1, 1999 and provides a bundled package of sick leave, short-term disability protection, long-term disability protection and long-term care benefits. Based on focus group interviews and surveys of agency human resource staff, it is clear that VSDP is an important element of state employees' total compensation package. In addition, agency human resource staff responded positively regarding administration of the program. Finally, analysis of survey data indicated that VSDP claimants have very positive opinions regarding the claims process and the assistance provided by the VSDP third party administrator.

VSDP Sick Leave and Short- and Long-Term Disability Benefits

All eligible employees hired on or after January 1, 1999 are enrolled in VSDP as a condition of employment. As currently structured, VSDP provides employees with sick leave and family and personal leave and short- and long-term disability coverage. All components of sick leave and disability benefits are integrated into one seamless and actively managed disability program. Finally, employees enrolled in VSDP are automatically provided employer paid long-term care benefits. Appendix B contains the VSDP member handbook that contains detailed information on all of the benefits available to eligible members

Summary of VSDP Sick Leave and Family, and Personal Leave

Through VSDP, an eligible employee will access routine sick leave as well as short- and long-term disability benefits. Prior to VSDP, sick leave was accrued on a monthly basis and not integrated with the traditional VRS pension disability program. Because sick leave was accrued on a monthly basis, employees with a short-tenure with the Commonwealth had relatively small sick leave balances with no short-term disability benefits to fill any gaps that might occur.

Under VSDP, on January 10 of each calendar year, eligible employees are credited with 8 to 10 workdays of sick leave, based on their total years of full-time and part-time classified state employment. Employees can use sick leave throughout the year for absences due to personal illnesses, injuries and preventive, well-patient doctor visits. Unused sick leave cannot be carried over to the next year under VSDP. In addition to sick leave, eligible employees receive up to five days of family and personal leave. Again, the amount of leave you are granted depends on the number of months unbroken state service. Sick leave and family and personal leave granted each year is provided in Table 2.

Summary of VSDP Short-Term Disability Benefits

The VSDP short-term disability benefits are designed to provide the employee with income protection when they cannot work. Short-term disability benefits begin after a seven-calendar-day waiting or elimination period. After meeting the elimination period, short-term disability benefits are payable during periods of total disability, partial disability, maternity leave, or periodic absences due to a major chronic condition. For conditions deemed to be major chronic, employees do not need to satisfy the seven-day elimination period. On the eighth calendar day, after medical certification, short-term disability benefits provide an income replacement beginning at 100 percent of salary and reducing to 60 percent at periodic intervals for a maximum of 125 workdays.

Table 2		
Sick and Family and Personal Leave Annual Allocations (Full-Time, 12-month Employees)		
<u>Months of State Service</u>	<u>Sick Leave</u>	<u>Family & Personal Leave</u>
Less than 60	8 days	4 days
60-119	9 days	4 days
120 or more	10 days	5 days

Note: Leave amounts for eligible part-time salaried employees, employees working 9, 10, or 11 months; employees working in facilities staffed on a 24 hour/7-day a week basis; or employees beginning covered employment after January 1 each year will receive different allocations.

During short-term disability, benefit recipients are still employees of the Commonwealth and the state continues to pay the employee's salary and the employer's share of the fringe benefits the employee was receiving prior to the disabling condition. In addition, the employing agency is required by Department of Human Resource Management policy to maintain the member's job during the period of short-term disability.

If the disability is due to a work-related injury compensable under the Virginia Workers' Compensation Act, the VSDP short-term disability program provides up to 125 workdays of supplemental income replacement after the seven-calendar-day waiting period. Any benefits paid under the Workers' Compensation Act are primary. The VSDP short-term disability benefit is secondary, supplementing the benefit provided under Workers' Compensation if the benefit is less than the minimum guaranteed income replacement amounts under the VSDP. Table 3 illustrates the percentage of income replacement, based on state service, for both work-and nonwork-related disabilities under the VSDP.

Table 3

**Short-Term Disability: Days and Percentage of Income Replacement
Nonwork and Work-Related**

Nonwork-Related Disability

<u>Months of Continuous Service</u>	<u>Workdays of 100% Replacement</u>	<u>Workdays of 80% Replacement</u>	<u>Workdays of 60% Replacement</u>
Less than 60	5	20	100
60-119	25	25	75
120-179	25	50	50
180 or more	25	75	25

Work-Related Disability

<u>Months of Continuous Service</u>	<u>Workdays of 100% Replacement</u>	<u>Workdays of 80% Replacement</u>	<u>Workdays of 60% Replacement</u>
Less than 60	65	25	35
60-119	85	25	15
120 or more	85	40	0

There may be instances where employees return to active employment and become disabled due to the same cause for which they received short-term disability payments. In those cases, it will be considered a continuation of the prior disability if: they return to active employment for fewer than 14 calendar days after a non-major chronic condition; or they return to active employment for fewer than 28 consecutive calendar days after a major chronic condition.

If an employee returns to work on a full-time basis for 14 consecutive calendar days or longer but cannot continue to work, it will be considered a new period of short-term disability, and the employee must satisfy a new seven-calendar-day waiting period. In the case of a major chronic condition, no waiting period would be required if the employee works longer than 28 days. In this instance, the employee's benefit would start over as though it were a new period of disability, and their income replacement would begin again at 100 percent of pay.

Summary of VSDP Long-Term Disability Benefits

VSDP long-term disability benefits provide eligible employees with income if they are unable to work for an extended period of time due to an illness or injury. Long-term disability benefits begin after a 125 work-day-waiting period, which begins on the day following the commencement of the employee's disability. Unlike employees in a VSDP short-term disability status, employees receiving VSDP long-term disability benefits are considered to be inactive or terminated employees of the Commonwealth. VSDP's long-term disability benefits provide eligible employees with an income replacement of 60 percent of compensation (80 percent if the disability is determined to be catastrophic). Moreover, once the claimant has received long-term disability benefits for one calendar year, a cost-of-living adjustment may be applied to long-term benefit payments in an amount approved by the VRS Board of Trustees.

Generally, an employee's long-term disability benefit payments will be adjusted by sources of income they receive that include but are not limited to Social Security disability payments or other governmental disability program benefits they or their family receives as a result of their disability, benefits received from any other group insurance contract provided by the Commonwealth for the purpose of providing income

replacement, benefits paid under any compulsory benefits law, and other outside income including income from employment. For work-related disabilities, benefits paid under the Workers' Compensation Act are always primary; VSDP benefits are always secondary.

Under VSDP, long-term disability recipients continue to accrue VRS service credit and remain eligible to retire when they meet the age and service requirements for their particular position. Recipients will be required to retire at normal retirement age unless the disability occurred at age 60 or older for VRS members or 55 or older for members of SPORS and VaLORS or the member is receiving Workers' Compensation benefits. Of course, long-term disability benefits will end in instances of the recipient's death, when the recipient is no longer totally disabled, or the recipient begins to receive a VRS service retirement.

Selected Employee Benefits Available to Short- and Long-Term Disability Recipients

Members who are on VSDP short- or long-term disability may be eligible to access a number of state employee fringe benefits (Table 4). Generally, an employee who is receiving short-term disability benefits is considered an active employee and continues to receive the same benefits prior to entering short-term disability. As noted earlier, employees on long-term disability are not in active status. Therefore, some benefits are no longer available while others, like health insurance, require the member to pay the entire premium cost. However, in both cases of short- and long-term disability, the member continues to accrue VRS service credit.

VSDP Includes Long-Term Care Coverage

Eligible state employees enrolled in the VSDP are also provided employer-paid, long-term care coverage. The VSDP long-term care program provides a \$75 (this benefit

Table 4

**Availability of Selected State Employee Benefits by
VSDP Disability Status**

<u>Benefit</u>	<u>Short-Term Disability</u>	<u>Long-Term Disability</u>
Annual Leave	Accrue consistent with DHRM policy	Not eligible to participate
Health Insurance	Same as active employee	Optional: member pays entire cost
Health Insurance Credit	Service counts towards 15-year eligibility requirement	Eligible for at least \$120 monthly
Group Life Insurance	Same as active employee	Based on pre-disability salary
Retirement Benefits	Same as active employee	Accrue service credit
Deferred Compensation	Same as active employee	Not eligible to participate

Notes: Members of SPORS who are eligible for a work-related VSDP benefit will continue to receive employer-subsidized health insurance until such time they are approved for Line-of-Duty health insurance benefits.

increases to \$96 on December 1, 2007) basic daily benefit with a two-year lifetime maximum. Eligibility for long-term care benefits will be based on whether the employee is unable to perform at least two out of six Activities of Daily Living: bathing, dressing, eating, maintaining continence, toileting and getting in and out of bed and chairs. VSDP long-term care benefits cover a wide range of services, including:

- nursing or hospice facility care;
- assisted living facility care;
- home health care services;
- alternate care;
- transitional care;
- informal caregiver training; and
- respite care.

Agency Human Resource Staff and Claimants' Views on VSDP

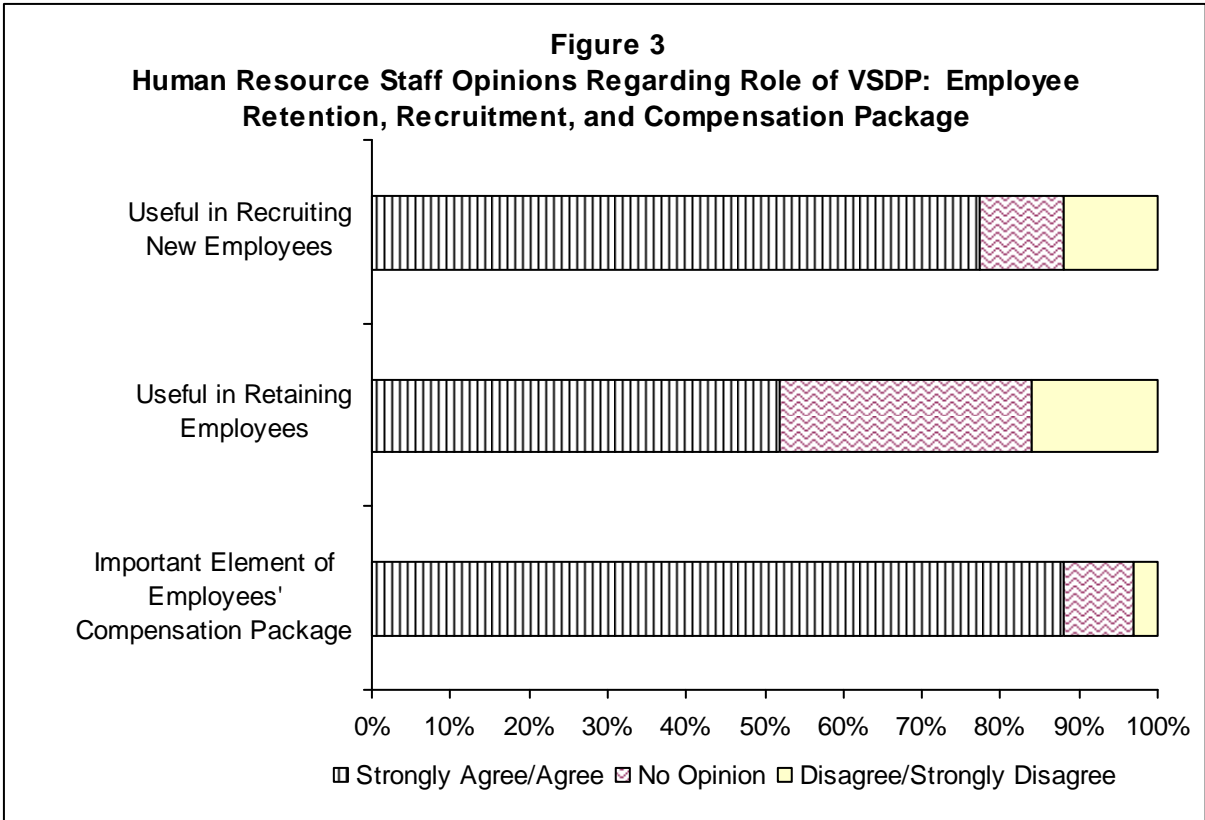
An important element of the post implementation review was to obtain feedback from affected parties, particularly VSDP beneficiaries and agency human resource staff. In one sense both of these parties are customers of VSDP. Claimants are customers because they have accessed the program and are in a benefit status. Agencies, as employers, are paying for the VSDP coverage for their employees and acting as a conduit between VSDP and the employee. Surveys were administered to both groups and focus group meetings were held with agency human resource staff to learn about their perceptions of the program, its administration, and the benefits it provides to their employees.

VSDP Considered an Important Employee Benefit and Has a Positive Role in Recruitment/Retention

VSDP is a comprehensive short- and long-term disability benefit program that is funded entirely by the state. As a result, it is useful to analyze and better understand the perception of this program by human resource professionals employed in state agencies across the state. Research activities conducted during this review attempted to identify the extent to which VSDP has value as a benefit provided to employees as part of their compensation plan and whether it aids in recruiting and retaining employees.

As part of the review of the VSDP program, three meetings across the state were held with agency human resource staff to discuss VSDP benefits, the impact on agencies, and perceptions on the value of the program. Without exception, the majority of the participants reported that VSDP was an important element of their employee's total compensation package and was helpful in recruiting and retaining new employees.

To ensure human resource staff in each agency had the opportunity to provide input on these issues, questions related to these focus group findings were included on the survey of agency human resource officers. In all cases, the survey responses confirmed the focus group results. As illustrated in Figure 3, the majority of all responses confirmed the VSDP role as a component of the employee compensation package and recruiting and retaining employees.



This is particularly evident in the percentage of responding human resource officers who agreed (88 percent) that the VSDP is an important element of their employees' total compensation package. In fact, almost one-third of respondents strongly agreed that this benefit is an important piece of the state employee compensation package. On the other hand, only three percent disagreed that VSDP was an important element of their employee's compensation package.

Similar overall trends were evident with responses regarding the impact of VSDP on recruiting and retaining employees. In both cases, the majority of respondents at least agreed with the statement that VSDP was useful in either recruiting or retaining employees. Excluding those respondents who expressed no opinion, the vast majority felt that VSDP was important in recruiting and retaining employees.

This is confirmed further when analyzing the survey response by the number of employees in their agency. Respondents in agencies with more than 100 employees are more likely than those in agencies with 100 or fewer employees to view VSDP as an important element of employees' compensation package and a recruiting and retention

tools. This finding could be due to the fact respondents from larger agencies likely have only human resource responsibilities and may have the broader perspective of compensation and benefits to understand the value of VSDP in that relationship.

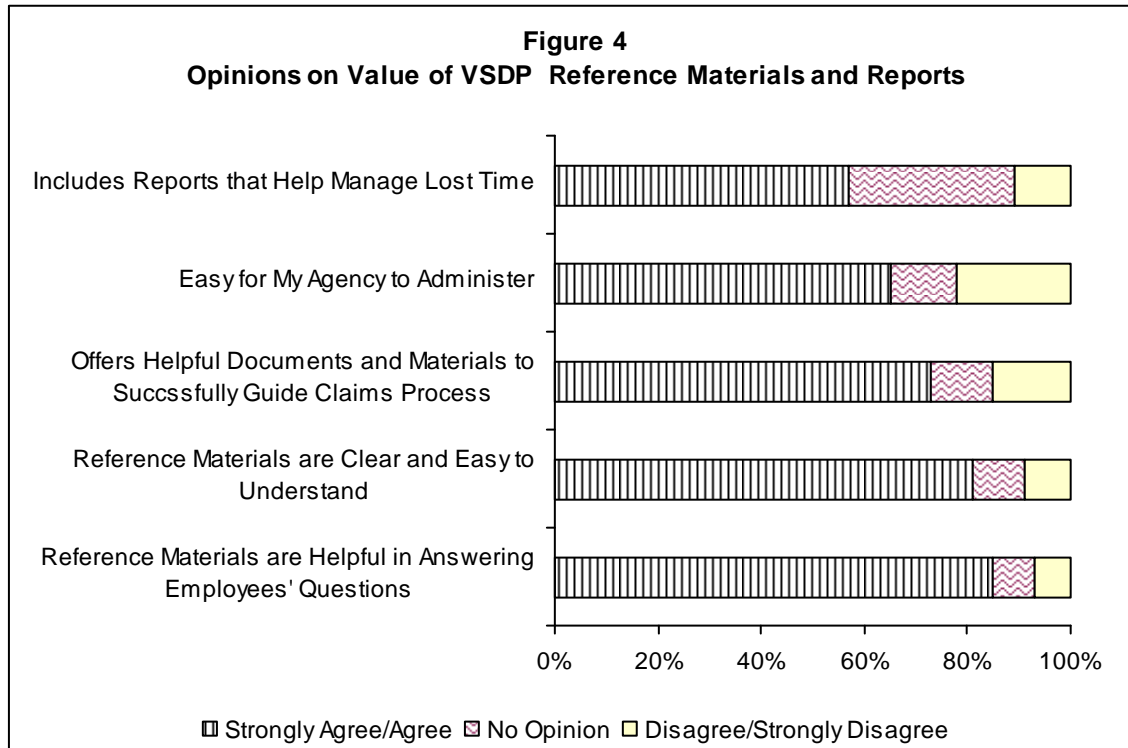
Administration of VSDP at Agency Level Viewed Positively by Agency Staff

Agency human resource officers and benefit administrators have an important role in the daily VSDP implementation. This role is a particularly active one during short-term disability when the agency is processing payroll and benefits in accordance with the terms of the affected employee's approved disability period. As a result, it is important that these staff receive adequate assistance and support in this function.

During the three focus group meetings, agency staff who administer VSDP day-to-day were very complimentary of the support that they received from the program's third party administrator (Unum) and VRS staff. They also reported that VSDP reference materials were useful, clear, and easily understood which assisted them in responding to employee questions and administering the claim process. Survey responses confirm the focus group findings (Figure 4).

In all instances, the majority of respondents favorably reported that reference materials were clear and helpful and useful in managing the VSDP claim process. Another important issue that agencies are constantly trying to improve, employee lost time, is addressed by VSDP reports according to the survey respondents (57 percent of respondents).

Perhaps most important, is the opinion of respondents regarding the relative effort required to administer VSDP at the agency level. Because agency staff are often the first contacts affected employees have with VSDP, their opinions regarding the ease of administration of VSDP are very important. Analysis of survey data indicates that 65 percent of respondents reported that they believe VSDP is easy for their agency to administer. Only 22 percent disagreed that VSDP was easy to administer with 13 percent expressing no opinion.

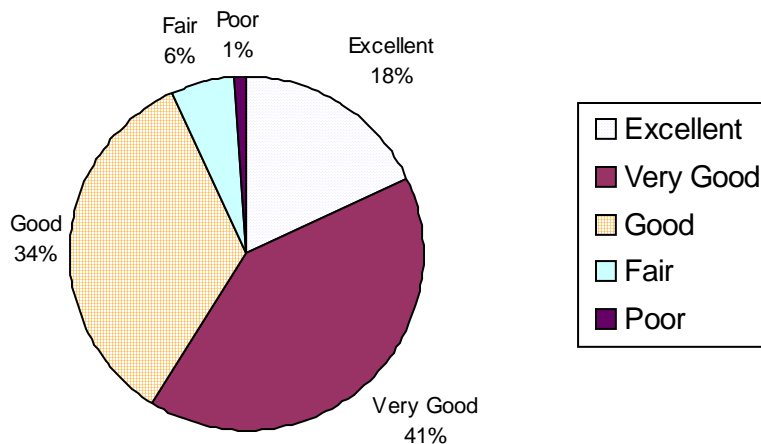


Given the breadth and numerous components of the program, this positive response likely indicates that training and resources provided to human resource staff regarding VSDP has appropriately sufficient content and that assistance provided by the third part administrator and VRS staff is directed to areas that require attention. Moreover, 30 percent of respondents have less than four years experience (13 percent have less than two years experience) which could account for the majority of respondents who did not agree that VSDP was easy to administer.

VSDP Third Party Administrator Staff Viewed Positively by Agency Staff

Another reason that so many agency staff reported favorably on the ease of administration of VSDP is the day-to-day activities of the locally assigned third party administrator staff. These staff work with agency staff to resolve problems, simplify administration, provide reports and data to support VSDP administration, and makes themselves readily available to agencies as a subject matter expert. Reflective of this nearly all managers express favorable opinions about their service team’s knowledge of VSDP’s plan design. In fact, 93 percent reported that overall quality of service provided by the third party administrator’s local staff was excellent, very good or good (Figure 5)

Figure 5
Overall Quality of Service from Local VSDP Third Party Administrator Staff as Reported by Agency Human Resource Staff

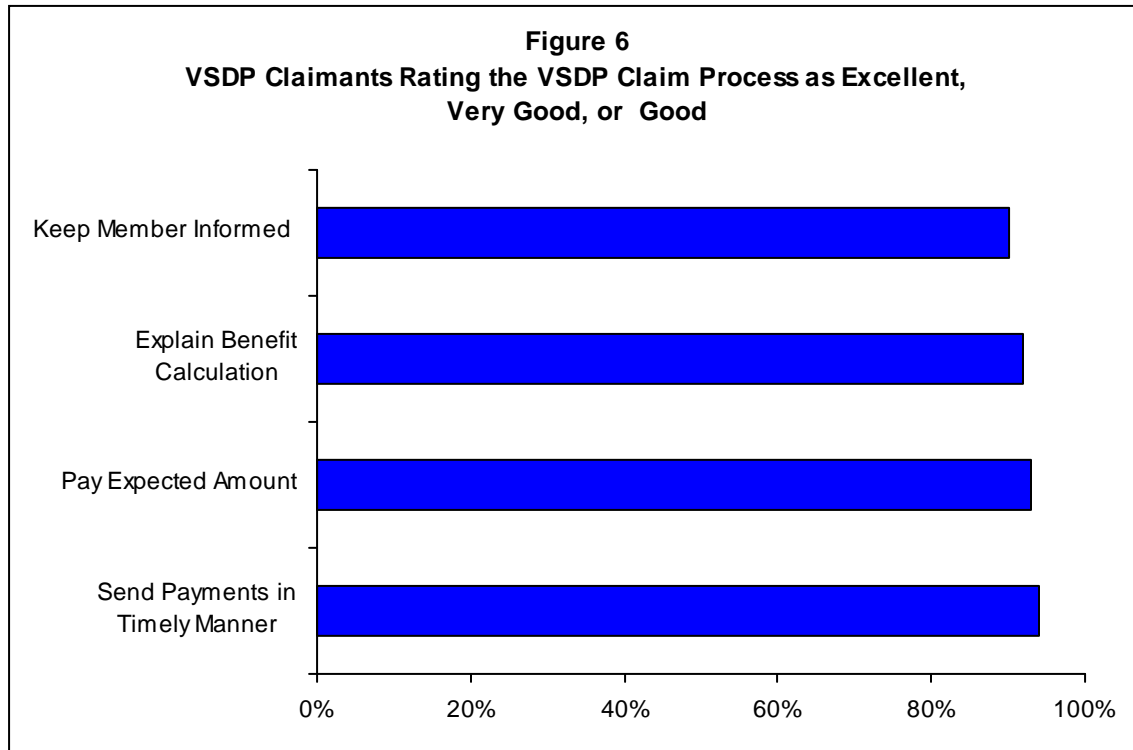


Finally, these findings are consistent across different sized and types of agencies, varying years of human resource officer tenure, and different areas of responsibility.

VSDP Claimant Perceptions of the Disability Claims Process

As eligible employees confront conditions for which they may be eligible to receive VSDP benefits, the process for determining eligibility and the subsequent processing of benefits is critical to the success of the program and the well being of the employee. To assess the quality of the claim processing function, 600 surveys were mailed to a sample of VSDP claimants who were on claim and received a benefit check during the second quarter of 2007. This included claimants receiving both short- and long-term disability benefits.

In terms of the process, the vast majority of the claimants expressed clear satisfaction with the third party administrator’s VSDP claim process. As illustrated in Figure 6, more than 90 percent of claimants rated four key services as excellent/very



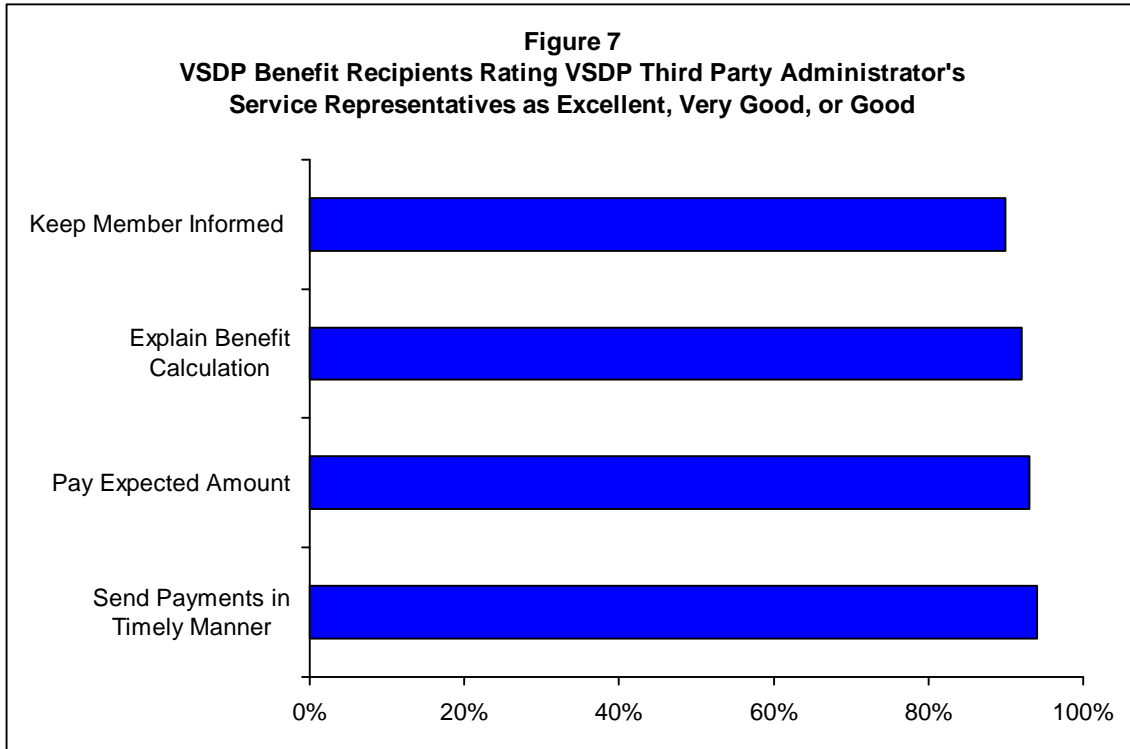
good/ good. Moreover, at least one-third in each instance rated the service as at least excellent. These four services address critical aspects of the process as they impact claimants from benefit calculations, benefit payment amounts, and benefit payment timeliness.

In addition, when claimants contacted the third party administrator via telephone with a question or request, over 90 percent of the claimants reported the quality of that contact as excellent/very good/good. This is likely an important factor related to the 90 percent of the claimants who reported having no problems with their most recent claim and only two claimants (1 percent) reported that a problem was not resolved to their satisfaction. Finally, for the claimants who transitioned from short-term to long-term disability during the period, all reported that the third party administrators handling of that transition was excellent/very good/good.

Quality of Third Party Administrator’s Service Representatives’ Activities

A key aspect of the VSDP disability claims process is the ability of the third party administrator’s service representatives to provide accurate and timely answers to claimants’ questions and concerns. Their ability to ensure claimants understand what is

required by themselves, employers, and physicians is very important to the proper determination of the claim. VSDP disability recipients were asked to evaluate the quality of the customer service representatives. Again, across all categories, respondents rated the services of these staff as excellent, very good, or good (Figure 7).



III. Benchmarking VSDP

Benchmarking the VSDP benefit structure against plans considered to be industry standards was another research activity of this review. As part of that analysis, a review of benefit utilization was conducted and linked to the benchmarking analysis to assist in identifying the key areas where significant differences might exist. Once differences were identified, analysis was conducted to determine whether there were features of VSDP that could be modified to address the differences. Finally, the review included an analysis of a report addressing state employee return to work initiatives as it relates to VSDP and what actions would support more widespread penetration of a return to work culture in agencies.

Utilization of VSDP Benefits

VSDP short- and long-term disability benefits have been utilized by a number of enrolled state employees. Yet, approval of a claim for even long-term disability does not mean that the employee will always remain on disability. One key feature of the VSDP is its active case management and return to work focus.

Utilization of VSDP Short- and Long-Term Disability Benefits

For the period January 2005 through December 2006, more than 16,000 new claims were submitted for short-term disability benefits. As illustrated in Table 5, the majority of submitted short-term disability claims by diagnostic category involve musculoskeletal claims. Another large cohort involves pregnancy-related claims. On average during this period, about eight percent of the short-term disability claims were classified as work-related.

The number of long-term disability claims submitted, almost 750 for the same period, is substantially smaller, reflecting the fact that the majority of short-term claims are related to injuries or illnesses that are more episodic in nature and amenable to treatment and relatively rapid recovery. For example, this is supported by the relatively small proportion of claims filed for diagnosis related digestive or pregnancy. On the

Table 5
VSDP Short- and Long-Term Disability Claims Data
by Diagnosis Category with Demographics,
CY 2005 – CY 2007

<u>Claims Data</u>	Short-Term Disability		Long-Term Disability	
	<u>CY 2005</u>	<u>CY 2006</u>	<u>CY 2005</u>	<u>CY 2006</u>
Claims Submitted	8,000	8,249	327	419
Claims Closed	8,000	8,249	218	172
Claims Duration	60 days	61 days	20 months	24 months
<u>Percentage of Claims by Diagnostic Group</u>				
Musculoskeletal	20.5%	21.1%	31.8%	31.2%
Injury/Poisoning	15.3	15.4	18.5	16.7
Pregnancy	9.5	9.9	1.5	1.3
Other	9.4	9.6	4.4	6.7
Digestive	8.1	7.5	1.8	1.6
Mental Disorder	7.4	8.0	9.9	13.1
Tumor	7.1	6.7	13.6	10.0
Circulatory	5.5	5.8	7.0	8.8
Genitourinary	6.0	6.0	2.1	2.4
Respiratory	5.5	4.2	3.0	1.6
Nervous/Sensory	4.4	4.4	5.5	4.4
Infectious/Parasitic	1.3	1.3	1.0	1.3
<u>Claim/Beneficiary Demographic Data</u>				
Work Related	625	662	62	63
Average State Service (years)	8.8	8.7	9.3	9.4
Average Age (years)	44	44	48	48

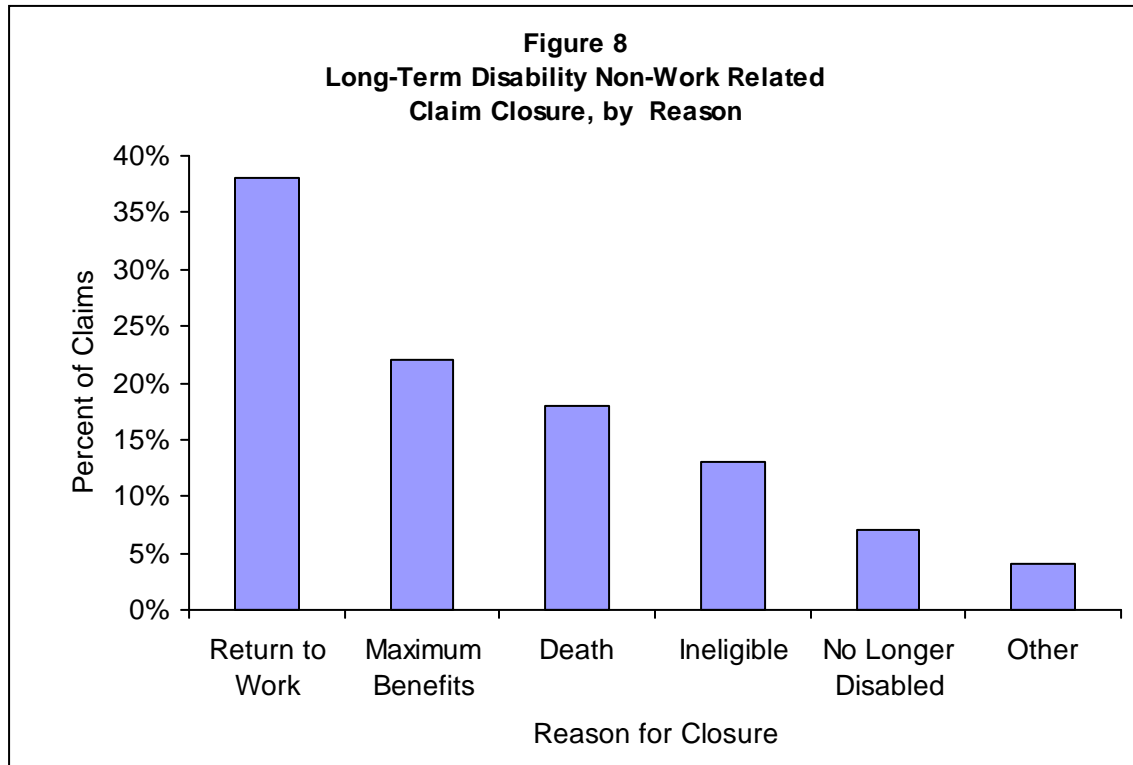
other hand, a larger proportion of long-term disability claims are related to the musculoskeletal diagnosis category, less amenable to treatments that will result in a more rapid recovery. In addition, a larger percentage of long-term disability claims are classified as work-related.

Finally, as depicted in Table 5, the average tenure for employees filing short- and long-term disability claims is relatively similar. However, the average age of short-term and long-term disability claimants varies, with long-term disability claimants being on average older than short-term disability claimants. One factor that could be driving this result is the fact that many more claims for short-term disability are filed for pregnancy, a medical condition more typical of younger employees. Female employees account for substantially more short-term disability claims, again likely attributable to maternity-related claims.

VSDP Administration is Proactive and Case Management Focused

Claims duration data in Table 5 provides evidence of the impact of the third party administrator's active case management approach for VSDP. In terms of short-term disability, the average duration is 60 to 61 calendar days for both years. Yet, the maximum allowable duration for short-term disability claims is 125 days, about 50 percent higher than the actual claims duration. The duration for long-term disability claims for both years is 20 and 24 months, even though by 2005 VSDP had been in effect for six year or 72 months

Review of the long-term disability claim data further highlights the effect of the VSDP active case management approach. While approximately 750 new claims were submitted during that period, another 390 long-term disability claims were closed. While many of these claims were submitted in years prior to 2005, it nonetheless shows that claimants cases are actively monitored by the program's third party administrator and where warranted closed. Figure 8 illustrates reasons for long-term disability case closures for non-work related disabilities. The majority of claims, almost 40 percent, returned to work and another 22 percent reached their maximum approved benefits and were released from long-term disability.



VSDP Benefit Review

Another research activity conducted during this review was to benchmark the VSDP benefit provisions to other plans that represented industry standards. For this analysis, the disability benefit structure for 25 employers, 13 public employers and 12 private employers were analyzed. Specific findings included the lack of a pre-existing condition exclusion or eligibility waiting period, the restrictive nature of the definition of disability, and repeat short-term disability claims.

VSDP Benefit Benchmarking

The results of the benchmarking analysis show substantial similarities with other plans similar in structure, administration, and having benefits provide independent of a pension plan’s disability retirement. For example, major benefit structures like the 60 percent long-term disability benefit amount, offsets for other income sources like Social Security, worker’s compensation, work earnings, and coverage for pregnancy. Areas

where VSDP benefits differ substantially from other similar disability plans includes pre-existing condition exclusions and eligibility waiting periods, recurring short-term disability claims, definition of disability, and lack of specificity relative to overtime as an essential job function.

Pre-Existing Condition Exclusion/Eligibility Waiting Period

One risk management measure that a number disability plans utilize is a pre-existing condition exclusion or an eligibility waiting period that new hires must complete. A pre-existing condition exclusion, or commonly referred to as a “pre-ex”, is used by disability plans in the absence of medical underwriting to provide a risk management tool to protect against adverse selection. Short-term disability plans rarely have such a provision because of the short-time duration of benefits are compared to the duration of long-term disability benefits. Therefore, this analysis will focus on the VSDP long-term disability benefits.

A pre-existing condition exclusion provides no benefit payments for a designated length of time for a condition for which a newly hired member received treatment prior to being hired. For example, a “3/12 pre-ex” means that no new benefits are paid in the first 12 months of employment for a condition for which the employee received treatment or had symptoms in the three months prior to being hired. Often this provision is waived for employees who had disability coverage prior to joining the new plan.

Many public and private disability programs utilize a “pre-ex” for their long-term disability benefits, the most common being at “3/12 pre-ex”. For example, the Kansas Public Employee Retirement System (KPERs) utilizes a “3/12 pre-ex” for long-term disability. The State of Oregon utilizes a “6/24 pre-ex” for long-term disability. Even plans that do not utilize a “pre-ex” often require an eligibility waiting period. For example, the State of New Mexico, which does not utilize a “pre-ex”, requires a one-year eligibility waiting period before claims for long-term disability can be filed.

The concept of limiting access to benefits in certain circumstances is not new with VSDP. Specifically, the provisions of VSDP were amended in 2004 to attempt to limit access to short-term disability benefits for newly hired employees. At that time, the *Code of Virginia* was amended to require approval by the agency’s human resource office for

elective medical procedures, including surgery prior to receiving short-term disability benefits during the first six months of employment. Agency human resource officials reported that they do not consider this provision viable because they are not health care professionals and lack the training and certifications necessary to make determinations about whether or not a medical procedure is elective. The VSDP third party administrator reported that they are only aware of one instance when this provision has ever been applied. Moreover, this requirement applies to short-term rather than long-term disability.

In FY 2007, 60 claims for long-term disability were submitted for employees who had less than 12 months of service with the state. Fourteen of these claims were due to a work-related condition. Of the 46 remaining claims, 16 were for the musculoskeletal - connective tissue diagnosis category, eight were classified as a tumor, and five were mental disorders. Eleven of the 46 claims have closed and the projected maximum duration for the remaining 35 non-work related long-term disability claims is 22 years.

The absolute number of long-term disability claims in one fiscal year attributable to employees with less than one year of service is not large. Nonetheless, in a plan where the premiums are paid entirely by the employer and no medical underwriting of the employee is required, there is the potential for a larger exposure to such claims. This is further reinforced by the fact that in FY 2007, more than 7,800 employees were hired by the Commonwealth. In each case, with no underwriting or pre-existing condition exclusion, the VSDP is potentially exposed to claims from any one of these employees for conditions that existed prior to these individuals' employment.

If a pre-existing condition exclusion were desirable for the VSDP, it could be crafted to exclude work-related conditions or any particular diagnosis category desired. Moreover, unlike an eligibility-waiting period, it would provide new employees with benefits for conditions that were not pre-existing ensuring employees have appropriate coverage while at the same time balancing the Commonwealth's liability risk for conditions that occurred prior to employment.

Finally, it must be noted that agency human resource staff during the focus group meetings consistently reported that a "pre-ex" or eligibility period for qualifying for benefits should be considered. However, their responses on the survey were relatively

divided on whether long-term disability benefits should be available to all employees at date of hiring. Specifically, 48 percent responded that benefits should be available to all employees at date of hire, while 36 percent responded that benefits should not be available at the date of hire.

Recurring Short-Term Disability Claims

One issue related to VSDP short-term disability that was raised a number of times during the three focus groups with agency human resource staff was the issue of repeat claims by the same employee. This can occur in cases where employees are approved to return to work by their doctor yet for any number of medical reasons are required to return to short-term disability. In order to begin an entirely new period of short-term disability, the employee must satisfy the 14-day working status requirement and meet the seven-day waiting period to provide up to 125 days of short-term disability. If the employee returns to short-term disability for the same condition prior to completing the 14-day waiting period, the disability is considered a continuation of a prior disability and the time worked counts towards the maximum short-term disability period of 125 days.

In FY 2007, 7,619 employees submitted 8,428 short-term disability claims to the VSDP third party administrator. Another 723 employees filed 1,532 short-term disability claims for the same period. In other words, nine percent of the claimants in FY 2007 filed more than one short-term disability claim. Of the 723 claimants, 643 employees filed two claims, 76 employees filed three claims, three employees filed four claims, and one employee filed six claims during the 12-month period. Finally, 86 of the initial claims filed by the 723 claimants with more than one claim were due to work-related disabilities.

Of course, medical conditions classified as a major chronic can contribute to repeat short-term disability claims. A major chronic condition is a condition that is life threatening, exists over a long period of time, and is not expected to improve in the foreseeable future. Major chronic conditions are reviewed and administered on a case-by-case basis as defined by the VRS Board of Trustees. Other repeat claims could be the result of illnesses and injuries that can be attributable to an aging workforce. Often in

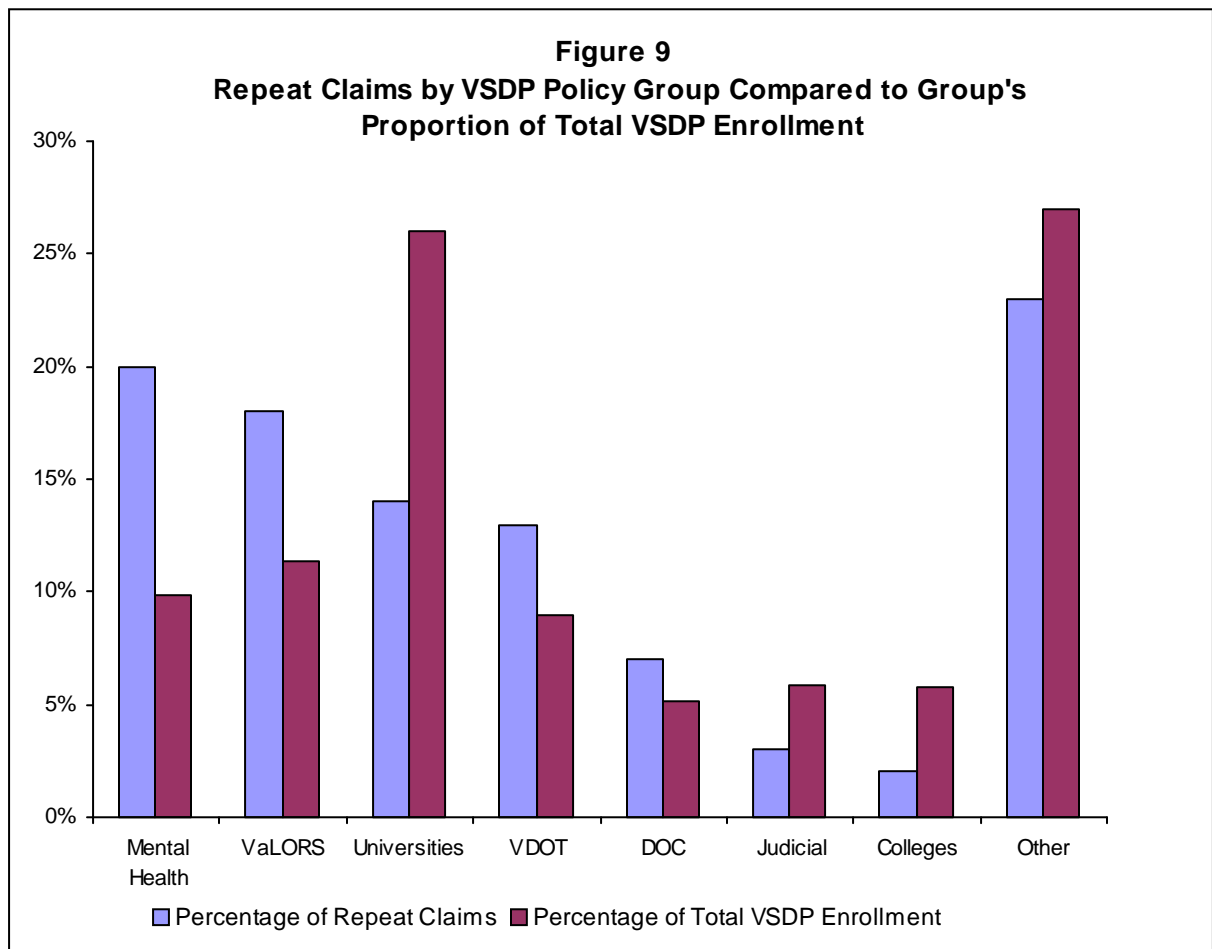
cases that can be linked to age, like knee replacement, one knee will be replaced followed by a number of months for recovery before the other knee is replaced.

Repeat short-term disability claims can be burdensome for many agencies. As discussed earlier, during short-term disability, state personnel policy requires agencies to guarantee the employee that they can return to their position. For example, assuming an employee files two claims and utilizes all 125 workdays of short-term disability for each claim, they could in theory be out of work for an entire 12-month period. During this time, the employing agency continues to hold the position for the incumbent and pays the appropriate short-term disability benefit and the employer share of all eligible employee benefits.

Moreover, many agencies, particularly those that provide direct care or custody services, have to shift available personnel among posts or work stations, hire wage employees, or authorize overtime to provide services. This is illustrated by examining the proportion of multiple or repeat claims filed by employing policy group. The Department of Mental Health and VaLORS policy groups had a larger percentage of multiple claims relative to the percentage of total enrollment in VSDP for those groups (Figure 9). Moreover, employees in these two policy groups work in agencies that provide direct care, law enforcement, or custody services on a 24-hour per day, seven-day per week basis.

The benchmarking analysis concluded that the existing 14-day VSDP recurrent period which represents the time that a short-term disability claimant must return to work before filing a subsequent claim is within industry standards, although at the shorter end of the scale for short-term disability. For example, this combined with the seven-day elimination period and the VSDP disability benefit period which pays a higher benefit percentage in the early weeks of a claim could contribute to the issue of repeat claims.

There are a number of options available that, if desired, would address short-term disability repeat claims. First, the 14-day recurrent period between disability claims could be increased. However, analysis of repeat disability claims indicates that the median number of days between the first and second claim in FY 2007 for non work related claims was 79 days, so a marginal increase in the length of the recurrent period from the current 14 days would likely have limited impact.



Another potential option is to provide a set number of short-term disability days each year or rolling 12-month period. For example, Colorado’s short-term disability program limits the number of paid disability days at 150 days in a 12-month period. Finally, another approach recommended by benefit administrators is to require that employees filing a repeat claim within a 12-month period return to the short-term disability income replacement amount that was in effect when their previous claim was closed. This would ensure all employees with approved repeat claims had at least a basic level of income protection, minimize the fiscal impact on the employing agency, and potentially encourage employees to minimize repeat claims or return to work more quickly.

However, it must be noted that the majority of human resource officers who responded to the survey reported that the current short-term disability benefit structure

provides sufficient benefits for affected employees. Finally, they also reported that the current short-term disability formula which pays a declining percentage of pay is preferable to a uniform or flat benefit to all employees.

VSDP Definition of Disability

The third significant finding of the benchmarking analysis was the definition of disability used by VSDP relative to the standard used by many employers in their disability plan and the disability industry. VSDP is unusual in utilizing an “own job” definition of disability which can make it easier for claimants to qualify for disability benefits because “own job” has a more discrete definition of specific duties. For example, a research scientist may be in job that requires significant fieldwork each month. This employee might be considered disabled if determined disabled under an “own job” definition and unable to perform fieldwork. This individual, however, might not be considered disabled if able to work in an identical position that required no fieldwork.

The conclusion reached during the review was that an own job definition was unusual in short- and long-term disability plans. Most plans refer to the insured’s “own occupation” during the period of disability. For example, in the State of Colorado plan, disability is defined as doing the material duties of your own occupation for short-term disability and during the first 18 months of long-term disability.

Overtime as an Essential Job Function

Another issue regarding VSDP that was identified during this review is overtime and its inclusion as an essential job function. Like many plans, VSDP disability benefits are based on an employee’s ability to perform essential job functions. Overtime, if not expressly excluded from the definition of essential job function, could allow claimants or employers to argue that regular overtime is an essential duty. As a result, someone who routinely worked overtime but was no limited to 40 hours per week for medical reasons could be considered disabled.

Given the nature of the services they provide, it is not surprising that this issue could impact those large agencies that provide continuous services like direct care to residents, custody of inmates, and law enforcement services. Moreover, these agencies

tend to have the highest utilization of benefits. Finally, the VSDP third party administrator has reported that there are agencies that have included mandatory overtime in some of their employees' work profiles.

Occasional overtime is a reasonable requirement for an employer to expect of employees. However, continual, mandatory overtime can be detrimental to workforce productivity and in some cases even cost more than hiring another full-time or part-time employee. In addition, it puts an employee who can work at least 40 hours each week in the position of having to file a claim for disability, creating a potential long-term liability for VSDP. Finally, it could open VSDP and the employing agency to criticism for enabling an employee who is otherwise able to work full-time (assuming 40-hours per week) to qualify for disability benefits.

One option available to more effectively manage the potential risk to VSDP is to simply require by statute that overtime is not an essential job function for purposes of qualifying for disability. For example, the State of Colorado in its short-term disability simply excludes overtime as an essential job function. Specifically, the plan document states that "working an average of more than 40 hours per week is not an essential function." Such statutory language would ensure employees able to work 40 hours per week continue to work and providing additional risk management of the VSDP trust fund.

Other VSDP Benefit Issues

Many plans have exclusions for specific disabilities or causes of disabilities that are not available to employees. The benchmarking analysis indicates that VSDP is unusual in that it provides benefits for disabilities related to riots, intentionally inflicted injuries or war and acts of war. Although each of these by themselves is probably not a major driver of claims, they nonetheless represent a potential liability to VSDP.

In addition, many long-term disability plans have a 24-month limitation for disabilities due to alcohol and substance abuse. Current statutory language requires that the employee be receiving treatment for these conditions, complying with a prescribed treatment plan, and making substantial progress towards rehabilitation. Imposing 24-month limitation can help manage these subjective conditions by encouraging appropriate

treatment, therapy and a return to work, while providing the state very discrete cost control boundaries.

Other VSDP-Related Issues

The review also identified two other issues related to VSDP, although not directly specific to VSDP benefits or agency or claimant satisfaction. These issues are return to work initiatives linked to the report by an operational review team established per Executive Order 94 and employer specific long-term disability premiums. VSDP, through its third party administrator and benefit structure, is in a position to directly and effectively return disabled employees to work. Consistent with this is an option to develop agency specific premiums, which could encourage more focus on agency return to work activities.

Return to Work and VSDP

Executive Order 94 (EO94), Workplace Safety and Employee Health, addresses the need for every state agency to keep government workers “safe, whole, healthy and, whenever possible, employed.” Building upon EO94, Governor Kaine, in consultation with members of the General Assembly, established operational review teams to identify practices that could improve performance and transparency of the State enterprise. One team, the Return to Work Operational Review Team, was tasked with recommending best practices to reduce the impact of lost time resulting from absence due to work-related and non-work related extended illness or injury.

VSDP, through the third party administrator Unum and at the request of VRS, conducted a comprehensive lost time impact review in 2003. The purpose of the study was to evaluate program utilization; drivers of lost time due to extended illness and injury across state agencies and identify opportunities to improve these outcomes. Based on analysis of the data, pilot programs were conducted at the Virginia Department of Corrections (DOC) in 2005 and the Virginia Department of Transportation (VDOT) in 2006.

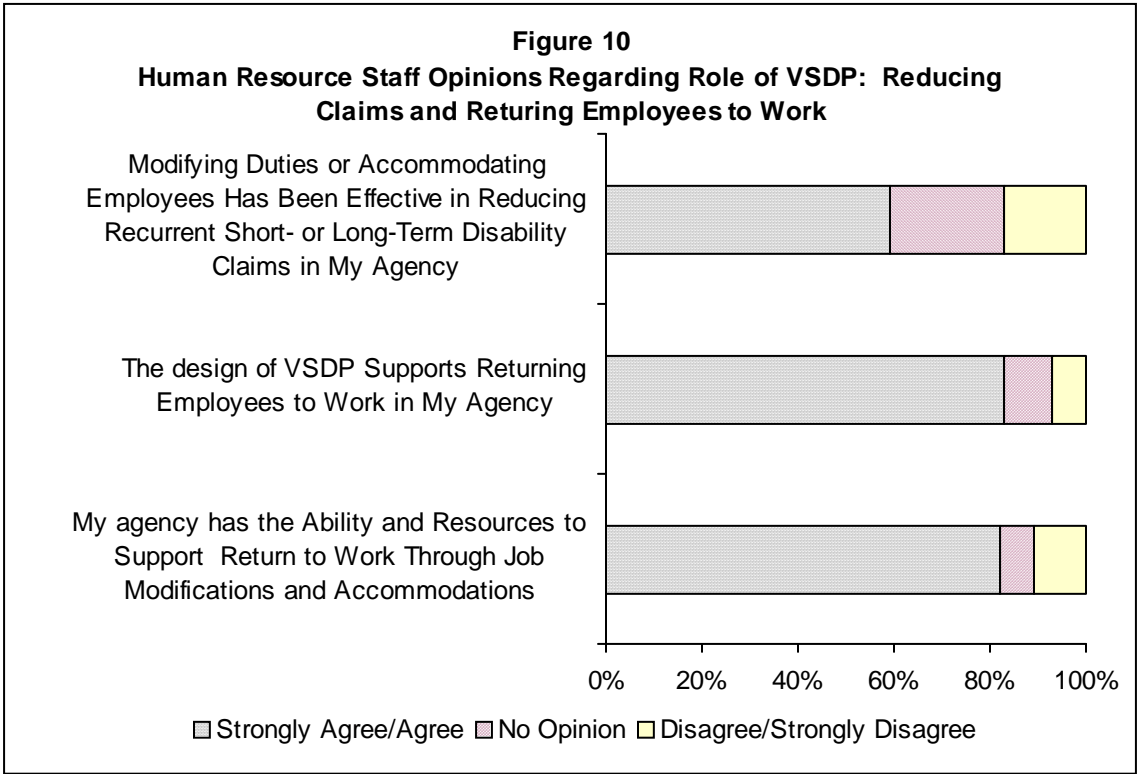
The results of these VSDP return to work pilot programs are encouraging and were included in the Return to Work Operational Review Team’s final report (The

section of the report detailing the VSDP return to work pilot programs is included in Appendix C). The Department of Corrections (including VaLORS claims) experienced a three percent reduction in short-term disability claim incidence in 2005 compared to 2004 and a nine percent reduction in 2006 compared to 2005. The Virginia Department of Transportation experienced a five percent reduction in short-term disability claim incidence in 2005 compared to 2004. These are important findings as returning employees to work from short-term disability reduces the exposure to liability for the long-term disability program.

The Departments of Corrections and Transportation took the initiative to work with the VSDP third party administrator and VRS and succeeded in reducing the impact of lost time through successful return to work strategies. However, at this time there is no requirement that employers participate through VSDP on return to work initiatives.

Yet, according to the survey of agency human resource officers and benefit administrators, agencies have the capacity to administer these programs. For example, 83 percent of respondents either agreed or strongly agreed that their agency has the ability and resources to support return to work for employees through job modifications and accommodations. Eighty-two percent reported that the design of VSDP supports returning employees to work at their agency. Finally, only 17 percent reported strongly disagreed or disagreed that modifying duties or accommodating employees at their agency has been effective in reducing recurrent short- or long-term disability claims in their agency (Figure 10). Taken in total, these types of efforts clearly can be used to initiate and sustain return to work programs within the framework of VSDP.

The vast majority of classified state employees are enrolled in VSDP and all employers are affected by short-term disability claims. Increasing opportunities for employees on disability claim to return to work as valued contributors to the fulfillment of agencies' missions makes sense for the agencies and for the employees and provides opportunities to reduce VSDP and agency expenses.



Long-Term Disability Employer Specific Premiums

Currently, a single VSDP employer contribution rate is calculated and applied to all agencies’ payrolls. The single contribution rate reflects the incidence and potential future exposure to long-term disability claims for the entire plan and all employees. However, a single contribution rate does not reflect the actual claims experience for the eight VSDP policy groups or even an individual agency.

As part of the VSDP benchmarking review, an analysis of claims experience was conducted by VSDP policy group. This analysis was based on an interest-adjusted loss ratio which is the total cost of claims divided by the total VSDP long-term disability contribution for each particular year (Appendix D). In other words, a group’s actual experience is compared to an expected average experience.

The results of the analysis clearly reflect different patterns of utilization by VSDP policy groups (Table 6). Specifically, the Mental Health, Corrections, and

Table 6

**VSDP Actual-to-Average Loss Ratios Analysis,
by Policy Group, FY 2004-FY 2007**

<u>VSDP Policy Group</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Total</u>
Other	84.3%	75.9%	91.3%	84.0%
Colleges	108.0	58.2	96.5	88.0
Dept. of Mental Health	207.8	225.8	153.2	194.7
Judicial	57.3	30.1	64.8	51.2
Universities	50.3	77.0	77.1	68.1
Dept. of Corrections	169.0	118.7	165.9	151.7
Dept of Transportation	111.7	85.4	80.7	92.5
VaLORS	178.0	225.9	165.5	189.1

VaLORS have significantly higher than average claim cost across all three years. Others, like universities and judicial, have had consistently lower claims cost for the same period. Using a single contribution rate results in lower cost groups essentially subsidizing higher cost groups.

Utilizing a claim-based contribution rate could have other benefits. It could encourage higher cost agencies/policy groups to adopt return-to-work initiatives during short-term disability like those described in the Return to Work Operational Review Team's final report because it could negate a future long-term disability claim. To further encourage such practices, agencies could be allowed to retain a portion of any savings from reductions in contribution rates. This was the model used in the 2002-04 state budget where agencies retained 25 percent of workers' compensation premiums as an incentive to maintain good workplace safety.

However, before a claims-based contribution rate can be developed and applied, the impact on the state general fund and nongeneral fund should be examined. Some of the high cost policy groups (VaLORS and Department of Corrections for example) receive a substantial portion of their operating appropriations from the general fund. Developing contribution rates by agency or policy group could have a disproportionate impact on the general fund, while the total premium revenue collected would be the same as if a single contribution rate were utilized.

Appendixes

Appendix A: Study Mandate

Appendix B: VSDP Member Handbook

Appendix C: Return to Work Operational Review Team

Appendix D: VSDP Policy Group Claims Experience Analysis

Appendix A

Chapter 3, Acts of Assembly 2006, Special Session I

Item 473

E. The Virginia Retirement System shall conduct a post-implementation review of the Virginia Sickness and Disability Program. The purpose of this review is to benchmark the program against current industry standards and best practices that could be implemented in the Commonwealth. Customer satisfaction surveys shall be conducted as part of the review. The Department of Human Resource Management and other agencies of the Commonwealth will provide assistance to the Virginia Retirement System upon request. The Virginia Retirement System shall report its findings and recommendations to the Chairmen of House Appropriations and Senate Finance Committees by November 1, 2007.

Virginia Sickness and Disability Program Handbook for Participants



Virginia Sickness and Disability Program Handbook for Participants



Introduction

If you become disabled and cannot work, you have protection through the Virginia Sickness and Disability Program (VSDP). The program includes sick leave, family and personal leave, short-term and long-term disability benefits and a long-term care program.

The Virginia Retirement System (VRS) administers the Virginia Sickness and Disability Program in conjunction with UnumProvident, a third-party administrator. If you have questions about your benefits, contact your human resource officer or visit the VRS Web site at www.varetire.org. You also may write to the Virginia Sickness and Disability Program c/o UnumProvident, 2211 Congress Street, Portland, ME 04122 or call 1-800-652-5602 for assistance.



The Virginia State Capitol

Information contained in the Virginia Sickness and Disability Program Handbook is governed by Title 51.1 of the Code of Virginia. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the Code of Virginia, which may be amended from time to time.

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Your VSDP Benefits at a Glance

Benefit	When Coverage Begins	Amount of Coverage
Sick Leave	First date of employment.	20-80 hours per year, based on total months of full-time or part-time salaried state employment.
Family and Personal Leave	First date of employment.	16-40 hours per year, based on total months of full-time or part-time salaried state employment.
Short-Term Disability	After a seven-calendar-day waiting period.	Income replacement of 100%, 80% or 60% of salary for up to 125 workdays.
Long-Term Disability	After the expiration of the maximum period of short-term disability.	Income replacement of 60% (80% for catastrophic disabilities).
Long-Term Care	First date of employment.	Up to \$75 a day for licensed nursing care, hospice care, home health care, adult day care or assisted living facility, up to a two-year lifetime maximum benefit of \$54,750.

Your Responsibilities as a VSDP Participant

As a participant in the Virginia Sickness and Disability Program, you are responsible for:

- Knowing and understanding your benefits through VSDP. If you have questions about your benefits, talk with your agency's human resource office.
- Notifying your agency's human resource office of your disability and filing a claim with UnumProvident in advance of your disability or within 14 days of the first day of your disability to ensure that you receive full benefits if your claim is approved. A family member, friend or other person may contact your agency's human resource office and UnumProvident on your behalf if you are unable to do so.
- Contacting your agency's human resource office, UnumProvident and the Office of Workers' Compensation regarding work-related disabilities.
- Authorizing your licensed treating professional to release your medical information to UnumProvident by signing the Claimant's Authorization form included in your VSDP introductory packet.
- Reviewing your VSDP introductory packet, which UnumProvident mails to you after your disability has been reported.
- Working with your licensed treating professional to ensure the timely delivery of medical information to UnumProvident.
- Maintaining communication with your supervisor while receiving disability benefits.
- Reporting all outside earned income to UnumProvident while you are on disability. Use the Outside Earned Income Reporting form included in your VSDP introductory packet or contact UnumProvident for a copy. If you are on short-term disability, send the form to your agency's human resource office. If you are on long-term disability or long-term disability-working, send the form directly to UnumProvident.
- Applying for Social Security Disability Insurance Benefits if you are eligible to receive them. If benefits are denied, you are required to pursue all levels of appeal as deemed appropriate by UnumProvident, and provide proof of filing. UnumProvident will assist you in the process of obtaining Social Security benefits upon approval of long-term disability benefits. (See Chapter 9 on Social Security Disability Insurance Benefits.)
- Reporting any changes in your disability to your agency's human resource office and UnumProvident immediately.

What if I'm not getting better as quickly as my licensed treating professional thought I would?

At any time, if there is a significant change in your condition, such as complications, you and your licensed treating professional should call UnumProvident at 1-800-652-5602. If you are unable to call UnumProvident, a family member, friend, your human resource officer or other person may call on your behalf.

Introduction to the Virginia Sickness and Disability Program



When you join the Commonwealth of Virginia as a full-time or part-time salaried employee, you are automatically enrolled in the Virginia Sickness and Disability Program (VSDP). The VSDP provides eligible employees with income protection during periods of partial or total disability, whether work-related or non-work related. The program includes sick leave, family and personal leave, short-term disability, long-term disability and long-term care benefits. The program encourages rehabilitation to help you return to gainful employment as soon as medically appropriate.

Eligible Employees

The following employees are eligible for VSDP benefits:

- Full-time and part-time salaried state employees who are active members of the Virginia Retirement System (VRS).
- Active members of the State Police Officers' Retirement System (SPORS).
- Active members of the Virginia Law Officers' Retirement System (VaLORS).

- Full-time teaching, research or administrative faculty of a Virginia public institution of higher education who participate in VRS.
- Part-time faculty members covered under VRS.

Newly hired or appointed faculty of state universities of higher education in teaching, research or administrative positions who elect VRS as their retirement plan, may elect coverage under VSDP or any disability plan offered by the institution. If the institution does not offer an alternative disability plan, the faculty member is automatically covered under VSDP.

Ineligible Employees

The following employees are not eligible for VSDP benefits:

- Members of the Judicial Retirement System (JRS).
- Employees of political subdivisions.
- Employees of public school divisions.
- Wage employees and adjunct faculty.
- Teaching, research and administrative faculty of Virginia public institutions of higher education who participate in the Optional Retirement Plan (ORP).
- Employees participating in a non-VRS retirement plan.
- Virginia Port Authority employees who are not members of VRS.
- Department of Visually Handicapped employees pursuant to Section 51.5-72 of the *Code of Virginia*.

- Former state employees of the Virginia Department of Health who have been transferred to local governments.
- Food service employees of the Virginia Museum of Fine Arts.
- Employees of the Medical College of Virginia Hospitals Authority.
- Employees of the University of Virginia Medical Center.
- Employees who participate in the Optional Retirement Plan for Political Appointees.
- Employees who are suspended without pay for disciplinary reasons, including suspensions pending investigation or court decision, for the duration of the suspension only.
- Employees on leave without pay or on unpaid Family Medical Leave.

Enrollment in the Program

New employees, as of January 1, 1999, are automatically enrolled in VSDP, with coverage effective the first day of employment. Employees who did not opt out of the program during the 2002 open enrollment are also covered under VSDP.

Employees who enrolled in the program when it was first offered had the option of converting their accumulated sick leave to disability credits or using it to purchase service credit for retirement. Employees who converted their sick leave to disability credits may use these credits to increase their income replacement during periods of disability. Any remaining balance of disability credit is paid at the time of termination of employment or service retirement or may be converted to VRS service credit.



On January 10 of each calendar year, you are credited with 32 to 80 hours of sick leave, depending on your months of full-time or part-time salaried state service, which you may use during that calendar year.

Your total months of service include active service in your state position, leave for military service and/or leave resulting from a layoff or temporary workforce reduction. Your service also includes periods of short-term and long-term disability during which you were working with reduced hours or with job restrictions.

If you are receiving short-term or long-term disability benefits on January 10, you will be granted sick leave on the date you return to active employment.

Current Full-time

Months of State Service	Hours of Sick Leave
Fewer than 60	64
60 to 119	72
120 or more	80

Current Part-time

Months of State Service	Hours of Sick Leave
Fewer than 120	32
120 or more	40

Crediting of Sick Leave for Newly Hired State Employees

When you are first employed or re-employed in a position covered under VSDP, the amount of sick leave you receive during your first year of employment is based on whether you are full-time or eligible part-time as follows:

New and Re-employed Full-time Employees

Employment Begin Date	Hours of Sick Leave
January 10 – July 9	64
July 10 – January 9	40

New and Re-employed Part-time Employees

Employment Begin Date	Hours of Sick Leave
January 10 – July 9	32
July 10 – January 9	20

Use of Sick Leave

You may use your sick leave for illness, injury or pregnancy and for visits to licensed treating professionals. Sick leave may not be not used while you are receiving disability benefits.

You may use up to 33 percent of your sick leave if you need to be absent from work because of an illness of an immediate family member as provided under the Department of Human Resource Management's (DHRM) policy on Family Medical Leave. Immediate family members include your spouse; natural or adoptive parents and biological, adopted, foster or stepchildren or legal wards provided they are under 18 years of age or, if over 18, incapable of self-care because of a physical or cognitive disability. (See Chapter 8 for more information on the Family and Medical Leave Act.)

You also may be able to participate in the state's Leave Share Program for family illnesses that qualify under the Family and Medical Leave Act (FMLA). See the DHRM Leave Share policy for additional information at www.dhrm.virginia.gov.

If you work in a 9-, 10-, or 11-month position, you may not use sick leave during the months you are not working.

Unused Sick Leave

You may not carry forward unused sick leave to a new calendar year or be paid for any unused sick leave when you terminate employment.

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Family and Personal Leave



In addition to sick leave, you are credited with up to five days of family and personal leave on January 10 of each calendar year. The amount of leave you receive is based on your total months of full-time or eligible part-time salaried state employment as of January 10, as shown in the tables on this page.

Your total months of service include active service in your state position, leave for military service and/or leave resulting from a layoff or temporary workforce reduction. Your service also includes periods of short-term and long-term disability during which you were working with reduced hours or with job restrictions.

If you are receiving short-term or long-term disability benefits on January 10, you will be granted family and personal leave on the date you return to active employment.

Current Full-time

Months of State Service	Family and Personal Leave Hours
Fewer than 120	32
120 or more	40

Current Part-time

Months of State Service	Family and Personal Leave Hours
Fewer than 120	32
120 or more	40

Crediting of Family and Personal Leave for Newly Hired State Employees

When you are first employed or re-employed in a position covered under VSDP, the amount of family and personal leave you receive during your first year of employment is based on your first date of employment, as follows:

New and Re-employed Full-time and Part-time

Employment Begin Date	Family and Personal Leave Hours
January 10 – July 9	32
July 10 – January 9	16

Use of Family and Personal Leave

You may use family and personal leave for absences due to personal and family reasons, and for personal illnesses or injuries, with the approval of your supervisor. You should give reasonable notice to your supervisor, and your absence must not impede the agency's performance of essential services.

Family and personal leave also can be used to supplement income during periods of disability. (See Chapter 4 for more information.)

Unused Family and Personal Leave

You may not carry forward unused family and personal leave to a new calendar year or be paid for any unused leave when you terminate employment.

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Short-Term Disability



Short-term disability benefits provide you with income protection for up to 125 workdays if you become disabled and cannot work. The 125 workday period is based on a Monday through Friday work week and includes holidays.

Benefits cover absences due to most medical conditions, including work-related and non-work related illnesses and injuries, as well as complications resulting from pregnancy.

Seven-Calendar-Day Waiting Period

Your short-term disability benefits begin after a seven-calendar-day waiting period. If you are an eligible full-time employee and work for 20 hours or less during the seven-calendar-day waiting period or if you are an eligible part-time employee and work 10 hours or less, you will be considered to have fulfilled the seven-calendar-day waiting period. You will not have to satisfy a waiting period if UnumProvident determines at the onset of your disability that your disability is the result of a major chronic or catastrophic condition. (See sections on Major Chronic Condition and Catastrophic Conditions in this chapter.)

Days of Income Replacement			
Months of State Service	Workdays of Income Replacement at 100%	Workdays of Income Replacement at 80%	Workdays of Income Replacement at 60%
Less than 60	5	20	100
60-119	25	25	75
120-179	25	50	50
180 or more	25	75	25

Reporting Your Disability

If you know in advance when you will be disabled, such as for a scheduled surgery or childbirth, you should notify your human resource office and UnumProvident as soon as possible. Doing so will ensure that your request for benefits will be evaluated without any disruption or delay in the review of your claim. You will not receive benefits more than 14 days before the date you report your disability to UnumProvident.

Days of Income Replacement

If your claim is approved by UnumProvident, income replacement begins on the eighth calendar day from your date of disability. Income replacement begins at 100 percent of the salary you are earning at the time you become disabled. Income replacement reduces to 80 percent and 60 percent during the course of your disability, based on your months of state service, as shown in the table above.

Major Chronic Condition

If UnumProvident determines at the onset of your disability that it is a major chronic condition, you will not have to satisfy the seven-calendar-day waiting period. A major chronic condition is a life-threatening health condition that exists over a prolonged period of time and is not expected to improve in the foreseeable future. UnumProvident determines if your

condition is chronic and life threatening, using the following criteria:

- You must be determined to be disabled by a licensed treating professional.
- You must have been disabled with this condition within six months before the date you report your disability to UnumProvident.
- You must be under the ongoing care of a licensed treating professional for this condition.

All cases of major chronic conditions are reviewed and handled on a case-by-case basis.

Continuing Periods of Short-Term Disability Due to the Same Condition

It is your responsibility to notify UnumProvident each time you are absent from work as a result of a disability.

If you are released to return to your pre-disability job on a full-time basis and performing the duties of the job without restrictions, and you again become disabled due to the same condition, your disability will be considered a continuation of the prior disability if:

- You work fewer than 14 consecutive calendar days after a non-major chronic condition; or

- You work fewer than 28 consecutive calendar days after a major chronic condition.

You will not have to satisfy another seven-calendar-day waiting period for benefits to begin if these conditions are met. The time worked, however, counts towards the maximum 125 workdays of short-term disability.

If, after working 14 consecutive calendar days or more after a non-major chronic condition, you again become unable to work, your disability will be considered a new period of short-term disability. You must satisfy a new seven-calendar-day waiting period before benefits begin again. After the waiting period, your income replacement begins again at 100 percent of your pre-disability income.

If, after working 28 consecutive calendar days or more after a major chronic condition, you again become unable to work, your disability will be considered a new period of short-term disability. You will not have to satisfy a seven-calendar-day waiting period as long as your condition continues to be deemed major chronic by UnumProvident. Your income replacement begins again at 100 percent of your pre-disability income.

Catastrophic Conditions

If it is determined that your disability is catastrophic, your 60-percent income replacement level will be increased to 80 percent for the duration of your disability.

In consultation with your licensed treating professional, UnumProvident will evaluate your condition to determine whether it is catastrophic. A condition is considered catastrophic if you are unable to perform at least two of the following activities of daily living, without assistance:

- Bathing
- Dressing
- Eating
- Controlling the bladder or bowel
- Toileting (ability to get on and off the toilet and a reasonable level of personal hygiene)
- Transferring (getting in or out of bed or chairs)

You also may be eligible for benefits for catastrophic disability if you are placed in a guardianship or under supervision because of a severe cognitive impairment.

If your condition improves so you no longer meet the criteria for catastrophic disability, but you are still on short-term disability, your income replacement will return to 60 percent of your pre-disability income.

Short-Term Work-Related Disability

If your disability is the result of a work-related injury or illness, you may be eligible for Workers' Compensation benefits. You must file a claim for short-term disability under VSDP and the Workers' Compensation Act to receive the full benefits to which you may be entitled. While your Workers' Compensation claim is being reviewed, UnumProvident will manage your disability

as non-work related, including the seven-calendar-day waiting period followed by the 125-workday period for short-term disability.

If your Workers' Compensation claim is approved, it will become your primary short-term disability benefit. You will receive two-thirds of your average weekly salary at the time of your disability, within limits established by the Workers' Compensation Commission. VSDP will supplement this benefit up to your applicable income replacement level. The VSDP benefit supplements the Workers' Compensation benefit if the Workers' Compensation benefit is less than your VSDP guaranteed income replacement. The table below shows the number of days and the percentage of income replacement allowed, based on state service, for a work-related disability under VSDP.

In the event you are given a lump-sum settlement under Workers' Compensation, the amount of the settlement will be prorated over the period during which you received VSDP disability benefit. Payments made under the Workers' Compensation Act for permanent partial disabilities and medical, legal or rehabilitation expenses are not included in determining the prorated amount. (See example, page 11.)

Days of Income Replacement – Work-Related Disability			
Months of State Service	Workdays of Income Replacement at 100%	Workdays of Income Replacement at 80%	Workdays of Income Replacement at 60%
Less than 60	65	25	35
60-119	85	25	15
120 or more	85	40	0

Example of How Benefits Are Calculated for Lump-Sum Settlements

You are receiving \$600 a week under Workers' Compensation and you accept a lump-sum settlement in the amount of \$12,000. The \$12,000 includes a payment of \$6,000 to cover both medical and legal expenses. After subtracting the medical and legal expenses from the \$12,000, the net lump-sum payment of \$6,000 would be divided by the \$600 per week payment you would have received if you had not accepted the settlement ($\$6,000 \div \$600 = 10$ weeks).

The VSDP supplemental benefit would apply as though the weekly Workers' Compensation benefit was being paid for a period of 10 weeks. After the 10 weeks, the full VSDP benefit would be paid at the appropriate income replacement level.

Return-to-Work Programs

To assist you with rehabilitation, UnumProvident will work with you, your human resource office and your licensed treating professional to coordinate your return-to-work. Information regarding the physical activities you can safely perform, taking into consideration how long you can sit, stand, walk or drive, and how many pounds you can safely lift or carry, will be included in the evaluation. The evaluation may include assisting you and your employer in making reasonable job modifications.

Each agency has specific policies and procedures regarding return-to-work programs and the maximum length of time temporary accommodations may be offered to employees. If your agency offers a return-to-work program, you will be notified of the date you are expected to return-to-work and the period of time the program will be offered.

You will continue to receive your VSDP disability benefit while working under a return-to-work program. Your VSDP benefit will be adjusted by any income you earn while in the program. (See example on page 12.)

On-Site Medical and Vocational Rehabilitation

VSDP sponsors on-site medical and vocational case management during periods of short-term disability. The goal is to assist you with rehabilitation and a safe return to gainful employment. You may be required to participate in such a plan while you are receiving short-term disability benefits. The plan may be a medical plan prescribed for you by your licensed treating professional or a vocational rehabilitation or return-to-work plan coordinated on your behalf by UnumProvident, your agency or a rehabilitation services provider. The plan must be consistent with your licensed treating professional's recommendations regarding your ability to return-to-work.

The first priority is to return you to your same job and agency. If that is not possible, UnumProvident will work with you, your human resource office and your licensed treating professionals to attempt to return you to another position. Placement options may include working at the same agency in a different job, working at another agency or working in a non-state position.

The vocational rehabilitation counselor will take the following into account in working with you on a formal vocational rehabilitation plan:

- Physical/mental capabilities
- Educational background
- Work history
- Transferable skills
- Pre-disability wages and salary
- Interests
- Aptitudes

The purpose of return-to-work and vocational rehabilitation plans is to return you to work safely. Your compliance with the plan is required to achieve this goal. If you do not comply with your plan, your short-term disability benefits may be reduced or discontinued, and you may be subject to disciplinary action or termination from your job.

Adjustments to Short-Term Disability Payments

Your short-term disability benefit payments will be adjusted by any payments you receive or are eligible to receive from the following sources:

- Wages or salary reported on W-2 forms and income from self-employment. The amount of the adjustment is 100 percent, 80 percent or 60 percent of that income, depending on the income replacement level you are receiving under the VSDP.
- Disability payments from the Social Security Administration or other similar governmental disability program you or your family receive for the same disability for which you are receiving VSDP benefits.

- Benefits received from any other state agency-sponsored group insurance contract for the purpose of providing income replacement for the same condition, not including any disability insurance you purchase directly.
- Benefits paid under any compulsory benefits law, such as Workers' Compensation, severance or unemployment compensation.
- Benefits paid under any other governmental disability program, including military disability benefits, local government disability benefits and federal civil service benefits that are paid for the same disabling condition.

Cost-of-living increases from any of the above sources are not included in the adjustment of your VSDP benefit.

Adjustments for Earned Income While on Short-Term Disability

It is your responsibility to provide UnumProvident with information about additional earned income while you are on short-term disability. Your VSDP introductory packet, which UnumProvident mails to you, includes an Outside Earned Income Reporting form, or you may contact UnumProvident for a copy. (See page 2 for contact information.)

Your VSDP short-term benefit will be adjusted according to any outside earnings you make while you are on short-term disability. (See example below.)

When Short-Term Disability Benefits End

Your short-term disability benefits will end under one of the following conditions:

- You are able to perform the full duties of your pre-disability job on a full-time basis without restrictions.

- Your short-term disability period ends and you begin receiving long-term disability benefits. (See Chapter 5 on Long-Term Disability.)
- You leave state employment and take a refund of your VRS member account. For more information regarding requesting a refund, consult your human resource office, the latest *Handbook for Members* or the VRS Web site at www.varetire.org.
- You retire from your VRS-covered position.
- You do not cooperate or comply with the requirements of VSDP.
- In the event of your death.

Death-in-Service Benefits

Your survivor may be eligible for a benefit if you die while you are on short-term disability. Your survivor should contact your agency's human resource office for more information about death-in-service survivor benefits.

Example of How Short-Term Disability Benefits Are Adjusted for Earned Income

Your pre-disability income is \$5,500 per month. While you are on disability, you earn \$2,750 per month from other sources. Your VSDP benefit is recalculated as follows:

100-percent income replacement level

$\$5,500 - \$2,750 \times 100\% = \$2,750$, your adjusted short-term disability benefit at 100 percent of your pre-disability income.

80-percent income replacement level

$\$5,500 - \$2,750 \times 80\% = \$2,200$, your adjusted short-term disability benefit at 80 percent of your pre-disability income.

60-percent income replacement level

$\$5,500 - \$2,750 \times 60\% = \$1,650$, your adjusted short-term disability benefit at 60 percent of your pre-disability income.

To determine your total monthly income, add your outside earnings to the adjusted short-term disability benefit. In the case of the last example, $\$2,750 + \$1,650$ would come to \$4,400 of total combined income for one month.

Note that you will not receive more than 100 percent of your pre-disability income under the VSDP. In addition, if you do not report outside earnings, you will be required to repay, with interest, any overpayments of disability benefits you receive under the VSDP.



Long-term disability benefits provide you with income replacement if you become disabled and are unable to work for an extended period of time. Long-term disability benefits begin at the expiration of the maximum period of short-term disability.

While you are on long-term disability, you continue to accrue service as a VRS-covered member. Long-term disability participants are not considered employees of the Commonwealth of Virginia while they are on long-term disability, and your agency is allowed to recruit for and fill your position. Because of the length of long-term disability periods, you are not guaranteed the same job you had before your long-term disability.

Long-Term Disability-Working

You are eligible to receive long-term disability benefits while you are working. Long-term disability status is in effect if you are able to work 20 or more hours a week,

but are restricted from performing the full duties of your job or working your regular schedule. Long-term disability-working status also applies to eligible part-time employees. To receive the long-term disability benefits while working, you must have been working during short-term disability.

Amount of Income Replacement

Long-term disability benefits provide you with an income replacement of 60 percent of your pre-disability income, or 80 percent for a catastrophic condition (See Catastrophic Disability Benefits in this chapter.), including any salary increases you may have received while you were on short-term disability. You also may qualify for an annual cost-of-living adjustment, applied to your pre-disability income, in an amount recommended by the program actuary and approved by the VRS Board of Trustees.

Continuing Periods of Long-Term Disability for the Same Condition

If you return to work and are able to perform the full duties of your pre-disability job without any restrictions, but become disabled again from the same condition within 180 calendar days, your disability will be considered to be a continuation of the prior disability. You will go on long-term disability; no waiting period will be required.

During the first 24 months of your disability this provision applies if you return to work in your pre-disability job on a full-time basis and perform the full duties of the job.

After 24 months of disability, this provision applies if you return to work in your pre-disability job or any job for which you are reasonably qualified to perform based on your training and experience.

If you become disabled from the same condition after returning to work for 180 calendar days or more, you will need to file a claim for a new period of short-term disability and satisfy the seven-calendar-day waiting period, provided you are still working in a VSDP-eligible position.

If work is arranged through a vocational rehabilitation program or return-to-work program, or if you return to work with job modifications or reduced hours, the days you work are not counted as part of the 180-calendar-day limitation.

Catastrophic Conditions

If it is determined that your disability is catastrophic, your 60-percent income replacement level will be increased to 80 percent for the duration of your disability. In consultation with your licensed treating professional, UnumProvident will evaluate your condition to determine whether it is catastrophic and when the 80 percent disability payments begin.

A disability is determined to be catastrophic if you are unable to perform at least two of the following activities of daily living without assistance:

- Bathing
- Dressing
- Eating
- Controlling the bladder or bowel
- Toileting (ability to get on and off the toilet and a reasonable level of personal hygiene)
- Transferring (getting in out of bed or chairs)

You also may be eligible for benefits for catastrophic disability if you are placed in a guardianship or under supervision because of a severe cognitive impairment.

If your condition improves so you no longer meet the criteria for catastrophic disability, but you are still on long-term disability, your income replacement returns to 60 percent of your pre-disability income.

Long-Term Work-Related Disability

As in short-term disability, benefits paid under the Workers' Compensation Act during long-term disability are always the primary benefits; VSDP benefits are always secondary and supplement Workers' Compensation.

Your work-related long-term disability benefits are coordinated through VSDP and the Department of Human Resource Management's and the Office of Workers' Compensation. Benefit coordination includes multiple injuries or illnesses, one or more of which is work-related.

In the event you are given a lump-sum settlement under Workers' Compensation, the amount of the settlement will be prorated over the period of long-term disability. (See page 11.) Payments made under the Workers' Compensation Act for permanent partial disabilities and medical, legal or rehabilitation expenses are not included in determining the prorated amount.

Return-to-Work Programs

As in short-term disability, your human resource office is encouraged to provide reasonable job accommodations if you are on long-term disability. UnumProvident will work with you, your human resource office and your licensed treating professional to coordinate your return to work.

UnumProvident will obtain information from your licensed treating professional concerning the physical activities you can safely perform, including how long you can sit, stand, walk or

drive and how many pounds you can safely lift or carry. The evaluation may include assisting you to return to work with job modifications, where reasonable.

You will continue to receive your VSDP disability benefit while working under a return-to-work program; however, your VSDP benefit will be adjusted by any income you earn while in the program. (See Adjustments to Long-Term Disability Payments" on this page.)

On-Site Medical and Vocational Rehabilitation

You may be required to participate in a rehabilitation plan during the period of time you are receiving long-term disability benefits. The goal is to assist you with rehabilitation and a safe return to gainful employment.

The plan may be either a medical plan that is prescribed for you by your licensed treating professional or may be a vocational rehabilitation or return-to-work plan coordinated on your behalf by UnumProvident or a rehabilitation services provider. The plan must be consistent with your licensed treating professional's recommendations regarding your ability to return to work.

The goal of on-site medical and vocational rehabilitation services is to assist you in returning to work. Once you go on long-term disability, however, it may not always be possible to return you to your same job and agency because your previous position may no longer be available. In all cases, UnumProvident will assist you in your attempt to return to work.

The following will be taken into consideration when the vocational case manager assists you with writing and implementing your own formal vocational rehabilitation plan:

- Physical/mental capabilities
- Educational background
- Work history
- Transferable skills
- Pre-disability wages and salary
- Interests
- Aptitudes

It is important that you cooperate fully in trying to return to gainful employment. If you do not comply with vocational rehabilitation services, your long-term disability benefits may be reduced or stopped.

Adjustments to Long-Term Disability Payments

Your long-term disability benefit is adjusted by any payments received as a result of the same disability from the following sources:

- Wages and Salary you receive from employment. Wages and salary include income reported on W-2 forms and income from self-employment.

During the first six months you are on long-term disability, the amount of the adjustment depends on the income replacement level you are receiving under VSDP.

After the first six months of long-term disability benefits, an amount equal to 70 percent of your wages and salary from any employment.

- Disability benefit payments you or your family receive from the Social Security Administration or other similar governmental disability program.
- Benefits paid under any other governmental disability program, including military disability benefits, local government disability benefits and federal civil service benefits .
- Benefits received from any other state agency-sponsored group insurance contract for the purpose of providing income replacement.
- Benefits paid under any compulsory benefits law, such as Workers' Compensation, severance or unemployment compensation.

Cost-of-living increases from any of the above sources are not included in the adjustment of the VSDP benefit. It is your responsibility to provide UnumProvident with information about additional earned income. Use the Outside Earned Income Reporting form included in your VSDP introductory packet, or you may contact UnumProvident for a copy. If you are overpaid because you do not report earnings, you will be required to repay, with interest, any overpayments of disability benefits you received under the VSDP.

Computing Long-Term Disability Benefits When Working

If you are on long-term disability and working, your benefits are adjusted by any salary and wages from employment during the first six months of long-term disability, based on the income replacement level you are receiving under VSDP.

After the first six months of long-term disability, your benefits are adjusted by 70 percent of your wages and salary from employment, as shown in the example on page 16.

If your disability is work related and you are also receiving a Workers' Compensation benefit, the Workers' Compensation benefit is paid first. If the Workers' Compensation benefit is greater than the adjusted long-term disability benefit, no VSDP benefit is payable. Instead, your total income would be your Workers' Compensation benefit plus the full amount of your earned income.

Your VSDP benefit, when combined with other income from employment, may not exceed 100 percent of your pre-disability income.

When Long-Term Disability Benefits End

Long-term disability benefits end if:

- You are able to perform the full duties of your pre-disability job without any restrictions during the first 24 months of disability.
- You are able to perform the regular duties of any job for which you are reasonably qualified after 24 months of disability and you are earning 80 percent or more of your pre-disability income.
- You take a refund of your VRS contributions and interest.
- You do not cooperate or comply with the requirements of VSDP.
- You begin receiving a VRS service retirement benefit.
- In the event of your death.

Death-in-Service Benefits

Your survivor may be eligible for a benefit if you die while you are on long-term disability. Your survivor should contact your agency's benefits administrator for more information about death-in-service survivor benefits.

Example of Long-Term Disability Benefits When Working

Your pre-disability income is \$5,500 per month. You are working 50 percent of your normal hours, earning \$2,750 per month. The following is the formula for computing your adjusted long-term disability benefit:

During First Six Months of Disability

\$5,500 (pre-disability income) x 60% = \$3,300 (your long-term disability benefit)

\$2,750 (earned wages and salary from employment) x 60% = \$1,650

\$3,300 - \$1,650 = \$1,650 (your adjusted long-term disability benefit)

Your earned income of \$2,750 added to the adjusted long-term disability benefit of \$1,650 is \$4,400, your total income received from the combined sources.

After First Six Months of Disability

\$5,500 (predisability income) x 60% = \$3,300 (your long-term disability benefit)

\$2,750 (earned wages and salary from employment) x 70% = \$1,925

\$3,300 - \$1,925 = \$1,375 (your adjusted long-term disability benefit)

Your earned income of \$2,750 added to the adjusted long-term disability benefit of \$1,375 is \$4,125, your total income received from the combined sources.



As a participant in VSDP, you are eligible for a valuable long-term care (LTC) insurance benefit to help you plan for your future health care needs. This employer-paid benefit is underwritten by the Aetna Life Insurance Company.

Understanding Your Long-Term Care Coverage

The long-term care insurance plan pays a benefit when you cannot perform at least two of the following activities of daily living or have a severe cognitive impairment such as Alzheimer's:

- Bathing
- Dressing
- Eating
- Controlling the bladder or bowel

- Toileting (ability to get on and off the toilet and a reasonable level of personal hygiene)
- Transferring (getting in or out of bed or chair)

The plan pays a benefit for care wherever you are most comfortable – at home or in a facility. The plan pays a daily benefit of up to \$75 per day, depending on the level of care and charges made. There is a two-year, lifetime maximum benefit of \$54,750. Benefits begin after a once-in-a-lifetime 90-day period following a certified, qualifying loss.

Your Primary Coverage

Long-term care insurance provides coverage for qualified long-term care services in a variety of settings:

Environment/Facility	Coverage Amount
Nursing Facility Care	Expenses up to 100% of the Daily Benefit Allowance (DBA) for care received at a nursing facility including skilled and custodial care.
Assisted Living Facility Care	Expenses up to 100% of the DBA for personal support services and care provided in an assisted living facility.
Hospice Care	Expenses up to 50% or 100% for care provided at home by a home care agency or in a hospice facility if you are terminally ill.
Home Health Care	Expenses of up to 50% of the DBA for custodial care, nursing care, therapy and homemaker services provided in your home by nurses, social workers, home health aides or other licensed or certified professionals.
Adult Day Care	Expenses up to 50% of the DBA for care provided during the day usually in a community setting.

In addition to your primary coverage, the group long-term care insurance plan offers the following features, which will not reduce the lifetime maximum benefit:

Transitional Care. This benefit helps you during a transition between self-sufficiency and needing care. It is automatically paid to you as a cash payment after you have satisfied the deductible period. It is a one-time payment equal to three times your daily benefit amount and can be used in any way that you want.

Informal Caregiver Training. This benefit provides for training of your personal caregiver by health professionals. The plan pays up to three times your daily benefit amount or the cost of the training, whichever is less. There is a limit of one payment per claim period.

Respite Care. This benefit provides for care when your usual caregiver is not available or is taking a break. The plan pays 50 percent of your daily benefit amount for up to 21 days per calendar year.

Informal Care. This benefit supports personal care, meal preparation and housekeeping provided in your home by family members, neighbors or other private-hire caregivers. The plan pays 25 percent of your daily benefit amount for up to 50 days per calendar year.

How to File a Claim

Contact an Aetna customer service representative toll free at 1-877-796-1927 for a benefit request form for you and your doctor to complete. You will be assigned a case manager who will:

- Assist you through the claims process and explain your care options.
- Provide guidance on environmental modifications and adaptive equipment that you may wish to consider or purchase for your home.
- Make referrals on your behalf to local agencies or other necessary services, if needed.
- Provide information on discounts of 10 to 30 percent on providers such as nursing homes and assisted living facilities.

If You Terminate Employment or Retire

If you terminate employment or retire, you may continue your long-term care coverage with Aetna at the same group rates using your age at your initial coverage date; however, you will be responsible for paying the premium for coverage. Aetna will bill you directly for future premiums. Within 30 days of your termination date, contact the Aetna Long-Term Care Hotline, toll free, to request the forms to continue your coverage or visit the Aetna website to download the forms at www.aetna.com/group/commonwealthva.

Annual Leave

Specific information about your annual leave is available from your human resource office or from the Department of Human Resource Management (DHRM), which administers leave policies.

Short-Term Disability

While you are on short-term disability, you will continue to accrue annual leave according to DHRM policy. You may use your annual leave to supplement your disability income during periods of 80 percent and 60 percent income replacement.

Long-Term Disability–Working

You will continue to accrue leave based on hours worked and your years of state service. You may use your annual leave to supplement the difference between the income replacement you are receiving under long-term disability and your regular full salary.

Long-Term Disability

Your employer will pay you for any unused annual leave, up to the maximum allowed by DHRM policy, at the beginning of your long-term disability. If you return to employment within 180 days and decide to re-purchase your annual leave, your cost will be based on your salary at the time you return to employment or the rate at which the leave was paid, whichever is less.

Health Insurance

Specific information about your health insurance benefits is available from your human resource office or from the Department of Human Resource Management (DHRM), which administers the state health insurance program.

Short-Term Disability

Your state health insurance coverage continues while you are on short-term disability with the state paying the employer share of the premium and you continuing to pay your share.

Long-Term Disability–Working

Your state health insurance continues while you are on long-term disability–working, with the state paying the employer share of the premium and you continuing to pay your share.

Long-Term Disability

You have 31 calendar days in which to decide to continue your state health insurance coverage. After 31 days, you will not be eligible to enroll in the state health insurance program. You will be responsible for paying both the employee and employer premiums. To continue your coverage, submit a State Health Benefits Program Enrollment Form for Retirees, Survivors and Long-term Disability Participants. The form is available from your human resource office.

If you are on long-term disability and have not used up all of your your Family Medical Leave (FML), you remain in your current state employee group insurance program until all the leave has been used, provided you continue to pay the premiums.

State Health Insurance Credit

You may be eligible for a credit towards the cost of your health insurance. Specific information, including eligibility requirements, is available from your human resource office, the current VRS Handbook for Members and the VRS Web site at www.varetire.org.

Short-Term Disability

The time you spend on short-term disability will count toward the 15-year eligibility requirement for the health insurance credit.

Long-Term Disability-Working

You are not eligible for a health insurance credit while on long-term disability-working. However, the time spent on long-term disability-working counts toward the 15-year service requirement for the health insurance credit when you retire.

Long-Term Disability

You will be eligible for a monthly health insurance credit up to \$120 if you have 30 or fewer years of creditable service when you go on long-term disability. If your creditable service totals at least 30 years and one month when you go on long-term disability, you will be eligible for a monthly health insurance credit of \$4 per month for each year of creditable service.*

If you are on Family and Medical Leave (FML) when you go on long-term disability, you will not be eligible for the health insurance credit until you have used all FML leave.

To apply for the health insurance credit under VSDP, use the Application for Health Insurance Credit (VRS-45) included in your introductory VSDP packet or call UnumProvident at 1-800-652-5602.

* Effective with your service retirement, you will no longer be guaranteed eligibility for a health insurance credit of \$120 per month. Instead, the amount of the credit will be based on the number of years of service credited at the time you retire. If you have fewer than 30 years of creditable service at retirement, your health insurance credit will be less than \$120. If you have earned additional service months while on long-term disability, these additional months will be included in the calculation of your health insurance credit.

Basic Group Life Insurance

Specific information regarding your coverage under the basic group life insurance program is available from your human resource office, the current VRS Handbook for Members and the VRS Web site at www.varetire.org.

Short-Term Disability

Your basic group life insurance continues at no cost to you while you are on short-term disability.

Long-Term Disability-Working

Your basic group life insurance continues at no cost to you while you are on long-term disability-working status.

Long-Term Disability

Your basic group life insurance continues while you are on long-term disability. The amount of your life insurance coverage is equal to your pre-disability annual salary at the time you go on long-term disability, rounded to the next highest thousand dollars and then doubled. The amount of your coverage may be increased annually by cost-of-living adjustments to your annual pre-disability salary, as recommended by the program actuary and approved by the VRS Board of Trustees.

Optional Group Life Insurance

Specific information regarding your coverage under the optional group life insurance program is available from your human resource office, the current Handbook for Members and the VRS Web site at www.varetire.org.

Short-Term Disability

You can continue your optional life insurance coverage while you are on short-term disability, as long as you continue to pay the premium.

Long-Term Disability–Working

You can continue your optional life insurance coverage as long as you continue to pay the premium. Minnesota Life, the administrator of the Group Life Insurance Program, will bill you directly for premiums. Your optional life insurance coverage for yourself and your dependents can continue into your retirement, at a reduced level, as long as you and your eligible dependents have continuously participated in the Optional Life Insurance Program during the 60 months immediately prior to retirement.

Long-Term Disability

Your optional life insurance and any dependant coverage you have can continue while you are on long-term disability, under the same terms and conditions as in Long-Term Disability–Working.

Retirement Benefits

Specific information regarding your retirement benefits under VRS is available from your human resource office, the current Handbook for Members and the VRS Web site at www.varetire.org.

Short-Term Disability

You retain your VRS membership while on short-term disability. You continue to accrue service credit and remain eligible for retirement when you reach age and service requirements. The time you spend on short-term disability counts toward the five years needed to become vested for a retirement benefit.

You may purchase prior service while you are on short-term disability. The purchase may be made in a lump sum or through payroll deduction. The cost of purchasing service credit will be based on your full pre-disability income, regardless of the actual income replacement percentage you are receiving at the time of purchase.

Long-Term Disability–Working

You retain your VRS membership while you are on long-term disability-working. You continue to accrue service credit and remain eligible to retire when you reach age and service requirements. The time you spend on long-term disability counts toward the five years needed to become vested for a retirement benefit.

If you are receiving Workers' Compensation benefits while on long-term disability-working, retirement begins at the time your Workers' Compensation benefits cease, if you are beyond normal retirement age.

Long-Term Disability

You continue to accrue service credit while on long-term disability, and you remain eligible to retire when you reach age and service requirements. If you are receiving Workers' Compensation payments while on long-term disability, retirement begins at the time your Workers' Compensation benefits cease if you are beyond normal retirement age.

You will be required to retire at your normal retirement age, unless your disability occurred at age 60 or older (age 55 or older for SPORS and VaLORS members). If this is the case, you will receive a total of five years (60 months) of combined short-term and long-term VSDP benefits, provided you remain medically eligible.

Deferred Compensation Plans

For more information about the Commonwealth of Virginia Deferred Compensation Plan and Cash Match Program, call Great West, the third-party administrator, at 1-888-600-2763 or visit www.vadcp.com.

Short-Term Disability and Long-Term Disability-Working

You may continue to contribute to your 457 Deferred Compensation Plan or 403(b) account while you are on short-term disability unless the disability is work-related. Contributions may not exceed the lesser of adjusted annual salary or the annual limit. If you are contributing at least \$10 per pay period to your 457 Plan or 403(b) account, the employer Cash Match also will continue. Distributions from the plan are allowed only in the event of approved hardship withdrawals, which must conform to IRS guidelines.

Long-Term Disability

You may not contribute to your 457 Deferred Compensation Plan or 403(b) account while you are on long-term disability. Distributions are allowed only in the event of an approved hardship withdrawal, which must conform to IRS guidelines.

In addition to VSDP, you may be eligible for leave under the Family and Medical Leave Act (FMLA). You may take up to 12 workweeks of authorized unpaid leave during any 12-month calendar period for certain personal and family situations. FMLA also provides job protection for employees who are on FMLA leave.

Leave through FMLA is optional. You may choose to take unused annual leave, family and personal leave or other accrued leave instead of taking unpaid leave. However, sick leave may not be used during periods when you are receiving VSDP benefits. If you are on VSDP and eligible for FMLA because of your serious health condition, your absence will be counted as FMLA.



You should notify your human resource office if you want to substitute paid time off for any portion of your absence.

Eligibility for FMLA Leave

You are eligible for FMLA leave if:

- You have been employed by the Commonwealth of Virginia for at least 12 months;
- You have worked at least 1,250 hours during the 12 months immediately preceding your absence; and
- You have not previously used your 12-work week allotment of FMLA for a calendar year.

Absences Covered by the FMLA

The following absences are covered by FMLA:

- Birth or adoption of a child or to provide foster care.
- Caring for an immediate family member (spouse, child or parent) with a serious health condition.
- Your own serious health condition.

Personal illnesses that qualify for benefits under VSDP also may qualify and run concurrently under FMLA. A serious health condition, as defined under FMLA, means an injury or physical or cognitive condition that involves:

- Inpatient hospitalization at a hospital, hospice or residential medical care facility.
- Absence of more than three consecutive calendar days while receiving or continuing multiple treatments prescribed by your licensed treating professional.

- Continuing treatment by or under the supervision of a licensed treating professional for a chronic or long-term health condition that is incurable or so serious that if not treated would likely result in a period of incapacity of more than three calendar days.

Your Responsibility

If you have scheduled an absence related to a pre-planned disability eligible for leave under FMLA, you should notify your human resource office and UnumProvident as far in advance as possible. Doing so will ensure that your request for disability benefits will be evaluated without any disruption or delay in the review of your claim.

Notification by VSDP

UnumProvident will notify your human resource office if your absence is approved for short-term or long-term disability benefits under VSDP as well as FMLA. The approval of your VSDP claim also applies to your FMLA claim. You are not required to obtain two separate approvals.

Your human resource office is responsible for determining whether you meet the FMLA eligibility requirements, tracking your FMLA hours and notifying you of information related to your FMLA leave. Your agency will inform you in writing of your responsibilities for conditions that qualify under FMLA.

More Information

Contact your human resource office for more information about FMLA.

In addition to VSDP benefits, you may be eligible for Social Security Disability Insurance Benefits (SSDIB). If you are over age 30, you are eligible for Social Security disability benefits if you have been unable to perform any kind of work for which you are reasonably qualified at least a year before applying for these benefits or if you have a terminal condition. You also must have been employed in five out of the previous ten years before being considered for Social Security disability benefits. There are special rules for younger individuals.

Filing a Social Security Disability Claim

Call the Social Security Administration (SSA) toll-free at 1-800-772-1213 or visit your local SSA office. You may have a family member or other representative contact the SSA on your behalf. UnumProvident also can assist you with filing, at no cost to you, if your long-term disability has been approved.

Have the following information ready when you file your Social Security claim:

- Your Social Security number;
- A certified copy of your birth certificate;

- Your W-2 forms for the past two years (if you had wages during those years); and
- The names, addresses and phone numbers of your licensed treating professionals, as well as any clinics or hospitals where you have been treated.

Filing a VSDP Claim

Qualification for Social Security disability benefits does not automatically qualify you for VSDP long-term disability benefits. If you file a claim for VSDP benefits and UnumProvident determines that you also may be eligible for Social Security disability benefits, you must apply with the Social Security Administration and provide proof of filing to UnumProvident within 60 days of the first day of your long-term disability. Your benefits may be delayed or stopped if UnumProvident does not receive proof of your application for Social Security disability.

Receiving Your Social Security Disability Benefits

It typically takes from three to six months for the Social Security Administration to process your application and notify you of the authorization of your Social Security disability benefits.

If you also have been approved for VSDP long-term disability benefits, you will begin receiving VSDP benefits while waiting for notification from Social Security. When you begin receiving Social Security disability benefits, your VSDP benefit will be offset by the amount of your Social Security disability benefit assuming it is for the same condition. (See example below.)

If your Social Security disability award is retroactive over the period you have been receiving VSDP benefits, you will be required to reimburse your employer and/or UnumProvident for the overpayments.

If Your Social Security Disability Claim is Denied

If your claim is denied, UnumProvident can assist you in filing an appeal at no cost to you. If your Social Security disability claim is denied and you are still eligible for disability benefits under the VSDP, your VSDP benefits will continue. However, if you refuse to file an appeal, your VSDP benefit could be reduced or stopped.



Example of Calculation of Benefits With An Offset for Social Security Benefits

Your pre-disability income is \$5,500 per month. You are at 60 percent income replacement level. You are receiving a Social Security disability income benefit for the same disabling condition. The monthly Social Security disability income benefit is \$1,000. The following is the formula for computing your adjusted VSDP benefit:

Pre-disability monthly income: \$5,500
 Amount of Social Security disability income benefit paid: \$1,000
 Long-term disability benefit (at 60 percent income replacement) $\$5,500 \times 60\% = \$3,300$
 Adjusted Long-term disability benefit
 (Long-term disability benefit minus Social Security disability income benefit)
 $\$3,300 - \$1,000 = \$2,300$

How do I apply for VSDP benefits?

If you become ill or injured and you expect to be unable to work for more than seven calendar days, call 1-800-652-5602. If you know in advance when you will require disability benefits, such as for a scheduled surgery or childbirth, call this number as soon as you know when you will be out.

Step 1: A UnumProvident customer care specialist will ask you for information, such as your name, Social Security number, date of birth and current mailing address. It is important for UnumProvident to have your current mailing address in order to send correspondence relating to your claim. The customer care specialist also will ask you about the nature of your disability, the last day you were able to work, the name, address and phone number of your licensed treating professional and additional work-related information, if applicable. With this information, the customer care representative will direct your request to a benefit center team experienced in your disability (such as a broken bone, pregnancy or chronic condition).

Step 2: UnumProvident will mail you an introductory packet. The packet includes an explanation of the program and what to expect while on disability. The packet includes an Authorization for Release of Medical Information form, which you must sign and give to your licensed treating professional as soon as possible. This form is your consent for confidential medical information to be released to UnumProvident. Without this information, UnumProvident will be unable to process your claim. You or your licensed treating professional may fax the authorization to UnumProvident at 1-800-793-1610. The packet also includes additional information for your licensed treating professional and a Disability Credit Usage form for you and your human resource officer to discuss, if applicable.

Step 3: UnumProvident will call your licensed treating professional to obtain clinical information concerning your disability and to arrange a return-to-work plan for you, when medically appropriate.

- For surgery claims, your licensed treating professional will be contacted the day after your surgery to obtain the most appropriate return-to-work plan.
- For work-related claims for which you are receiving benefits under the Virginia Workers' Compensation Act, UnumProvident will coordinate your benefits with the Virginia Workers' Compensation carrier. Workers' Compensation provides the primary benefit and VSDP provides supplemental benefits. Your human resource officer will contact the Virginia Workers' Compensation Office to ensure coordination of your benefits for a work-related disability.

The return-to-work plan may include part-time hours, modified duties or a combination of both. UnumProvident will contact your human resource office to determine if job modifications can be made. You will receive written correspondence from UnumProvident of any determinations made on your claim.

Step 4: UnumProvident will advise your human resource office of your appropriate income replacement level, according to your months of service with the state at the time of your disability. (See page 9 for more information about income replacement.)

Step 5: UnumProvident will be in regular contact with your licensed treating professional to obtain updates on your diagnosis, symptoms, treatment plan and return-to-work plan. Before your scheduled date to return to work, UnumProvident may call your licensed treating professional to confirm your return-to-work plans if your licensed treating professional did not indicate the possibility of an extension of your claim.

Authorization for Release of Medical Information

You will be mailed an Authorization for Release of Medical Information form, enclosed with the short-term disability introductory packet. Sign and date the form and return it to UnumProvident or your licensed treating professional immediately. If returning the form to UnumProvident, please fax it to 1-800-793-1610.

The Authorization for Release of Medical Information form is your consent for the release of information relative to your disability claim, so that a full and fair review of the claim may be conducted by UnumProvident and a decision can be made regarding your claim.

Delay in returning the authorization form may delay review of your disability claim and eligibility for disability benefits. Refusal to sign, date and return the form to UnumProvident without alteration will prevent authorization of your disability benefits. If you are physically or mentally unable to sign, date and return the form, you may have a person to whom you have given power of attorney sign it on your behalf.

Case Closure Due to No Response by Licensed Treating Professional

UnumProvident will make several attempts to obtain information from your licensed treating professional to administer your claim. It is ultimately your responsibility, however, to make sure that he or she complies with this requirement. If UnumProvident does not receive requested information, your case may be closed and you will not receive VSDP benefits.

If UnumProvident does not receive a response from your licensed treating professional, you will receive an Attending Provider Statement, which you must give to your licensed treating professional. He or she must complete the form and fax or mail it to UnumProvident within 10 days. UnumProvident will notify you if your licensed treating professional has not returned the form within that period. If this is the case, you will be ineligible to receive any VSDP benefits.

Confidentiality

Confidentiality policies and procedures protect all clinical information related to your disability. Your agency is informed only of:

- the date you initiate your disability;
- whether you have requested short-term or long-term disability;
- authorized start and end dates of disability;
- estimated return-to-work date;
- type of claim;
- physical restrictions;
- number of hours a day you are able to work;
- dates to begin paying you at the 100 percent, 80 percent and 60 percent income replacement levels; and
- the case closure date.

Medical records and other information relating to your disability claim are maintained and stored by UnumProvident, in compliance with state and federal privacy laws and regulations governing such information.

For quality assurance purposes, VRS will audit and monitor UnumProvident's interaction with VSDP participants and employer contacts.

Additional Forms Which May Be Needed to Process Your Claim

Short-Term Disability Forms

Short-Term Disability Repayment Agreement

This agreement states that you will reimburse your employer for any overpayment of VSDP benefits while on short-term disability. You will need to complete this form, have it notarized and return it to your human resource office.

Short-Term Disability Outside Earned Income Reporting

Your short-term disability benefit payments will be adjusted by any wages or salary you receive from any employment, including income reported on W-2 forms and income from self-employment. Complete and return this form to your human resource office to report any outside income earned while you are receiving short-term disability benefits.

Long-Term Disability Forms

Request for Health Insurance Credit Form (VRS-45)

You may be eligible for a health insurance credit to assist you with your health insurance premiums. To receive the health insurance credit, complete and return this form to UnumProvident.

Long-Term Disability Repayment Agreement

This agreement states that you will reimburse VSDP for any overpayment of VSDP benefits while on long-term disability. You will need to complete this form, have it notarized and return it to UnumProvident.

Long-Term Disability Outside Earned Income Reporting

Your long-term disability benefit payments will be adjusted by any wages or salary you receive from any employment, including income reported on W-2 forms and income from self-employment. Fill out and return the Outside Earned Income Reporting form to UnumProvident.

W-4 Form

Complete this form and return it to UnumProvident to elect your tax filing options.



UnumProvident evaluates your claim and monitors your continued eligibility for disability benefits. The evaluation includes a thorough review of all available clinical,

medical, vocational and employer information. UnumProvident may also contact your licensed treating professional to discuss your disability claim.

In the course of a claims review, you may be notified that you have been scheduled for a medical exam by an independent medical examiner (IME) in the same or similar specialty as your licensed treating professional. If an independent exam is required, UnumProvident will pay for it. Neither you nor UnumProvident may request or recommend a specific licensed treating professional to conduct the exam. If you are receiving disability benefits before

being referred to an IME, you will continue to receive the benefits until the IME's decision has been made.

You will be notified in writing of any UnumProvident decision on your claim. If your claim is denied or terminated, you will be informed of the reasons for the denial or termination, as well as the steps involved in appealing the decision should you wish to pursue an appeal.

If you wish to appeal the decision, you must notify UnumProvident within 180 calendar days from the date of the decision letter. The appeal process is outlined below.

Appeal Process:

1. You receive a denial or termination letter explaining that your benefits have been either denied or terminated. The denial letter notifies you of your right to a review of the claim decision and provides instructions on how to initiate an appeal.
2. If you decide to appeal the claim decision, you must submit a written appeal letter to UnumProvident. (All appeals must be in writing.) When you submit your appeal, you should include any additional medical information related to the denial or otherwise explain why you dispute the disability claim decision. You may submit other information supporting the disability, including additional payroll or occupational information.
3. Once UnumProvident receives your appeal letter, you will receive an acknowledgement letter with the name and telephone number of the appeals specialist who will be handling your appeal.
4. UnumProvident has an initial appeal review period of 45 days. If there are circumstances beyond the control of UnumProvident, the appeals specialist may take up to 45 additional days to reach a determination. In some cases, you may be asked to provide additional relevant information for review. The time required for you to provide this additional information is not included in the 45-day limit.
5. You will receive a letter from the appeals specialist notifying you of UnumProvident's decision on your appeal. If your benefits are still denied or terminated after this appeal, you will be given the opportunity to appeal the decision again (this is known as a re-appeal) if additional information is provided within the period of time specified in the denial letter.
6. If you request a re-appeal of your claim decision, you will receive an acknowledgment letter from the appeals specialist, and your claim will go through a second appeal process.
7. You will receive a letter from the appeals specialist notifying you of UnumProvident's decision on your re-appeal. If your benefits are still denied or terminated after this re-appeal, you may request for a circuit court judge to review UnumProvident's re-appeal decision by filing a notice of appeal with VRS, along with a copy to UnumProvident within 30 days after the date of the final denial letter. The *Rules of Supreme Court of Virginia* govern all circuit court appeals, and you may wish to consult an attorney.
8. If, at any time during the appeal process, the appeals specialist reverses the denial or termination of your benefits, you will receive a written letter stating the approval, any applicable past due benefits; and benefits will continue throughout the ongoing claims process. You will receive a monthly benefit check so long as you remain entitled to benefits.



- A.** Short-term and long-term disability benefits are not payable to you if your disability results from committing a felony or during a period while you are incarcerated. It is your responsibility to notify UnumProvident within five calendar days of an incarceration to avoid an overpayment that will have to be repaid.
- B.** Long-term disability benefits are not payable to you if your disability results from the abuse of alcohol, the misuse of any prescribed medication or the misuse of any controlled substance, unless you are actively receiving treatment and, in the view of UnumProvident, are fully complying with the treatment plan and making substantial progress toward rehabilitation.
- C.** Six weeks of post-partum benefits are provided in the case of normal, uncomplicated deliveries or C-section deliveries.
- D.** Short-term and long-term disability benefits are not payable to you when UnumProvident determines, based on medical evidence and other documentation you have provided, that it can no longer certify your disability.
- E.** Short-term and long-term disability benefits are not payable to you if you do not seek ongoing treatment from a licensed treating professional and do not participate in proper care and treatment programs.
- F.** UnumProvident may base the decision to pay or not pay the disability benefit solely on objective medical evidence, notwithstanding a licensed treating professional's request.
- G.** The results of any Independent Medical Examination (IME) conducted as part of the certification of short-term disability is binding on both the employee and the agency in establishing a return-to-work date.
- H.** The TPA decision to pay or not pay the disability benefit is based solely on objective medical evidence, notwithstanding a licensed treating professional's request.
- I.** Your short-term and long-term disability benefits are reduced 50 percent if you fail to cooperate with a rehabilitation program prescribed for the employee.
- J.** The VSDP may require copies of year-end tax statements and/or state and federal tax filings annually to certify income from gainful employment as part of the administration of statutory offsets under the program.
- K.** Short-term and long-term disability benefits are not payable to you if you cease to be a member of the VRS due to withdrawal of your member contributions or termination of employment.
- L.** Long-term disability benefits are not payable to you if you are able to perform the full duties of your pre-disability position on a full-time basis without any restrictions within the first 24 months of disability; or if you are able to perform the full duties of any job for which you are reasonably qualified based on training and experience without restrictions after 24 months of disability and earning 80 percent or more of your pre-disability income.

M. Your return to your pre-disability position or any other covered VRS position is not guaranteed after your transition into long-term disability.

N. Short-term benefits are not payable for elective medical procedures, including but not limited to surgery, during the first six months of employment or reemployment without approval your human resource office.

O. If your payments under the Workers' Compensation Act are adjusted or terminated for refusal to work or to comply with the requirements of Section 65.2-603 of the Code of Virginia, the disability benefits payable under the VSDP will be calculated as if you were receiving the payments, provided you meet the VSDP eligibility requirements.

P. If you fail to comply or cooperate with the requirements of the VSDP, benefits under the program may cease.

Position Profile

UnumProvident may require your agency to provide a position profile describing the essential functions and the physical requirements of your job. This profile will be used to help determine your physical and mental capacities to return to work in that position.

Administration of Program

A. You may not receive more than one disability benefit under VSDP for concurrent illnesses or injuries.

B. If you are employed in more than one position that provides coverage under the VRS, you must elect, by written notice to VRS, one position under which your coverage will be based.

C. Each agency whose employees are covered under the program must keep records and furnish information required by the VRS Board of Trustees or its designee.

D. The benefits payable under VSDP are exempt from levy, garnishment, attachment and other legal process. Employees are responsible for contacting the court to obtain the exemption. However, court orders will be honored.

E. The benefits paid under a non-work related short-term or long-term disability are fully taxable. The benefits paid under a work-related disability are not taxable because the benefits are, by statute, a Workers' Compensation benefit. Pay for disability credits, annual leave, family and personal leave or other eligible leave used to supplement income replacement at 100 percent while the employee is receiving short-term or long-term work-related disability under VSDP is fully taxable.

F. Under VSDP, sick leave, family and personal leave and short-term disability will be paid by the agency. Some of this pay may be contributed to the 457 Deferred Compensation Plan or 403(b) account. Long-term disability payments are made from the Disability Trust Fund, not by the agency. Therefore, long-term disability payments may not be deferred into the Deferred Compensation Plan or 403(b) plan. Both short-term and long-term work-related disability benefit payments may not be deferred because the payments are not taxable. Wages earned during long-term disability- working may be contributed to the Deferred Compensation Plan or to a 403(b) account.

G. Short-term disability payments are made by the agency and employees on long-term disability-working receive salary payments from their agency for hours worked. Therefore, health care premiums may be paid under premium conversion during short-term disability and long-term disability-working. Payments for long-term disability are not made by the agency, but by the Disability Trust Fund; therefore, premium conversion for health insurance does not extend to these payments. Work-related short-term and long-term disability benefit payments are not taxable; therefore, health care premiums may not be paid under premium conversion. Wages earned during long-term disability-working are taxable.

Act

The Virginia Workers' Compensation Act.

Activities of Daily Living (ADLs)

Six activities that are necessary for individuals to function on a day-to-day basis without assistance. They are:

- Bathing
- Dressing
- Eating
- Controlling the bladder or bowel
- Toileting (ability to get on and off the toilet and a reasonable level of personal hygiene)
- Transferring (getting in or out of bed or chairs)

Authority and Interpretation

The VRS Board of Trustees, by law, has the authority to develop, implement and administer VSDP. The Department of Human Resource Management is responsible for developing and interpreting leave and related personnel policies and procedures associated with VSDP.

Average Final Compensation

The average of a member's 36 consecutive months of highest creditable compensation in a VRS-covered position, wherever it occurs in the members career.

Board

The Board of Trustees of the Virginia Retirement System.

Catastrophic Condition

A condition that is so severe or debilitating that you are unable to independently perform at least two of the six activities of daily living and/or one that requires substantial supervision as a result of severe cognitive impairment.

Creditable Compensation

The full compensation payable annually to an eligible employee working in a VRS-covered position. Creditable compensation is the amount reported to VRS monthly.

Creditable Service for Retirement Purposes

Service used in the calculation of a retirement benefit. Service credit accrues during periods of short-term and long-term disability.

Date of Disability

The first day that you become unable to work. The date of disability may be the last day worked if you reported to work but was unable to perform designated duties of the job or complete scheduled work hours because of an illness or injury.

Disability

An illness, injury or other medical condition, including pregnancy, that prevents you from performing the duties of the job. A disability can be total or partial.

Disability Benefit

Income replacement payments payable to you under the short-term or long-term disability benefit program. Disability benefits do not include benefits payable under the Workers' Compensation Act.

Disability Credits

Sick leave converted to disability credits at the time of enrollment in VSDP by employees who elected participation during the 1999 and 2002 open enrollments. During periods of 80 percent and 60 percent, disability credits may be used to increase income replacement up to 100 percent during periods of short-term and long-term disability. Disability credits are used in eight-hour increments. Eight disability credits equal one day of 100 percent income replacement. Any remaining balance of disability credits is paid at the time of

termination of employment or service retirement or may be converted to VRS service credit.

Disability Credit Conversion

Unused disability credits that are converted to service credit at the time of termination from state employment or upon immediate retirement. Disability credit conversion is at the rate of one month of service for each 173 disability credits, rounded to the next highest month.

Eligible Employee

Eligible employees include the following:

- Salaried full-time or part-time state employees who are active members of the Virginia Retirement System (VRS).
- Active members of the State Police Officers' Retirement System (SPORS).
- Active members of Virginia Law Officers' Retirement System (VaLORS).
- Full-time teaching, research or administrative faculty of a Virginia public institution of higher education who participate in VRS.
- Part-time faculty members covered under VRS.

Income

Income refers to the amount of creditable compensation reported by an agency to VRS for retirement purposes. Income also is referred to as pre-disability income.

Independent Medical Examiner (IME)

A third-party licensed treating professional who is of the same or similar profession as your licensed treating professional. An IME may be used during the claims and/or appeals review and decision-making process.

Leave Without Pay

An employment status in which you are on approved leave and not receiving compensation.

Licensed Treating Professional

A doctor of medicine or osteopathy who is licensed to practice medicine or surgery by the state in which he or she practices. Also included are podiatrists, optometrists, chiropractors, clinical psychologists and clinical social workers who are licensed to practice in the state and who are performing within the scope of their practice as defined under state law. Licensed treating professionals also include Christian Science practitioners listed with the first Church of Christ, Scientist in Boston, MA. If the licensed treating professional is not a doctor of medicine or osteopathy, the employee may be required to seek appropriate medical treatment after a reasonable period of time.

Major Chronic Health Condition

A life-threatening health condition, that exists over a prolonged period of time and is not expected to be resolved in the foreseeable future. You must meet the following criteria:

- Determined to be disabled by a licensed treating professional.
- Experienced a period of disability for the same condition within the last six months.
- Be under the ongoing care of a licensed treating professional.

The determination of a life-threatening health condition is made by UnumProvident in accordance with, but not limited to, the above criteria. All cases are reviewed and updated with additional medical documentation on a case-by-case basis.

Partial Disability

Partial disability exists during the first 24 months following the occurrence or commencement of a disability when you are earning less than 80 percent of your pre-disability income. As a result of the disability, you are able to perform some, but not all, of the full duties of your pre-disability position in an active employment status, or are able to perform the full duties of your pre-disability position on a part-time basis only.

Program

The Virginia Sickness and Disability Program (VSDP), which provides sick leave, family and personal leave, and short-term and long-term disability benefits for participating employees, including supplemental benefits for work-related illnesses and injuries.

Retirement System

The Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS) and the Virginia Law Officers' Retirement System (VaLORS).

Return-to-Work Program

Assignment of an employee to an alternative position for a specified period of time to assist him or her in returning to gainful employment.

State Police Officer

A member of the State Police Officers' Retirement System (SPORS).

Third-Party Administrator

The VRS Board has delegated Unum Life Insurance Company of America (UnumProvident) the broadest discretion permissible under the laws to determine eligibility for short-term and long-term disability benefits under the VSDP. As the program's third-party administrator, this includes construing, interpreting and enforcing the terms of the VSDP as they relate to claims for short-term and long-term disability benefits.

Total Disability

Total disability exists during the first 24 months following the occurrence or commencement of a disability if you are unable to perform all of the duties of your pre-disability position on a full-time basis, without restrictions. After 24 months of disability, the disability is considered to be total if you are unable to perform any job for which you are reasonably qualified based on training or experience and is earning less than 80 percent of pre-disability income.

Vested

Eligible for a VRS monthly retirement benefit upon reaching eligible retirement age with at least five years of creditable service.

Virginia Law Officer

A member of the Virginia Law Officers' Retirement System (VaLORS).

VRS

The Virginia Retirement System is the state agency responsible for administering the VSDP.

Waiting Period

Seven calendar days of medical absence from work before short-term disability benefits can begin. The waiting period commences the first day of a disability. If you return to work for 20 hours or less during the seven-calendar-day waiting period, you will be considered to have satisfied the waiting period. If the absence is due to a major chronic condition or a catastrophic illness diagnosed at the onset of the disability, no waiting period is required.

Work-Related Disability

A disability which occurs on the job for which benefits are payable under the Virginia Workers' Compensation Act. The Commonwealth is the employer for purposes of the Virginia Workers' Compensation Act.



Return to Work:
Report of the
Governor's Operational
Review Team

FINAL
July 18, 2007

Preface

In January 2007, Governor Timothy M. Kaine, in consultation with members of the General Assembly, established operational review teams to identify practices that could improve performance and transparency of the State enterprise. The teams assessed state performance in 11 areas of operations that have significant impact on the cost of government. The review teams were composed of experts from the Legislature, Commonwealth of Virginia staff, and private sector participants. Review topics were selected because they cut across state agencies and provided opportunities to identify gaps in meeting performance and service goals. This report provides the assessment of the performance of return to work policies and procedures.

Executive Order 94 (EO94), Workplace Safety and Employee Health, addresses the need for every state agency to keep government workers “safe, whole, healthy and, whenever possible, employed.” Executive Order 94 also provided the basis for the review by the Return to Work Operational Review Team.

This report addresses the status of the Return to Work initiatives resulting from the implementation of Executive Order 94 and two ongoing pilot programs.

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Executive Summary

The overarching goal of the Return to Work Operational Review Team (Team) was to recommend best practices to reduce the impact of lost time resulting from absence due to work-related and non-work related extended illness or injury. The Team examined disability management practices across the Commonwealth as well as some private sector companies. Additionally, the Team researched and analyzed best practice literature and benchmarking.

After researching and analyzing these factors, the Team proposes the following goals and recommendations for strengthening the return to work programs for state employees:

- Goal 1
 - To Increase Agency Awareness and Accountability to support Return to Work Initiatives.
 - Develop a performance metric for the agency head Scorecard requiring that at least every three years 90% of supervisors and human resource staff successfully complete disability and return to work training.
 - Develop a performance metric for the agency head Scorecard that measures improvement in lost time productivity that results from a reduction in disability claims incidence and the duration of disability claims.
 - Require regular review of all policies associated with Executive Order 94 and the development of guidelines for transitional work opportunities.
 - Provide for executive management accountability in support of Executive Order 94 for all agencies by requiring that they include goals and objectives for managing lost time in the agency's strategic plan.

- Goal 2
 - To Create a Return to Work Culture Through Consistent Training and Education for All Levels of State Agency Management and Employees.
 - Develop a comprehensive training curriculum on disability and related benefits through the Commonwealth's Learning Management System. Such training courses should include the rules and regulations that govern accommodation.
 - Develop consistent policies and procedures to assist agency human resource staff in the administration of both the traditional and the Virginia Sickness and Disability programs.
 - Ensure that the contract for the Commonwealth's employee health insurance program contains performance guarantees that require timely and quality responses for medical information to be provided to partner vendors on disability cases.
 - Develop further applications for telework initiatives.

Introduction

The Return to Work Operational Review Team examined disability management practices across the Commonwealth, the impact of lost time on agencies and the delivery of services to the citizenry of the Commonwealth, and recommended best practice strategies to safely return to work employees who incur work-related or non work-related extended injury or illness. This report provides recommendations that are designed to improve performance of the return to work program.

Return to Work Team Composition

The Return to Work Operational Review Team was composed of 18 members and included two members of the General Assembly, one private sector representative, and 15 representatives from Executive Branch, Legislative Branch, and Independent state agencies.

Legislative Co-Chairs

The Honorable Jay O'Brien, Member, Senate of Virginia
The Honorable Rosalyn Dance, Member, House of Delegates

Team Coordinator

Donna Blatecky, Deputy Director, Virginia Retirement System

Private Sector Member

Michelle Jackson, National Account Representative, Unum

Executive Agencies, Independent Agencies and Legislative Branch Team Members

Patty Atkins-Smith, Virginia Retirement System

Joice Conyers, Ph.D., State Council of Higher Education for Virginia

Paula Dehetre, Governor's Office for Workforce Development

Sue Keener, Department of Human Resource Management

Cindy Kessler, Virginia Retirement System

Tara Perkinson, Senate of Virginia

Karen Jackson, Office of Telework Promotion and Broadband Assistance

Douglas D. Martin, Ed.D., Virginia Tech

Bonnie Shoaf Minson, Department of Social Services

Sandra Norman, Council on Human Rights

Myra G. Owens, Ph.D., Department of Rehabilitative Services

William P. Rogers, Department of Corrections

Gretchen M. White, Department of Employment Dispute Resolution

Purpose and Objectives

The Return to Work Operational Review was a three-month long project designed to:

- Examine disability practices across the Commonwealth;
- Understand the impact of lost time due to short-term and long-term disabilities;
- Recommend best practice strategies to safely retain employees on the job and return employees from disability absence when medically able; and
- Recommend metrics to measure performance improvements.

Activities and Methods

Research activities undertaken as part of the Return to Work review included the following:

- Collection and analysis of Executive Order 94 agency program compliance information;
- Review of Virginia Sickness and Disability Program study;
- Review of Virginia Sickness and Disability Program (VSDP) usage and costs;
- Review of Unum data;
- Guest Speakers;
- Review of past studies (Workforce Commission Study, 2004 Commonwealth Lost Time Study);
- Best practice interviews; and
- Overview of two state agencies' redesigned return to work programs.

The team was divided into three work groups (see Appendix 2). Each work group researched one of the three following return to work topics: program data, Executive Order 94, and best practices.

Work Group Reviews

Work Group One: Review of VSDP Program Data

The first work group examined current program data to determine the status of the return to work program for lost time due to work-related or non-work related extended illness or injury. The team identified current state agency best practices and costs related to the return to work programs, claim incidence and duration. The Departments of Transportation and Corrections have successfully implemented transitional return to work programs, that have resulted in a positive reduction in claim incidence year after year. This has resulted in a cost savings to the Commonwealth. In late 2003, at the onset of the Unum contract, it was conservatively estimated

that the Commonwealth incurred on an annual basis about \$34 million in indirect costs (productivity impact) for lost time as reported by VSDP data obtained from the prior vendor.

The Private Sector team member was a representative from Unum, the Commonwealth's third party administrator for the VSDP. She provided overall statistical information for the VSDP program across all state agencies and background information regarding the two pilot programs that are in place at Department of Corrections and Department of Transportation.

Work Group Two: Collection and Analysis of First Year Results for Executive Order 94 Agency Program Compliance

The second work group reviewed and analyzed Executive Order 94 and reviewed agency reports to determine ways in which agencies are responding to this directive. The work group also looked at current policies and practices from selected state agencies.

Work Group Three: Best Practice Reviews

The third work group identified best practices. This work group spoke with representatives from both public and private entities regarding their return to work practices. In addition, this work group conducted a review of the literature regarding best practices (see Appendix 7).

Overview of Statewide Employee Disability Benefit Programs

The Virginia Sickness and Disability Program (VSDP)

Background

The Virginia General Assembly established the Virginia Sickness and Disability Program (VSDP) in 1998. Employees hired on or after January 1, 1999 were automatically enrolled in the VSDP. Employees hired prior to 1999 were given the option either to enroll in VSDP or remain enrolled in the traditional sick leave and disability retirement program. The intent of VSDP is to replace the traditional disability retirement program. In addition to providing income protection during times of extended illness and injury, there is an added focus on returning employees to work when medically appropriate.

Benefits Overview

The VSDP provides short-term and long-term disability coverage for work-related and non-work related disabilities. The income replacement benefit amount is based on the employee's career service with the state and does not reduce to less than 60% of the employee's pre-disability salary, and is offset by certain other income sources. In addition, an employee's position is protected during the six months of short-term disability. Under the VSDP, work-related benefits are coordinated with the Commonwealth's Workers' Compensation Program. The VSDP provides Social Security advocacy and professional case management. The VSDP also provides employer paid long-term care insurance.

Funding

The VSDP is a self-funded, employer paid benefit for most state employees. Short-term disability costs are funded by each agency with appropriated funds and these benefits are paid directly through the agency payroll function. Costs for long-term disability benefits and the administration of the program are funded through an actuarially determined employer contribution rate that is a percentage applied against an employer's total payroll reported to VRS. Contributions paid by each employer agency go into the Virginia Retirement System Disability Trust Fund. Long-term disability benefits and the third party administrative costs for case management are paid from this Trust Fund.

Participation and Utilization for 2006

Current participation in the VSDP is about 80% of the eligible state workforce (approximately 72,000 participating employees).

For FY 2006 there were 721 work-related short-term disability claims and 118 work-related long-term disability claims. For non-work related short-term disability, there were 8,202 claims (8% of the current enrolled population) and 552 claims for non-work related long-term disability.

State Employees' Workers' Compensation Program

The Department of Human Resource Management's Office of Workers' Compensation is primarily responsible for protecting agencies, officials, and employees of the Commonwealth from workplace injuries, paying benefits when injuries by accident or occupational diseases occur, and working closely with the agencies, medical community, and injured workers to return them to work as quickly as possible after an injury has occurred. The program utilizes both medical nurses and vocational placement specialist field case managers to work one on one with the injured workers to obtain releases to work and provide assistance with job placement. A nurse field case manager is assigned to every case where the employee's disability has exceeded the Medical Disability Advisor's recommended recovery timeframe.

The program has a full time return to work unit that reviews each agency's annual Executive Order 94(05) *Workplace Safety and Employee Health Return to Work Reports* and provides training and assistance with analysis and preparation of the agency reports. The team reviews each report and compares it to the prior year's report to make sure that goals have been implemented as stated in the prior report. When questions arise involving the agency analysis or future goals based upon analysis, the team meets with agency employees responsible for the report to reach agreement. They also provide training to agencies and review all lost time cases as they progress. They also review each agency's return to work policy to affirm that it meets all the requirements of the Executive Order and follows appropriate personnel policies and guidelines.

The Workers' Compensation Program began its return to work initiatives in 1998 working with the Department of Corrections as a pilot program. Since that time the program has worked with all state agencies and has reduced workers' compensation lost time claims (disability greater than 7 days) from 1,598 in Fiscal Year 1998 to 1,198 in Fiscal Year 2006. In addition, the return to

work unit increased the percentage of employees that return to work from 84 percent in FY05 to 89 percent in FY06.

The State Employee’s Workers’ Compensation Program is funded by experience-based premiums that are charged to all agencies. Premiums are developed by the program’s actuary and presented to the Governor, the Senate Finance Committee, the House Appropriations Committee, and the Department of Planning and Budget for approval. The program has historically been funded on a cash flow basis.

Virginia Sickness and Disability Pilot Programs

Unum, the Virginia Sickness and Disability Program (VSDP) third party administrator for the Commonwealth’s disability program, conducted a comprehensive Lost Time Impact Study in late 2003. The purpose of the study was to evaluate program utilization, drivers of lost time due to extended illness and injury across state agencies and opportunities to improve these outcomes. Based on analysis of the data, pilot programs were conducted at the Virginia Department of Corrections (VDOC) in 2005 and the Virginia Department of Transportation (VDOT) in 2006. The following is a discussion of the lost time impact prior to the pilot programs, the steps taken by the respective agencies to improve outcomes, statistics as to the success of the program and lessons learned.

Virginia Department of Corrections

The total number of lost workdays, as reported by the Virginia Department of Corrections for claims incurred for 2002 and 2003 for short term disability, revealed an average of over 6,000 lost work days per 1,000 employees per year due to extended illness or injury. The following table illustrates the impact of lost time and associated lost time productivity cost to the Virginia Department of Corrections as reported for the VSDP plan:

Table 1 Productivity Impact VDOC

Calendar Year	Lost Work Days ¹	Lost Full Time Equivalents ²	Average Salary	Productivity Impact ³
2002	4,941	190	\$30,749	\$5,842,310
2003 ⁴	7,151	275	\$30,628	\$8,422,700
Total	12,092	465	\$30,677	\$14,265,010

- 1 Lost workdays as reported in short-term disability claim data per 1,000 employees.
- 2 Full Time Equivalents (FTEs) determined by dividing lost work days by 26
- 3 Productivity Impact reflects indirect costs. Calculated by multiplying lost FTEs by average salary
- 4 Claim data for 2003 is immature---not all claims actually reported for 2003 were in available data due to transfer of data to Unum in December 2003 and lost days reported in the available data was also incomplete
- 5 Average salary is based on payroll information as reported to the VRS

The productivity impact does not include direct costs; that is, the cost of disability benefits provided to an employee under the VSDP plan, which is paid from agency payroll. Data analysis showed that Corrections Officers were responsible for over 60% of all short-term disability claims with musculoskeletal claims comprising approximately 19% of all short-term disability claims and 24% of all lost time. Back injuries were responsible for 12% of all short-term

disability claims and sprains and strains, not related to the back, were responsible for 31% of all injury claims. This information provided significant motivation for the Department of Corrections to address the issue and develop a solution.

Department of Corrections Strategies to Improve Outcomes

Information provided in the VSDP Study was reviewed and analyzed with Senior Level Management at the Virginia Department of Corrections (VDOC). This information demonstrated the financial and productivity cost associated with unmanaged lost time as well as identification of trends and problem areas. The drivers of lost time for VDOC were clearly identified, as were challenges and barriers. A philosophy of “100% Return to Work Ready” was one of the key challenges in return to work efforts at Corrections. Many VDOC Supervisors and Human Resource Professionals were unfamiliar with alternative approaches for transitioning employees back to work while providing work hardening opportunities.

From the discussions with and feedback from specific VDOC agency representatives, it appeared that historical return to work initiatives had not been as successful for non-work related lost time as desired. Several specific issues were identified as areas that were potential impediments to a successful return to work program. These issues included the following:

- A need for improved vendor communications regarding an employee’s return to work restriction and limitations;
- A culture of “100% work ready” as the standard for returning employees back to work implied little or no accommodation for employees who were not 100% fit for duty;
- The agency’s difficulty in implementing return to work programs for non-work related disabilities specifically when initial medical limitations were recommended such as “no inmate contact”;
- Variations across facilities in philosophy and support for return to work efforts; and
- Absence of program accountability and tracking.

Program Overview

Based on the data, initial meetings and assessment of challenges, the Unum Return to Work Development Team (RTWDT) assisted in the development of a comprehensive Return to Work plan for Corrections. A review of the current Return to Work policies and practices was undertaken and VDOC management staff provided clear and consistent direction to all facilities regarding these return to work policies and the application of those policies. A Return to Work Task Force was developed which was made up of 15 representatives from the Department of Corrections representing Administration, Human Resources and front line Supervisors from various regions. This taskforce developed return to work practices and transitional work options with a focus on proactive return to work planning and overall lost time management. In addition, significant effort focused on the development of simple, concise, and clear Transitional Work Program Guidelines that could be implemented across all sites.

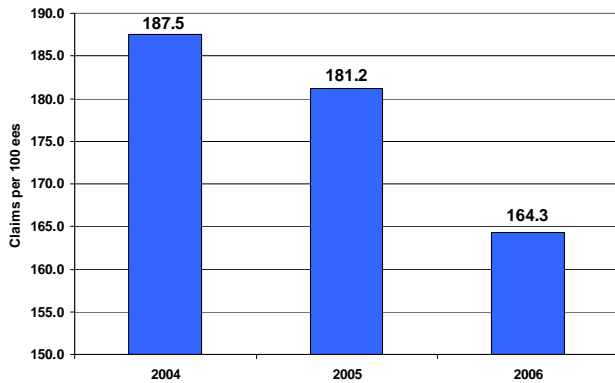
The Guidelines supported clear managed time lines for transitional duty assignments and the appropriate incremental increase of work activities during the transitional duty assignments. In addition, they supported clear entry and exit criteria for participation in a transitional work

program and delineated the differences between transitional accommodations for temporary restrictions and reasonable accommodations for permanent restrictions and limitations.

These Guidelines also supported accountability for managers and supervisors who implemented the pilot program and monitored the outcomes and successes of the program. Information was tracked quarterly and reviewed by VDOC Central Office. Facilities that were experiencing difficulties or challenges were given increased support and guidance.

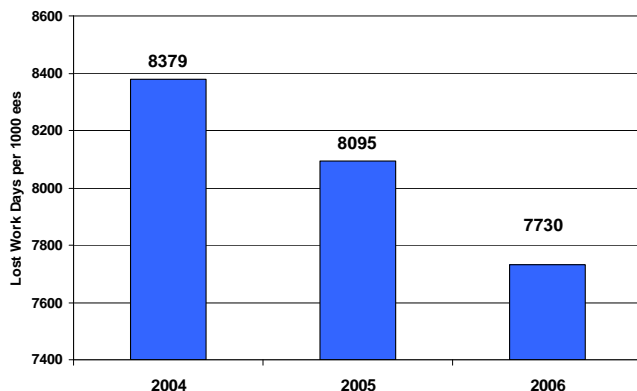
Based on these sessions, Unum secured a firm commitment from the VDOC Executive Team for managing lost time and supporting return to work initiatives. Gene Johnson, VDOC Director, sent a letter to all employees regarding the return to work program and its value. This letter specifically highlighted expectations and responsibilities for all employees and set the stage for implementing the return to work program. Information sessions were held with Human Resources personnel and Senior Management at all facilities. A Train the Trainer program was implemented that involved training four (4) HR Officers who were then tasked with training front line supervisors as part of their training program at the academy. Written materials including supervisor information notice, PowerPoint presentations and a Return to Work Resource Manual were developed and distributed.

Chart 1: STD Claims per 1,000 Employees – All Divisions VDOC and Virginia Law Officers’ Retirement System (VaLORS)



Department of Corrections (including VALORS claims) saw a 3% decrease in short-term disability claim incidence (claims per 1000 employees) in 2005 as compared to 2004 and a 9% decrease in 2006 compared with 2005

Chart 2: Lost Work Days per 1000 Employees – All Divisions VDOC and Virginia Law Officers’ Retirement System (VaLORS)



There was a 3% reduction in lost workdays per 1000 employee as reported by VSDP claims in 2005 as compared to 2004. In 2006, there was a 5% reduction in lost workdays per 1000 employees as compared to 2005.

Lessons Learned

Of greatest significance to the Virginia Department of Corrections success was the support and endorsement of the Transitional Return to Work Program by the Commissioner and Wardens at each site. This “top down” support was pivotal to the success of the program and clearly emphasized the importance of the program. Secondly, the ripple effect upon implementation and the concurrent peer influence was significant in building momentum. Once a Warden, manager, or employee experienced a successful “early” transition to work, the word spread throughout the facility and this positive reinforcement demonstrated that the program was working as intended. As Supervisors realized the gained productivity and improved morale of all employees, they were more willing to accept future accommodations and to support early transition to work.

The Virginia Department of Transportation

At the Virginia Department of Transportation the estimate of productivity impact of lost time as reported by VSDP short-term disability claims from 2002 and 2003 was 140 lost full time equivalents per year or 140 employees missing from work for the year. This is equivalent to 14 ten-person road crews not available for the year to maintain Virginia’s highway system.

Transportation Operations (operators and managers) represented 37% of the employee population and 47% of claims. Musculoskeletal claims comprised approximately 34% of all short-term disability claims and 24% of all lost time. Back injuries were responsible for 12% of all short-term disability claims. Sprains and strains, not related to the back, were responsible for 31% of all injury claims.

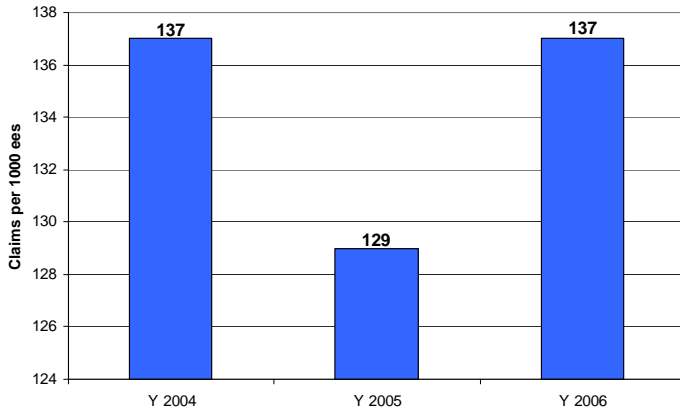
Table 2 Productivity Impact VDOT

Calendar Year	Lost Work Days ¹	Lost Full Time Equivalents ²	Average Salary	Productivity Impact ³
2002	3,687	142	\$35,263	\$5,007,346
2003 ⁴	3,728	143	\$35,833	\$5,124,119
Total	7,415	285	\$35,549	\$10,131,465

- 1 Lost work days as reported in CORE short-term disability claim data
- 2 Full Time Equivalents (FTEs) determined by dividing lost work days by 26
- 3 Productivity Impact reflects indirect costs. Calculated by multiplying lost FTEs by average salary

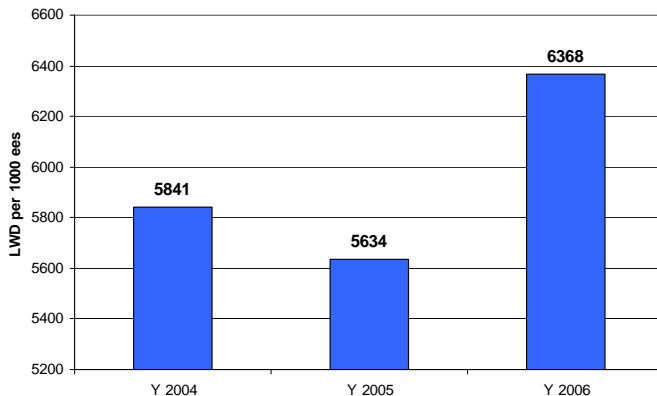
- 4 Claim data for 2003 is immature---not all claims actually reported for 2003 were in available data due to transfer of data to Unum in December 2003 and lost days reported in the available data was also incomplete
- 5 Average salary is based on payroll information as reported to the VRS.

Chart 1: Short-Term Disability Claims per 1,000 Employees – All Divisions VDOT



Department of Transportation saw a 5% decrease in short-term disability claim incidence (claims per 1000 employees) in 2005 as compared to 2004 and a 7% increase in 2006 compared with 2005.

Chart 2: Lost Work Days per 1000 Employees – VDOT



There was a 2% reduction in lost workdays per 1000 employee as reported by VSDP claims in 2005 as compared to 2004. In 2006, there was a 13% increase in lost workdays per 1000 employees as compared to 2005.

Virginia Department of Transportation Strategies to Improve Outcomes

Information provided in the VSDP Impact Study was reviewed and analyzed with Senior Level Management at Department of Transportation (VDOT) in early 2004. This information demonstrated the financial and productivity cost associated with unmanaged lost time processes. The drivers of lost time for VDOT were clearly identified, as were challenges and barriers. These centered on the Heavy Work Capacity of the majority of the VDOT employees as well as challenges with small work crews and limitations with accommodations.

Starting in the fall of 2004 through the end of 2005, extensive work sessions were conducted with a team of representatives from Human Resources, Health, Safety, and Benefits consultants. A review of the current policies and practices was undertaken to determine what was working and what needed changing to improve the process. Of greatest significance, was a belief that bringing employees back to work at less than 100% capacity was not possible within the

operations areas. Concern was expressed about the abuse of the VSDP benefit and about repeat claims. Significant variations in return to work practices across residencies, managers and supervisors was noted with some being well skilled in transitional work and others being very resistant to the efforts due to work crew challenges.

Program Overview

Based on the data, initial meetings and assessment of challenges, the Unum Return to Work Development Team assisted in the development of a comprehensive Return to Work plan for VDOT. Revisions were made to the Return to Work policy and practices to incorporate transitional work guidelines developed by the team and to insure that long-term restrictions were managed through a reasonable accommodation process. Specific accountabilities were outlined for Managers, Human Resources, Supervisors and Health and Safety. A critical component for Transportation was ground level “buy-in” by Human Resources and Supervisors in the process due to the culture of the agency. This personal investment in the process was important to the application throughout each residency. Management level training and communication material were developed for utilization in all phases of the program. Significant effort was focused on developing Return to Work Templates or Pathways for key occupational groups and common restrictions. Pathways provided suggestions or work alternatives to be considered for transitional duties.

This work group then presented their recommendations and time line for rolling out the pilot program for managing lost time and supporting return to work initiatives to the VDOT Executive Team. Once executive support was secured, VDOT began management training throughout the districts. The pilot program was implemented in the fall of 2005 and has proceeded through 2006 with promising results. The Virginia Department of Transportation Central Office has also developed an access database to track the return to work opportunities presented for review and the outcomes. The database is available to all district Human Resource teams and serves as a resource library to be shared among the districts highlighting what works as transitional work assignments. Although the 2006 results had increased from the prior year, VDOT now has the data-tracking infrastructure in place to take positive action to reverse negative trends.

Lessons Learned

Because of the culture at Virginia Department of Transportation, it was necessary for a business case to be built, which addressed both work-related and non-work related disabilities to gain executive support. The executive level support was critical to the ongoing vitality of the initiative with line management. Through its review process and return to work strategy development, VDOT decided to see what was possible with return to work rather than focusing on barriers and what was not possible. Also, identifying and addressing commonly held myths and misperceptions about return to work capacity was paramount in gaining support from front line supervisors. The VDOT culture was that everyone must be at 100% capacity to return to work. Once VDOT was able to let go of this expectation, they were able to make progress toward working within the transitional return to work model.

Best Practice Research Findings

Best Practice Literature Review

In reviewing literature and current industry practices, it is evident that a commitment by management to returning employees to work is one of the most important factors in having a successful return to work program. The pilot programs discussed above had strong support from the agency head and upper level management. This support helped to develop a return to work culture that fostered a work environment whereby the employee felt valued and therefore was more committed to working with the employer and the program to transition back to work earlier.

Another best practice noted throughout the literature includes establishing and communicating to management and employees a formal return to work program and policy with clearly delineated roles and duties, mandatory participation and consistent application of these policies was also critical to the success of the return to work program.

The key factor for success in a return to work program is the importance of educating and obtaining buy in from all levels of management about the value (in particular, the economic benefit) of returning employees to work, and providing an incentive to managers for returning employees to work (for example, through budget accountability or performance measurement).

Effective communication was noted as critical to program success. The literature emphasized communication in three specific areas:

- With employees - to let them know of their worth to the agency and the agency's desire to have them return, as well as to inform them of the agency's expectations for their return to work;
- With treating health care providers - to ensure they understand the agency's commitment to returning employees to work and understanding the nature of the employee's work (as well as the nature of work that could be performed by the employee in a modified or reassigned position); and
- Among upper and lower levels management - to ensure that first line supervisors understand and embrace the agency's commitment to its return to work program.

Returning an employee to his or her own job, or as close to that job as possible provides a higher level of success. Different levels of returning to work could include part-time modified duties, reassignment, flexible schedule and the pace of returning to work. Telework is another tool that is being used by some companies to accommodate employees transitioning from disability.

Research also indicated that support and respect for the employee, both before and after return to work, were critical factors in having a successful return to work program.

Aggressive and coordinated case management, achieved through cooperation between the third party administrator, the employee's medical professional and the employer, can alleviate many

issues in a return to work program. It is also helpful to have a return to work coordinator within the agency itself who can work with the employee's manager to provide support and assistance with the employee's return to work program.

Best Practice Private Sector Benchmarking

Three large corporations were contacted to solicit their Return to Work business practices. The firms included Wellpoint Anthem Blue Cross Blue Shield, Wachovia, and Capital One. In addition, information on the Virginia Tech approach to return to work was also reviewed.

WellPoint/Anthem Blue Cross Blue Shield

The work group contacted the WellPoint HRSolutions Center and spoke with a member of the Leave of Absence Team. All WellPoint leaves of absence are managed by the Leave of Absence team, including short-term disability, leave taken under the Family and Medical Leave Act, military leave, personal leave, and workers' compensation leave. Managers receive email notification of the employees leave and the employee receives a letter or email.

Short-term disability benefits are paid out of the WellPoint Short-Term Disability Plan Trust Fund. Employees receive short-term disability benefit payments bi-weekly through the company payroll process according to the normal payroll calendar. The Leave of Absence Team is responsible for processing short-term disability benefit payments. The employee's active benefits continue for the duration of the short-term disability absence up to a maximum of 180 days, even if the associate exhausts FMLA protection during the short-term disability absence. Partial days of disability are counted as full days toward the 180-day maximum benefit period for short-term benefits. Partial days of disability do not count as being returned to work for short-term disability benefit purposes, including recurrent disabilities. Short-term disability supplement hours can only be used to supplement an approved short-term disability absence, including the seven calendar day waiting period (unless governed differently under a union contract).

Short-term disability benefits will not be paid while a workers compensation claim is pending, unless a specific state requires it. If a workers' compensation claim is denied, the Leave of Absence Team will then review the short-term disability claim, and if it is approved, pay short-term disability benefits based on the date of disability as outlined in the Short-Term Disability Plan. In states that have a state disability insurance plan, associates can apply for state disability insurance benefits after the date of the disability even if the workers' compensation claim is pending. Associates may elect to use available Paid Time Off leave (PTO) while they await the decision of a pending workers' compensation claim.

Wachovia Securities

Wachovia is committed to returning employees to work. The disability case managers and workers' compensation adjusters work closely with employees and managers to coordinate efforts to allow employees to return to work on a partial or full basis. They help the employee and manager understand the benefit of returning to work and attempt to work through any resistance by either party. Both provide vocational rehabilitation services, if appropriate, to help

employees build skills needed to return to the competitive workforce within Wachovia or another company.

Wachovia's Employee Relations division also works with managers to determine accommodations that facilitate a return to work. They have a Safety Intake line that is supported by their external Risk Management Consulting partner who provides workplace accommodation recommendations, ergonomic evaluations and research on specialized requests that often lead to creative recommendations to assist employees in returning to work.

Wachovia offers alternatives for scheduling when, where and how work gets done to help employees manage and balance the demands of work and life. The key determining factor is the ability to consistently meet the changing needs of Wachovia's customers. With the company's Flexible Work Options, if employees are eligible and have their manager's approval, they can:

- Schedule flexible starting and ending times;
- Compress their schedule into a less than normal work week (such as four 10-hour days);
- Reduce their work schedule either temporarily or permanently;
- Work on a reduced schedule basis after returning from a leave of absence;
- Work remotely (away from the office); and/or
- Share a job (two employees work part-time in the same job).

Capital One

Flexible Return to Work Program for Parents

To help ease the transition from leave to work, new parents (who are full-time associates), may utilize Capital One's Flexible Work Arrangements program and work 50% of their normal work schedule for the first 30 days after returning from leave. Pay is prorated for the partial work period. This is a policy available to all full-time associates.

Return to Work from Extended Illness and Injury

Return to work situations are handled on a case-by-case basis because each job role and work environment has different requirements and physical demands. There is not a formal policy for return to work from extended illness or injury, however Capitol One makes every effort to accommodate when it suits the needs of the business and the associate.

Capital One uses a third party administrator for their disability program. The third party administrator assists with return to work accommodations for associates who are returning after an illness. Aetna's Rehabilitation Consultants review disability claims to assess whether rehabilitation case management and other services would accelerate return-to-work. The Rehabilitation Consultants partner with managers, the associate, and other resources as appropriate to assess both the associate and company capabilities in return to work

accommodations. A variety of job accommodation and job placement options are considered in attempting to return an employee to work. Early intervention and the business willingness to job accommodate or provide alternative jobs are critical to early return to work and are factors in the final accommodation. Rehabilitation consultants determine the most cost-effective return-to-work plan and may use a variety of tools to evaluate the associate's readiness and direction for a rehabilitation program. The third party administrator's internal Rehabilitation consultants oversee any external services being provided to monitor the progress being made and to assure the cost-effectiveness of the rehabilitation program. Services may include, but are not limited to:

- Counseling/guidance
- On-the-job training
- Job/life accommodation (i.e. bringing the demands of the job within the physical ability of the disabled employee)
- Workplace modification to the extent not otherwise provided
- Job placement
- Vocational Assessment

Virginia Tech Case Management

Virginia Tech utilizes a Case Management Team approach to address, discuss and review issues and concerns relating to specific human resources issues and/or specific employee/employer concerns. These regular meetings provide for opportunities to share differing perspective and insights and also help prevent internal units from working at cross-purposes. The team includes the following:

- Director, University Benefits
- Employee Relations Counselor
- Employee Relations Specialist
- Licensed Clinical Psychologist (assigned part time to help with ADA issues)
- Director, University ADA Services
- Human Resources Specialist – Workers' Compensation
- Return to Work Coordinator
- Leave Programs Supervisor – includes FMLA issues
- At times, a Manager/Supervisor/Administrator involved in a special case

A typical case addressed by this Team may be one where there is a question relating to a claim being job related, the role of the Virginia Sickness and Disability Program, the Americans with Disability Act accommodations, return to work possibilities, and utilization of leave. The Team includes faculty issues in their discussions and there may be questions relating to the interface of sick leave, long-term disability and disability retirement.

Goals and Recommendations

Based on the research, analysis, and review of both the state enterprise management of lost time and the best practice literature and benchmarking findings, the following recommendations are presented for consideration as strategies for improved disability outcomes. These recommendations are intended to bring about a positive return to work culture across all agencies of the Commonwealth.

Goal: To Increase Agency Awareness and Accountability to Support Return to Work Initiatives:

Recommendations to achieve this goal are:

- Develop a performance metric for agency head Scorecard which would require that at least every three years, 90% of supervisors and Human Resource staff successfully complete disability and return to work training, including, but not limited to, the Workers' Compensation Program, Virginia Sickness and Disability Program, and accommodating disabled employees.
- Develop a performance metric for the agency head Scorecard that measures improvement in lost time productivity resulting from a reduction in disability claims and the duration of disability days through the development and use of effective transitional return to work programs.
- Study the applicability of experience based long-term disability contribution rates for agencies.
- Policies developed as a result of Executive Order 94 should be reviewed regularly to ensure compliance. Additionally, guidelines should include a review of transitional positions at 7, 14, and on-going 30-day intervals. The reviews should show progress by the employee toward assimilating back into performing full job duties performed prior to the extended illness or injury. Where progress is delayed, assessments as to continuation of reasonable accommodation are to be made.
- Provide for agency executive accountability in meeting performance management standards by the timely submission of the Executive Order 94 Annual Compliance Report by agency heads. Additionally, require each agency to include in their agency strategic plan, goals and objectives for managing lost time due to disability for both work-related and non work-related disabilities. These requirements will insure that each agency is aware of lost time and its cost to the agency.

Goal: Create a Return to Work Culture Through Consistent Training and Education for All Levels of State Agency Management and Employees:

Recommendations to achieve this goal are:

- Develop a comprehensive training curriculum on the Commonwealth’s disability and related benefits processes and procedures through the Department of Human Resource Management’s Learning Management System (LMS). Curriculums should be targeted to employees, but could also be used to supplement training for human resource staff, managers and supervisors.
- Develop consistent and comprehensive Human Resource and Payroll policies and procedures to assist agency human resource and payroll personnel to administer both the traditional and VSDP programs. The Department of Human Resource Management (to include the state Workers’ Compensation Program), the Department of Accounts, the Virginia Retirement System, and the third party administrator for the VSDP should collaborate in the development of these policies and procedures.
- Develop training to ensure that human resource professionals have the required expertise needed to effectively administer the rules and regulations governing reasonable accommodations. This training should include an overview of the rules and regulations pertaining to Americans with Disabilities Act (ADA), Family and Medical Leave Act (FMLA), and the coordination of these programs. Such training should identify resources available to the Human Resource professional to partner with in applying the rules and regulations appropriately.
- Ensure that the contract for the Commonwealth of Virginia’s employee health insurance program contains clear expectations and performance guarantees requiring timely and quality responses to requests for medical information necessary for efficient disability claims management and effective return to work accommodation.
- Develop further applications for telework, where appropriate, to support agency return to work strategies.
- Develop a Case Management Team approach within each agency or shared among smaller agencies using the program model used by Virginia Tech.

Conclusions

Several key factors are necessary to have a successful return to work program. The two pilot programs for the Virginia Department of Corrections and the Virginia Department of Transportation demonstrated that buy-in and support from top level management are the most important factors in not only the success of a program, but such support also provides an impetus for cultural change. Both of these state agencies went from a “100% fit for duty” to a return to work culture that included accommodating disabled employees.

Other factors that provide for a successful return to work team include consistent policies and procedures as well as regular training and education for human resource professionals, managers, and supervisors. Such training and education provide a basis for understanding of the benefits of returning a disabled employee to work, both for the agency and the employee.

Appendix One

COMMONWEALTH OF VIRGINIA



OFFICE OF THE GOVERNOR

Executive Order 94 (2005)

WORKPLACE SAFETY AND EMPLOYEE HEALTH

By virtue of the authority vested in me as Governor under Article V of the Constitution of Virginia and the laws of the Commonwealth, including but not limited to Title 2.2 of the *Code of Virginia*, and subject to my continuing and ultimate authority and responsibility to act in such matters, I hereby reestablish and revise the Workplace Safety and Employee Health Initiative established under Executive Order Number Fifty-two (1999). This initiative will ensure a safe and healthy workplace for state employees, reduce the incidence of work-related accidents and illnesses occurring in state agencies, and assist employees in returning to work from both work-related and non-work related illnesses and injuries.

Injuries and illnesses cause considerable pain and hardship for employees and their families and hinder the effective operation of state agencies. Human resource, risk management and safety professionals report that many of these injuries and illnesses can be reduced or prevented. In addition lost productivity for the employee and employer can be lessened by transitional employment and job modification.

Keeping our government workers safe, whole, healthy and, whenever possible, employed is the duty of every state agency. This can only be accomplished with the full commitment of agency management working in partnership with all employees. All state agencies have an important role to play not only in reducing work-related injuries but also in improving return-to-work

services for all injured or ill employees.

All executive branch departments, agencies, and institutions of higher education shall:

- Cooperate with the Department of Human Resource Management State Employee's Workers' Compensation Program (DHRM) by implementing initiatives to reduce work-related injuries and improve services to injured employees;
- Ensure that job expectations are clearly defined in the employee work profile to include physical requirements;
- Submit the First Report of Accident to the State Employee Workers' Compensation Program within 10 days of the injury;
- Identify trends and the impact on the agency;
- Evaluate the work-related injuries and illnesses that occurred in FY 2005 and each subsequent fiscal year in order to establish goals and strategies to reduce them and to enhance workplace safety;
- Include in managers' performance expectations, when appropriate, goals to encourage a safer work environment and reduction in work-related employee time lost; and
- Report by October 1st of each year to the State Employee Workers' Compensation Program the agency's loss control goals, strategies, and results to minimize the risk of work-related injuries and illnesses

Utilizing the foundation developed under Executive Order Number Fifty-two (1999) to establish and develop strategies and practices that support safety in the workplace, all executive branch departments, agencies and institutions of higher education shall:

- Evaluate and modify the agency's Workers' Compensation return-to-work policy to include non-work related periods of disability;
- Cooperate with the Department of Human Resource Management and the Virginia Sickness and Disability Program of the Virginia Retirement System to establish return-to-work opportunities appropriate for the individual employee and agency;
- Include in managers' performance expectations goals to reduce employee work-related and non-work related time;
- Establish strategies and practices to reduce lost time and to support the safe resumption of work for state employees;

- Evaluate annually those cases where employees were unable to return to work in a transitional and/or permanent capacity; and
- Report by April 1st of each year to the Virginia Retirement System and the Department of Human Resource Management agency goals and strategies to reduce lost time.

In order to support agency Workplace Safety and Health initiatives and goals, the Virginia Retirement System and Department of Human Resource Management shall:

- Review agency goals and strategies;
- Provide training, consultation, and support for agency initiatives; and
- Report non-compliance with the provisions of this Executive Order, and report annually to the Governor on progress made in improving workplace safety and returning employees to work

This Executive Order rescinds and replaces Executive Order Number Fifty-two (1999), Workplace Safety and Health, issued by Governor James S. Gilmore, III, on October 1, 1999.

This Executive Order shall be effective upon signing and shall remain in full force and effect until superseded or rescinded by further executive action.

Given under my hand and under the Seal of the Commonwealth of Virginia this 14th day of July 2005.

Mark R. Warner, Governor

Attest:

Secretary of the Commonwealth

Appendix Two
Sub Teams

Work Group Composition	Description
<p>Work Group 1: Buck Rogers Tara Perkinson Sandra Norman Paul Casalasi</p>	<p>Workgroup 1 will examine current data to determine the current status of the return to work with both work-related and non-work related disabilities. The Workgroup will identify current practices and costs. The Workgroup will also look at the relationship between the state health insurance program and rehabilitation services.</p>
<p>Work Group 2: Bonnie Shoaf Minson Doug Martin Joice Conyers, Ph.D. Sue Keener Myra Owens, Ph.D. Michelle Jackson</p>	<p>Workgroup 2 will review and analyze Executive Order 94 and identify ways in which agencies are carrying out this directive. The Workgroup will also look at current policies and practices from selected state agencies.</p>
<p>Work Group 3: Karen Jackson Gretchen White Paula Dehetre Michelle Jackson</p>	<p>Workgroup 3 will identify best practices from a review of state agencies and private industry.</p>

Appendix Three

Presentations to the Committee

<u>Presenter</u>	<u>Topic</u>
William P. Rogers	Pilot Program, Virginia Department of Corrections
Dan Horvath	Pilot Program, Virginia Department of Transportation
Jon Carpenter	Presentation on the Learning Management System
Denise Waddy	Payroll Issue with VSDP
Wendy Battle	Human Resource Issues with VSDP
Jean Turlington	Department of Accounts
Carol Davis	Senior Director, Health and Productivity Development Unum

Appendix Four

Commonwealth of Virginia Lost Time Impact Study

- I. Study Overview
 - a. Study began in June 2004
 - b. Conducted by Unum Provident, third-party administrator for the Virginia Sickness and Disability Program (VSDP)
 - c. Commonwealth expressed interest in protecting its human capital through
 - i. Benefit programs it offers.
 - ii. Management policies directed at providing opportunities for safe resumption of work activities after injury or illness.
 - iii. Desire for management of agencies to understand impact of lost time within the state.
 - d. Study highlighted effect of lost time
 - i. On the well being of the Commonwealth's workforce.
 - ii. On services provided to the citizens of the State.
 - iii. Proposed set of strategies to reduce impact of lost time and protect the Commonwealth's ability to serve its citizens.
 - iv. Establish base line metrics for program evaluation.
 - v. Develop enhancements to benefit plan strategies, human resources policies and practices to reduce lost time related to disability.
 - e. Primary agencies participating in the study
 - i. Department of Corrections
 - ii. Department of Transportation
 - iii. Department of Mental Health, Mental Retardation and Substance Abuse Services
 - f. Pilot Programs
 - i. Department of Corrections - Program progressing with continued with management support
 - ii. Department of Transportation - Program progressing with management support
 - iii. Northern Virginia Training Center- Program progress not as fast, limited management support
 - iv. Western State Hospital - Program progress not as fast, limited management support
 - g. Expansion of pilot programs and agency training
 - i. Encouraging other agencies to join the pilot program
 - ii. Statewide agency seminars for HR and management personnel are in the planning stage
 - h. Keys to success
 - i. Top management support
 - ii. Agency management culture of accommodation
 - iii. Agency management metrics that are understood and used to manage the impact of lost time due to disability

VSDP Lost Time Statistics 2003 - 2004

DISTRICT	% Enrolled in VSDP	2003 Lost		2004 Lost		2004 Lost		2004 Lost		04 to '03	
		Claims	Work Days	FTE's	Claims	Work Days	FTE's	Delta (FTEs)	Delta (Lost Days)		
Nova	88%	124	5433	20.9	118	5622	21.6	0.7	189		
Staunton	77%	70	2972	11.4	50	2023	7.8	-3.6	-949		
Culpeper	52%	34	1483	5.7	30	1093	4.2	-1.5	-390		
Fred'burg	75%	62	2329	9.0	52	2103	8.1	-0.9	-226		
Hampton	76%	166	6266	24.1	148	5520	21.2	-2.9	-746		
Richmond	55%	102	4482	17.2	81	2868	11	-6.2	-1614		
Lynchburg	46%	52	2136	8.2	44	1778	6.8	-1.4	-358		
Salem	73%	121	4907	18.9	118	5069	19.5	0.6	162		
Bristol	64%	90	3735	14.4	71	2473	9.5	-4.9	-1262		
CO	82%	75	2748	10.6	74	2271	8.7	-1.9	-477		
Total	69%	896	36491	140.4	786	30818	118.5	-22.0	-5673		

VDOT ROLES WITH HIGHEST VSDP LOST TIME

- Transportation Operator
- Equipment Svc Repair Tech
- Security Officer
- Admin & Office Specialist

Data Notes:

Data captured for 2003 in mid Dec 2003
 Data captured for 2004 in mid Dec 2004
 2003 and 2004 are both based on "immature" data for the year but captured at a similar time frame for comparison purposes
 2004 data will not be updated to keep a "consistent" picture of lost time to compare with 2003 data which can not be updated

The Return To Work (RTW) Program

VDOT believes in assisting employees who have experienced an injury or illness with returning to work in a safe and timely manner.

VDOT has developed a return to work planning process to work with you and your physician in facilitating a safe and timely return to work.

A return to work plan can be developed to assist you in resuming your full work activities. As part of the plan, your work activities may be modified so that they fall within your abilities as defined by your physician. This transitional work is a temporary modification made where position demands, safety considerations and your abilities will permit. As such, transitional work cannot be guaranteed. Each request must be individually considered.

All return to work options and modifications are considered temporary as you move toward resuming your full work duties over the prescribed time. In most cases these assignments are usually do not exceed 90 days.

If at any time during the return to work transition you regain full work capacity, VDOT expects you to resume your full work activities. If at the completion of the transitional work assignment you are unable to perform at full work capacity, a review of other available regular work assignments or disability benefits may be reviewed and considered.

What is my role in the Return to Work process?

The following provides a general outline of your role in the return to work process:

1. Follow the medical treatment plan as directed by your medical care provider. This includes following diet, exercise, or rehabilitation activities and observing lifting, bending, stooping, etc., restrictions inside and outside of the workplace.
2. Maintain regular communication with your supervisor.
3. When you and your doctor discuss returning to work, notify your supervisor. Note: If this is a work related injury or illness, you need to notify your case

manager at Managed Care Innovations (MCI). If you are covered under the Virginia Sickness & Disability Program (VSDP), you need to notify UnumProvident at 1-800-652-5602.

4. Participate in the return to work planning with your supervisor and medical care provider. It may take VDOT up to one week to evaluate options for transitional work.
5. If a transitional work assignment is offered, you and your supervisor will review and sign a Transitional Work Agreement specifying the timeframe of your transitional assignment.
6. Once back at work, advise your supervisor if you experience difficulties with work demands.

DRAFT EMPLOYEE RTW GUIDE
August 2005

What is a Return to Work (RTW) Plan?

A return to work plan is the roadmap created by you, your medical care provider, your supervisor, Human Resources, and Employee Safety & Health. It provides direction on how you will safely resume your work activities. Often the case managers for either VSDP or Workers' Compensation will also participate in the return to work planning process. The plan is designed to help you increase your ability to work (functional capacity) in a staged manner to support the incremental healing process your body will be undergoing.

Why does VDOT have a Return to Work Program?

VDOT understands that work is usually a very important part of an employee's life. And when an injury or illness occurs, VDOT recognizes the employee's response to the injury or illness will determine his or her financial and personal well being. Work is a critical feature of this adjustment. As your employer, we can partner with you to assist you in resuming that important aspect of your life. A return to work program has benefits for VDOT as well. You are an important part of VDOT's success. It makes good business sense for VDOT to

assist employees resuming their work activities when feasible.

Will I be able to participate in the Return to Work Program?

VDOT wants and expects individuals to resume their work activities after an injury or illness. The return to work program and its planning process will help determine when it is safe and feasible for employees to resume some or all of their work activities and it will map out how that will occur.

There is no guarantee that you will be able to participate in a Transitional Work Assignment (TWA).

Important Phone Numbers:

Supervisor name: _____

Phone: _____

HR/Payroll contact: _____

Phone: _____



DRAFT The Return to Work Program

Pocket Guide
For
Employees

August 2005

The Return To Work (RTW) Program

VDOT believes in a safe and timely process to aid employees in returning to work following an injury or illness. Where feasible, VDOT will offer productive transitional work to employees who have received medically approved work limitations due to impairments created by injury or illness.

The RTW Planning Process

VDOT has developed a planning process to aid the employee, their medical care provider and you to facilitate a safe and timely return to work. The return to work planning process is for both occupational (workers' compensation) and non-occupational injuries and illnesses. Case managers for Managed Care Innovations (MCI) - the Workers' Compensation plan administrator and UnumProvident - the Virginia Sickness & Disability Program (VSDP) administrator may also participate in the return to work planning process as appropriate.

A return to work plan is the roadmap created by the employee, their medical care provider, Human Resources, Employee Safety & Health and you, the supervisor. It provides direction on how the employee will safely resume his or her work activities. The plan will typically include information on the worker's capabilities and RTW options including a Transitional Work Assignment (TWA).

Transitional Work Assignments (TWA)

Transitional Work Assignments may be used as part of the RTW plan for an employee. Transitional work is intended to enhance the worker's treatment program, as well as protect his or her functional capacity while maintaining appropriate levels of job performance and productivity.

Transitional work is time specific and goal oriented. Participation in a Transitional Work Assignment will usually not exceed 90 days and the work must be productive and needed by VDOT. While return to work plans will be developed for injured or ill employees, guarantees can not be

made that every employee will be offered transitional work.

The demands of the position, the individual's functional capabilities and safety considerations are factors important in determining what if any temporary modifications can be made to a job. Such modifications will be consistent with the medical care provider's treatment plan for the individual. As the supervisor, you, the employee, and Human Resources will agree upon the temporary modifications and establish appropriate timeframes for the Transitional Work Assignment.

Human Resources Contact:

Phone: _____

What is the Supervisor's Role in the Return to Work (RTW) Process?

When your employee is unable to work due to an injury or illness, there are several important steps you need to take. They are:

1. Follow the appropriate emergency, safety and injury reporting procedures if it is a work related injury.
2. Inform the appropriate Human Resources (HR), and Fiscal personnel that your employee is off from work due to an injury or illness.
3. Execute the necessary administrative tasks such as timekeeping to insure appropriate pay for your employee.
4. Make the appropriate staff and team adjustments to maintain satisfactory performance.
5. Anticipate a return to work planning discussion with HR and the development of a Return To Work (RTW) plan.
6. Identify return to work options that may be based on the employee's reported work restrictions.
7. Participate in the RTW planning for your employee, assist in developing a Transitional Work Assignment, and sign a Transitional Work Agreement between you and the employee.
8. Monitor the employees progress.
9. Provide feedback to HR on your employee's progress toward resuming his or her full work activities.
10. Contact HR to discuss any adjustments needed in the Transitional Work Assignment.

DRAFT The Return to Work Program

Pocket Guide for Supervisors

August 2005

Department of Corrections Review of Lost Time

The Department of Corrections implemented a non-occupational Transitional Return to Work (RTW) Program in the last quarter of 2004. Analysis of claim activity was conducted to illustrate the impact of this program in the VSDP claim experience.

Injury and Lost Time Patterns

The total number of lost workdays as reported in the Department of Corrections claims associated with short term disability, revealed 54,069 lost work days in 2004 due to illness or injury. The following table illustrates the impact of lost time on the Department of Corrections as reported for the VSDP plan including a comparison by first quarters in 2004 and 2005:

Productivity Impact By Year

Calendar Year	Lost Work Days 1	Lost Full Time Equivalents 2	Average Salary	Productivity Impact 3
2003	72,835	278	\$31,394	\$8,727,532
2004	54,069	207	\$31,394	\$6,498,558
Savings	18,766	71	-	\$2,228,794

Productivity Impact by Quarter

Calendar Quarter	Lost Work Days 1	Lost Full Time Equivalents 2	Average Salary	Productivity Impact 3
1 st Quarter '04	18,820	72	\$31,394	\$2,260,368
1 st Quarter '05*	5,460	21	\$31,394	\$659,274
Savings	13,360	51	-	\$1,601,094

1 Lost work days as reported in STD Claim data

2 Full Time Equivalents (FTEs) determined by dividing lost work days by 260

3 Productivity Impact is indirect costs. Calculated by multiplying lost FTEs by average salary

* Lost work days represents closed claims through 04/15/05 & does not represent other claims with 2005 disability dates from 01/01/05-03/31/05 that were open and active claims on 04/15/05

The productivity impact does not include direct costs that is, the cost of disability benefits provided to an employee under the VSDP plan. Actual direct costs were not available from the claim data. A 26% decrease in lost work days was seen from 2003 to 2004. Although the claim data for the first quarter of 2005 is still immature, a significant decrease is seen in the lost work days from 1st quarter '04 and 1st quarter '05.

Demographics:

The same census data was used for 2005 for analysis that was used in 2004. The Department of Corrections employee census data was obtained from a census feed provided by Department of Corrections. Department of Corrections reports a total of 7,945 employees, and that 44% of its employee population are female and 56% male.

Claim Incidence by Year

Year	Number of Claims	Claims per 1000 Employees	Average Duration Work Days
2003	1887	237/1000	44 days
2004	1669*	210/1000	43 days

* Represents closed claims through 04/15/05 & does not represent other claims with 2005 disability dates that were open and active claims on 04/15/05

A 12% decrease in STD claims was seen in 2004. As seen below, improvement in both claim incidence and claim duration is seen from, 1st quarter '04 to 1st quarter '05 at this time.

Claim Incidence by Quarter

Year	Number of Claims*	Claims per 1000 Employees	Average Duration Work Days
1 st Quarter '04	403	51/1000	47 days
1 st Quarter '05**	232	29/1000	24 days
Savings	171 (43% improvement)	22/1000	23 days (49% improvement)

*represents closed and compensable claims

** Lost work days represents closed claims through 04/15/05 & does not represent other claims with 2005 disability dates from 01/01/05-03/31/05 that were open and active claims on 04/15/05

Leading STD Lost Work Days by Impairment

Diagnostic Category	% Total Lost Work Days 2004	% Total Lost Work Days 1 st Q '04	% Total Lost Work Days 1 st Q '05*
Musculoskeletal	21%	22%	15%
Injury	19%	18%	13%
Mental Health	11%	10%	12%
Pregnancy	6%	8%	4%

* Lost work days represents closed claims through 04/15/05 & does not represent other claims with 2005 disability dates from 01/01/05-03/31/05 that were open and active claims on 04/15/05

Musculoskeletal and Injury claims continue to be the leading impairment groups contributing to the STD claim experience, but a decrease has been seen.

STD Average Durations by Impairment

Diagnostic Category	Average Lost Work Days 2004	Average Lost Work Days 1 st Q '04	Average Lost Work Days 1 st Q '05
Musculoskeletal	56	62	25
Injury	45	52	26
Mental Health	41	42	24
Pregnancy	46	54	35

The average durations by impairment were reviewed and reduction in average lost work days has been seen.

STD Claim Experience by Occupation

	2004 Average Duration	1 st Q '04 Average Duration	1 st Q '05* Average Duration
Corrections Officers	45 work days	47 work days	33 work days

* Lost work days represents closed claims through 04/15/05 & does not represent other claims with 2005 disability dates from 01/01/05-03/31/05 that were open and active claims on 04/15/05

Corrections Officers continue to account for 62% of the STD claims, but the average duration of STD claims is exhibiting a decrease in lost work days.

Progression Rates from STD to LTD

Diagnostic Category	Transition Rate For 2002	Transition Rate for 2003
Musculoskeletal	22%	16%
Mental Health	18%	5%
Tumor	18%	13%
Circulatory	17%	18%
Nervous Sensory	17%	12%
Injury	16%	10%

The claim data compared STD claims from 07/01/02 - 06/30/03 with those from 07/01/03 - 06/30/04. Due to the length of the LTD elimination period, the LTD data is not mature enough to analyze this trend by quarters.

Claim Experience by Location

Locations with Highest Claim Rate/100 Employees

Location	2004 STD Claim Experience*	2004 Claims per 100 Employees	Average Claim Duration 2003 in Work Days	Average Claim Duration 2004 in Work Days
Marion Correctional Center (116 employees)	40	34 claims/100	36	44
Brunswick Correction Center (195 employees)	48	25 claims/100	39	35
Powhatan Correctional Center (196 employees)	50	25 claims/100	53	30
VA Correctional Center for Women (174 employees)	43	25 claims/100	45	46
Haynesville Correctional Center (239 employees)	54	23 claims/100	39	26

* 2004 claim data represents closed claims through 01/10/05 & does not represent other claims with 2004 disability dates that were open and active claims on 01/10/05. This will be reviewed again by quarters to include updated claim information and may change.

First Quarter Review of Locations with Leading Claim Rate/100 Employees

Location	2004 Claims per 100 Employees	1 st Q '04 Claims per 100 Employees	1 st Q '05 Claims per 100 employees
Marion Correctional Center (116 employees)	34 claims/100	8.6 claims/100	4.3 claims/100
Brunswick Correction Center (195 employees)	25 claims/100	8.2 claims/100	3.6 claims/100
Powhatan Correctional Center (196 employees)	25 claims/100	1.5 claims/100	2.0 claims/100
VA Correctional Center for Women (174 employees)	25 claims/100	4.6 claims/100	2.3 claims/100
Haynesville Correctional Center (239 employees)	23 claims/100	6.3 claims/100	2.5 claims/100

First Quarter Review of Locations with Leading Average Duration

Location	2004 Average Lost Work Days	1 st Q '04 Average Lost Work Days	1 st Q '05 Average Lost Work Days
Southampton Correctional Center	55		
Mecklenburg Correctional Center	54	33	11
Deerfield Correctional Center	51	56	25
Red Onion State Prison	49	59	23
Sussex II	47	61	30

A more comprehensive view of the facility experience is located in the table labeled STD Claim Experience by Location, found below and the First Quarter Comparison of STD Claim Experience by Location on the following page.

STD Claim Experience by Location

Location	# Eligible Employees at Location	2003 Claims/100 Employees	2004 Claims/100 Employees	2003 Average Lost Work Days	2004 Average Lost Work Days
Augusta Corr. Center	364 – 4.58%	32 claims/100	21 claims/100	42	42
Bland Corr. Center	152 – 1.91%	24 claims/100	14 claims/100	47	38
Brunswick Corr. Center	195 – 2.45%	29 claims/100	25 claims/100	39	35
Buckingham Corr. Center	305 – 3.85%	25 claims/100	15 claims/100	44	40
Central Regional Field	78 – 0.10%	23 claims/100	12 claims/100	42	74
Coffeewood Corr. Center	208 – 2.60%	19 claims/100	18 claims/100	49	43
Deep Meadow Corr. Center	242 – 3.05%	23 claims/100	9 claims/100	37	33
Deerfield Corr. Center	107 – 1.35%	14 claims/100	16 claims/100	39	51
Dept. Corrections HR Control Office	91 – 1.14%	13 claims/100	9 claims/100	28	22
Dillwyn Corr. Center	185 – 2.30%	20 claims/100	18 claims/100	51	42
Eastern Regional Field	89 – 1.12%	16 claims/100	12 claims/100	43	35
Fluvanna Corr. Center	227 – 2.86%	16 claims/100	19 claims/100	48	36
Greensville Corr. Center	409 – 5.14%	21 claims/100	21 claims/100	45	35
Haynesville Corr. Center	239 – 3.00%	21 claims/100	23 claims/100	39	26
Indian Creek Corr. Center	185 – 2.32%	19 claims/100	12 claims/100	51	41
James River Corr. Center	189 – 2.37%	9 claims/100	9 claims/100	36	42
Keen Mountain Corr. Center	146 – 1.84%	23 claims/100	18 claims/100	48	40
Lunenburg Corr. Center	152 – 1.91%	12 claims/100	11 claims/100	56	38
Marion Corr. Center	116 – 1.46%	19 claims/100	34 claims/100	36	44
Mecklenburg Corr. Center	241 – 3.00%	16 claims/100	8 claims/100	45	54
Nottoway Corr. Center	212 – 2.67%	20 claims/100	16 claims/100	49	47
Powhatan Corr. Center	196 – 2.46%	20 claims/100	25 claims/100	53	30
Red Onion State Prison	390 – 5.00%	16 claims/100	17 claims/100	53	49
Southampton Corr. Center	214 – 2.69%	23 claims/100	18 claims/100	44	55
St. Brides	138 – 1.74%	20 claims/100	17 claims/100	51	43
Sussex I	277 – 3.49%	20 claims/100	19 claims/100	44	36
Sussex II	316 – 3.98%	25 claims/100	20 claims/100	53	47
VA Correctional Center for Women	174 – 2.20%	26 claims/100	25 claims/100	45	46
Wallens Ridge	337 – 4.24%	16 claims/100	15 claims/100	53	51

Note: 2004 claim information represents closed claims through 01/10/05 & does not represent other claims with 2004 disability dates that were open and active claims on 01/10/05. This will be reviewed again by quarters to include updated claim information and may change.

Incidence and average duration has decreased at 80% of the facilities to date.

First Quarter Comparison of STD Claim Experience by Location

Location	# Eligible Employees at Location	1 st Q '04 Claims/ 100 Employees	1 st Q '05 Claims/100 Employees	1 st Q '04 Average Lost Work Days	1 st Q '05 Average Lost Work Days
Augusta Corr. Center	364 – 4.58%	8.8 claims/100	2.2 claims/100	43	21
Bland Corr. Center	152 – 1.91%	4.6 claims/100	1.3 claims/100	37	10
Brunswick Corr. Center	195 – 2.45%	8.2 claims/100	3.6 claims/100	39	27
Buckingham Corr. Center	305 – 3.85%	2.9 claims/100	4.3 claims/100	34	20
Central Regional Field	78 – 0.10%	2.6 claims/100	1.3 claims/100	119	31
Coffeewood Corr. Center	208 – 2.60%	3.8 claims/100	2.4 claims/100	36	19
Deep Meadow Corr. Center	242 – 3.05%	1.6 claims/100	2.5 claims/100	53	19
Deerfield Corr. Center	107 – 1.35%	6.5 claims/100	7.5 claims/100	56	25
Dept. Corrections HR Control Office	91 – 1.14%	19.7 claims/100	4.4 claims/100	39	11
Dillwyn Corr. Center	185 – 2.30%	4.9 claims/100	1.6 claims/100	49	23
Eastern Regional Field	89 – 1.12%	3.4 claims/100	0	48	N/A
Fluvanna Corr. Center	227 – 2.86%	6.6 claims/100	4.0 claims/100	40	18
Greenville Corr. Center	409 – 5.14%	5.1 claims/100	3.2 claims/100	37	22
Haynesville Corr. Center	239 – 3.00%	6.3 claims/100	2.5 claims/100	26	26
Indian Creek Corr. Center	185 – 2.32%	2.2 claims/100	2.1 claims/100	50	41
James River Corr. Center	189 – 2.37%	1.6 claims/100	1.1 claims/100	48	43
Keen Mountain Corr. Center	146 – 1.84%	6.8 claims/100	2.1 claims/100	60	16
Lunenburg Corr. Center	152 – 1.91%	3.3 claims/100	.65 claims/100	43	13
Marion Corr. Center	116 – 1.46%	8.6 claims/100	4.3 claims/100	73	22
Mecklenburg Corr. Center	241 – 3.00%	1.2 claims/100	.8 claims/100	33	11
Nottoway Corr. Center	212 – 2.67%	4.2 claims/100	3.3 claims/100	53	25
Powhatan Corr. Center	196 – 2.46%	1.5 claims/100	2.0 claims/100	53	16
Red Onion State Prison	390 – 5.00%	6.9 claims/100	1.5 claims/100	59	23
Southampton Corr. Center	214 – 2.69%	5.6 claims/100	.5 claims/100	44	32
St. Brides	138 – 1.74%	3.6 claims/100	1.4 claims/100	89	13
Sussex I	277 – 3.49%	6.1 claims/100	2.9 claims/100	30	25
Sussex II	316 – 3.98%	5.4 claims/100	2.2 claims/100	61	30
VA Correctional Center for Women	174 – 2.20%	4.6 claims/100	2.3 claims/100	60	31
Wallens Ridge	337 – 4.24%	4.1 claims/100	2.1 claims/100	64	24

Note: 2004 claim information represents closed claims through 01/10/05 & does not represent other claims with 2004 disability dates that were open and active claims on 01/10/05. This will be reviewed again by quarters to include updated claim information and may change.



COMMONWEALTH of VIRGINIA

Department of Corrections

GENE JOHNSON
DIRECTOR

P.O. BOX 26963
RICHMOND, VIRGINIA 23261
(804) 674-3000

September 27, 2004

Dear Fellow Employee,

Our Department is an organization that is focused on achieving its important public safety mission and at the same time we value our employees and want to provide a workplace that promotes a productive workforce, controls lost time costs, supports employees, and increases retention. One strategy we have adopted to provide a supportive environment is a commitment to participate in a Return To Work (RTW) program for employees who are on extended absences due to injury or illness.

The Return To Work is a transitional program designed to allow employees to work at levels that they are physically capable of performing until they can return to their usual and customary work. Transitional work is time specific and goal oriented. Participation in the transitional work program will be for 90 days or less and the work will be productive and needed by the Department.

The RTW program is mutually beneficial for the injured or ill employee and the Department. It will promote the return to work of employees who can perform needed duties for the Department even though they are unable to perform their normal duties, it will offer a supportive environment, it may provide employees with their normal compensation, it will promote more productive and healthy employees, reduce costs, and reduce the necessity for other employees to work additional hours and/or perform additional duties to cover absences because we will have more employees on the job. Return To Work is a partnership with you, your medical provider, our insurance carriers, your manager or supervisor, and your Human Resource Officer (HRO) to develop a plan for the safe resumption of your work activities. This process will allow for a prompt and safe return to work with or without restrictions.


We know that absences create stress for employees, whether it is due to a possible reduction or loss of income, ongoing medical appointments,

Return To Work Program
September 27, 2004
Page 2

physical limitations, additional expenses, or other changes the routine life activities. Returning to work can help lessen many of these stressors. By promptly informing your supervisor or manager of your absence and limitation, the supervisor will work with the HRO to begin the assistance process and facilitate your return to work, when possible.

Should you experience an absence from work that qualifies as Workers' Compensation, Short Term Disability, or extended sick leave; you will receive additional information about your responsibilities and about this program from your supervisor or HRO if it applies to your situation. The program is intended to transition recovering employees into the work force in a therapeutic manner which will be beneficial to them and the Department.

Each and every employee is important to the mission of the Department of Corrections. At the same time, we know that our lives can be affected instantly by unforeseen injuries or illnesses and these life-changing events do not discriminate as to who is affected. Our desire is that we continue to find ways to assist employees who may be experiencing personal difficulties and to provide avenues for employees to return to full productivity as well as maintain financial stability. I believe that the RTW program will enable us to balance the needs of employees with the work requirements of the organization.

A handwritten signature in black ink, appearing to read "L. J. ...", with a long horizontal line extending to the right.



VIRGINIA DEPARTMENT OF TRANSPORTATION
TRANSITIONAL DUTY POLICY

Lead Division: Employee Safety & Health

Date: March 30, 2006

Signed by: C. Wayne Varga

Supersedes: None

PURPOSE

The purpose of Virginia Department of Transportation's (VDOT) Transitional Duty Policy is to help enable recovery and the resumption of full duty by injured or ill employees whose injury or illness initially restricts their ability to perform their normal job duties.

POLICY

It is the policy of the Virginia Department of Transportation to:

- Monitor the condition of any employee recovering from an injury or extended illness and to assist the employee in making work-related decisions.
- Return employees to previously held positions when medical documentation indicates the employee can safely perform the essential duties of their position and to assist the employee in making the return to work.
- Provide identified Transitional Duty assignments based on agency need and the ability of the employee to perform the duties. Potential Transitional Duty assignments may be limited; availability cannot be guaranteed.
- Reserve the right to acquire a second opinion related to a request for Transitional Duty assignment. VDOT will specify a physician of its choice to render a second opinion.

DEFINITIONS

Full Duty Status - the employee can perform the duties of his/her position with no restrictions.

Transitional Duty - a short term assignment of duties approved by the treating physician to which an employee is assigned during recovery from illness or injury. The duration of the assignment is 90 days or less. Transition duty assignments may be full or part time.

TRANSITIONAL DUTY PROCEDURES

Employee Safety & Health, Human Resources and each work unit's workers' compensation coordinator, benefits coordinator, supervisor, Resident Engineer/Section Head will work together to place injured or ill employees into Transitional Duty assignments based on agency need, and the recommendations of the treating physician, or the agency's physician. Transitional Duty assignments may be limited; availability cannot be guaranteed.

The local work unit with the assistance of Employee Safety and Health/Human Resources will work with the appropriate physician to attempt to place the injured or ill employee in a Transitional Duty assignment consistent with the recommendations of the physician, and the needs of the agency. Transitional duty

assignments shall work toward the employee being returned to full duty. The length of the Transitional Duty shall be for no more than 90 days.

It is the responsibility of each supervisor to inform the person in charge of the work unit, Employee Safety and Health, and Human Resources when notified that the injured or ill employee is able to return to work in a restricted capacity. It is also the supervisor's responsibility to ensure the treating physician knows that VDOT has a Transitional Duty Policy.

It is the responsibility of the injured or ill employee in conjunction with his/her supervisor to provide the diagnosing physician with a job description listing the duties of the position and the physical requirements of these duties. Attached are sample forms that can be used for this purpose. It is the responsibility of the employee to obtain or have the diagnosing physician provide in writing the exact medical restrictions as they relate to the injured or ill employee's job position. Safety and Health can assist the work unit to assembling the physical requirements for the job duties through its Job Safety Analysis Program.

Upon receipt of the written medical restrictions, the supervisor will determine any possible Transitional Duty assignments. If transitional duty is available, the supervisor shall explain to the employee his/her responsibility while in a Transitional Duty assignment. This will be documented and placed in the employee's personnel file. For Transitional Duty assignments as a result of a workers' compensation injury, the supervisor is responsible for getting a copy of the Transitional Duty assignment to the third party administrator of the Commonwealth's Workers' Compensation Program, the administrator of the Virginia Sickness and Disability Program (VSDP), Human Resources, and Employee Safety & Health.

If there is Transitional Duty available; it is the employee's responsibility to work with VDOT to return to full duty within the shortest possible time. It is also the responsibility of the employee to perform the Transitional Duty assignments with the appropriate expectations as non-Transitional Duty assignments. Failure to perform within the expectations shall be handled in accordance with the applicable Human Resource Policy. The supervisor is responsible for documenting performance failures as well as performance successes. If the employee is personally unable to perform the Transitional Duty assignment authorized by the physician, the supervisor will document and report this information to Employee Safety and Health, and to the third party administrator of the Commonwealth's Workers' Compensation Program.

If there is no Transitional Duty available, the supervisor shall document the reasons Transitional Duty could not be provided. A copy of the documentation will be provided Human Resources and Employee Safety and Health. Also, a review of the individual's limitations will be performed by Safety and Health to determine if any of the restrictions meet the definition of a disability under the Americans with Disabilities Act. If there is a disability, a determination will be made by Safety and Health, Human Resources and the work unit on what accommodations, if any, that can be put into place.

PERIODIC ASSESSMENTS

Periodic assessments are required every 30 days for all individuals in a Transitional Duty assignment for the purpose of determining the employee's progression to returning to full duty. Transitional Duty assignments are to be reviewed and upgraded by the supervisor as the employee's medical status improves. It is the supervisor's responsibility to ensure the periodic reviews are performed and it is the employee's responsibility to ensure the physician provides updated information. Transitional duty assignments are for 90 days and it is the supervisor's responsibility to increase the level of the Transitional Duty assignment as the employee's medical conditions improves toward resuming full duty. For transitional duty involving a worker's compensation injury, a copy of the duty modifications are to be forwarded to the Employee Safety and Health, Human Resources, the third party administrator of the Commonwealth's Workers' Compensation Program (via Supplemental Report form), and VSDP each time there is a modification to the Transitional Duty assignment.

RESUMPTION OF ORIGINAL DUTIES

When the employee presents written documentation from the physician that he/she is medically able to resume full duty, the supervisor will document the record and immediately remove the employee from Transitional Duty and return the employee to their normal job duties. The supervisor is responsible for notifying Human Resources, Employee Safety & Health, and VSDP (if applicable) when the person is returned to full duty giving the date the individual is returned to full duty. If the Transitional Duty was in connection with a Workers' Compensation injury, the supervisor is also to notify the third party administrator for the Commonwealth's Workers' Compensation Program immediately giving the date the person was returned to full duty via the Supplemental Report form.

Effective Date: February 1, 2001

Reissued: March 29, 2006

Authority: Executive Order No. 94(05)

ROLE NAME:
POSITION NO:
STATEMENT OF JOB
REQUIREMENTS

DATE OF COMPLETION:
PHYSICIAN OR LICENSED HEALTH CARE
PROFESSIONAL
REMARKS:

	COMPILEATION				
	N	O	F	C	T
WHAT IS THE POSTURE DURING THIS TASK?					
STATIC					
TWISTING					
STANDING					
WALKING					
SITTING					
LIFT > 100 LBS					
LIFT 51 - 100 LBS					
LIFT 26 - 50 LBS					
LIFT 21 - 25 LBS					
LIFT 11 - 20 LBS					
LIFT - 10 LBS					
HOW IS MATERIAL HANDLED?					
CARRYING					
PUSHING					
PULLING					
PULLING HAND OVER HAND					
CLIMBING					
STAIRS/LADDERS					
CLIMBING USE OF LEGS/ARMS					
WHAT IS THE BODY POSITION DURING THIS TASK?					
BALANCING					
SQUATTING					
KNEELING					
REPEATED					
BENDING/SITTING					
CRANLING					

JOB TASKS INCLUDED:
* INDICATES ESSENTIAL
FUNCTIONS

CONSTANTLY > 75% OF TIME ON JOB

FREQUENTLY = 25
TO 75% OF TIME
ON JOB

OCCASIONALLY = TO
25% OF TIME ON JOB

NONE OF THE TIME

Compiler By: Billia V. Miller, Culppeper District Safety Engineer

ROLE NAME:
POSITION NO.:

STATEMENT OF JOB
REQUIREMENTS

WHAT EXTENSION OR
MANIPULATION IS
NEEDED TO REACH?

REACHING	COMPLICATION			
	N	I	F	C
FINGER MOVEMENTS				High, low and level.
REPETITIVE				
TWISTING/PRESSURE OF HANDS				
BOTH HANDS REQUIRED				
BOTH LEGS/FEET REQUIRED				
MENTAL - MUSCLE COORDINATION				
ORAL COMMUNICATIONS				
HEARING - CONVERSATIONAL				
VISUAL ACUITY				
DEPTH PERCEPTION				
DEPTH JUDGES				
VISION: COLOR				

WHAT SENSORY
PERFORMANCE IS
REQUIRED?

OTHER ESSENTIAL TASKS:

Employee must
fabricate, place and
remove concrete forms
in all weather conditions
[Water soaked forms are
heavier than dry forms
requiring more effort of
employee to place and
remove them.]

OTHER TASKS INCLUDED:

PHYSICIAN OR LICENSED HEALTH CARE
PROFESSIONAL
REMARKS:

ROLE NAME:
 POSITION:
 NUMBER OF JOB
 REQUIREMENTS

PHYSICIAN OR LICENSED HEALTH CARE
 PROFESSIONAL
 REMARKS:

	N	O	F	C	TYPE	COMPILATION
OUTDOORS						
OUT AND INSIDE						
HIGH HEAT (AMBIENT > 90 DEG F)						
ELEVATED HEAT (AMBIENT > 88 DEG F)						
COLD (AMBIENT < 32 DEG F)						
TEMPERATURE CHANGES						
WETNESS						
DRY						
CONFINED SPACE(S)						
HEIGHTS (TO NEXT LEVEL)						
NOISE (>85 Dba)						
INTERMITTENT NOISE						
VIBRATION						
FUMES						
DUSTS						
GASES						
SUBSTANCE						
ASBESTOS						
CHEMICALS						
PETROLEUM						
MOVING PARTS						
TRAFFIC						
LADDERS/SCAFFOLDS						
BELOW GROUND						
IN WATER						
WET FLOOR						
LOW VOLTAGE ELECTRICAL						
IONIZING RADIATION						
IRREGULAR TERRAIN						

Compiled By: Billie V. Miller, Culpeper District Safety Engineer

WHAT TRAINING IS REQUIRED?

WHAT TRAINING IS RECOMMENDED?

EQUIPMENT OPERATION

EQUIPMENT OPERATION	N O F C TYPE			
	LICENSED EQUIPMENT TO HAVE	LICENSED REGULAR DRIVER	LICENSED COMMERCIAL DRIVER	HAZMAT ENCORSMENT
LICENSED EQUIPMENT TO HAVE				
LICENSED REGULAR DRIVER				
LICENSED COMMERCIAL DRIVER				
HAZMAT ENCORSMENT				
HEAVY EQUIPMENT OPERATES				
MEDIUM EQUIPMENT OPERATES				
LIGHT EQUIPMENT OPERATES				

WHAT MACHINERY IS OPERATED?

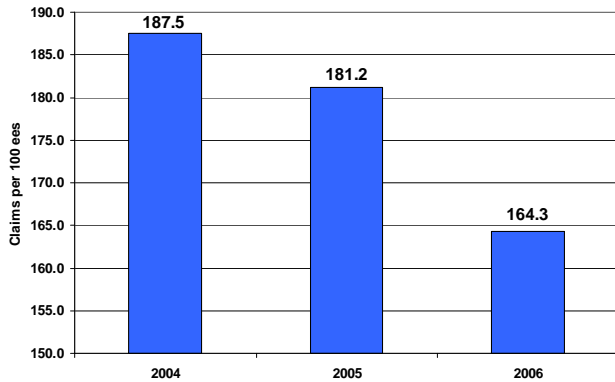
PHYSICIAN OR LICENSED HEALTH CARE PROFESSIONAL REMARKS:

Completed By: Billie V. Miller, Culpeper District Safety Engineer

Appendix Five

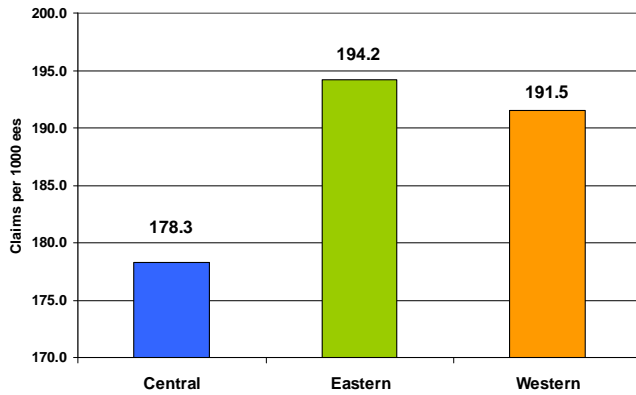
Department of Corrections VSDP Short Term Disability Claim Trend Summary 2004 - 2006 Data as of June 6, 2007

Chart 1: Short Term Disability Claims per 1,000 Employees – All Divisions VDOC and Virginia Law Officers' Retirement System (VaLORS)



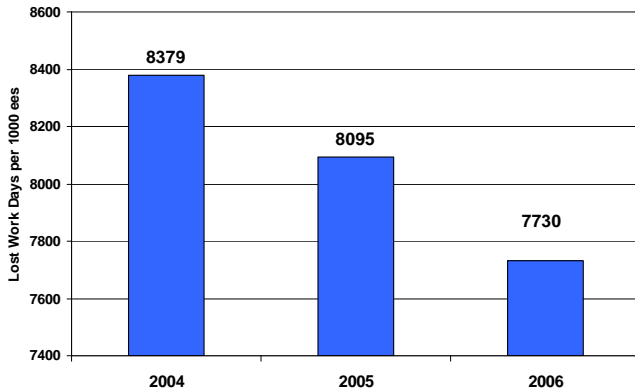
Department of Corrections (including VaLORS claims) saw a 3% decrease in short-term disability claim incidence (claims per 1000 employees) in 2005 as compared to 2004 and a 9% decrease in 2006 compared with 2005.

Chart 2: 2006 Virginia Law Officers' Retirement System only Short Term Disability Claims per 1,000 Employees by Region



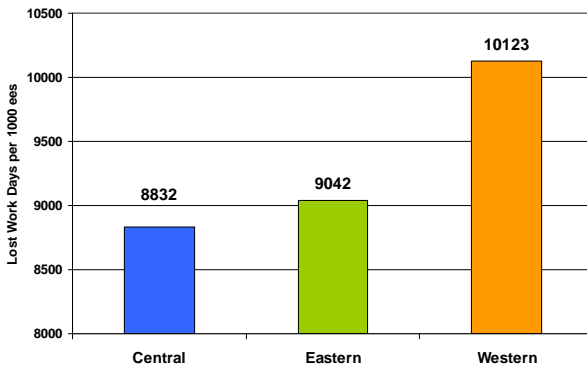
VaLORS short-term disability claims represent Correctional Officers. The Central region's incidence is 8% lower than the Eastern region's incidence and 7% lower than the Western region's.

Chart 3: Lost Work Days per 1000 Employees – All Divisions VDOC & Virginia Law Officers’ Retirement System



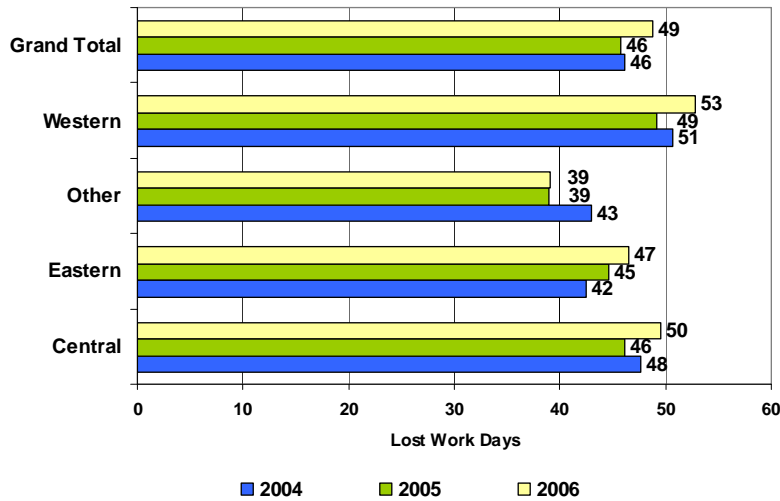
There was a 3% reduction in lost workdays per 1000 employee as reported by VSDP claims in 2005 as compared to 2004. In 2006, there was a 5% reduction in lost workdays per 1000 employees as compared to 2005.

Chart 4: 2006 Virginia Law Officers’ Retirement System only Short Term Disability claims -Lost Work Days per 1000 Employees by Region



The Western region is 13% higher in lost workdays per 1000 employees than the Central region and the Eastern region is 2% higher.

Chart 5: Average Duration in Lost Work Days for Virginia Law Officers' Retirement System Short Term Disability Claims by Region



Mean average duration for short-term disability claims for correctional officers (VaLORS) has slightly increased in 2006 from 2004 and 2005. Short-term disability claim remain open during transitional work assignments (until the employee fully resumes their job responsibilities); this slight increase in average duration may not fully reflect increased lost productivity.

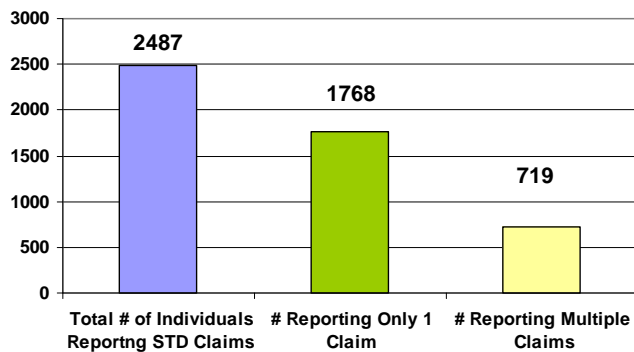
Chart 6: Percentage of VALORS STD claims that are Work Related by Region

	2004	2005	2006
Central	8%	7%	5%
Eastern	9%	8%	8%
Western	8%	11%	8%

The percentage of Work Related VSDP claims was generally constant for the Eastern and Western regions. The Central region showed a 3% decrease in 2006 as compared to 2004.

VALORS only Short-Term Disability Claims - Individuals with Multiple claims 1/1/2004 – 6/1/2007

Chart 8: Individuals Filing Multiple Short Term Disability Claims from 1/1/2004 – 6/1/2007



3,549 VaLORS short-term disability Claims were filed by 2,487 individuals from 1/1/2004 – 6/1/2007.

1,768 individuals reported only 1 claim during this time period.

719 individuals (29%) reported 2 or more claims during this period. 1,781 claims were reported by these 719 individuals.

Chart 9: Individuals with Multiple Claims by Region

	Central	Eastern	Western
Total # of Claims	1010	1424	897
Total # of Individuals	732	970	615
# of Individuals w/ Multiple Claims	195	301	190
% of Repeaters	27%	31%	31%

The Central region shows a lower percentage of repeaters in its block of short-term disability claims.

Chart 10: Distribution of Individual with Multiple Claims

	Central	Eastern	Western
# individuals w/ 7 claims	1	1	1
# individuals w/ 6 claims	1	3	1
# individuals w/ 5 claims	5	8	3
# individuals w/ 4 claims	13	28	17
# individuals w/ 3 claims	33	56	40
# individuals w/ 2 claims	142	205	128
# individuals w/ pregnancy only	17	23	3
# of individuals w/ multiple mental	16	11	16

Pregnancy only category represents the number of individuals where pregnancy was only type of claim filed or where pregnancy was 1 claim out of 2 claims filed.

Multiple mental is the number of individuals with more than 1 mental claim.

Of the 1,781 claims reported by the 719 individuals with multiple claims, 388 (22%) of those claims were musculoskeletal in nature, 284 (16%) were injuries and 220 (12%) were mental.

Appendix C

Comparison of mature 2005 Short Term Disability (STD) claim data to immature 2006 STD claim data*

* Since STD claims can take up to 6 months to mature, some claims incurred between July and December '06 will mature between January and June '07.

DISTRICT	2005 VSDP Enrollment	YTD 2005 STD Claims	# of Claims per 100 VSDP EEs	Lost Work Days (LWD)**	# of LWD per 100 VSDP EEs	Lost FTE's***	2006 VSDP Enrollment	YTD 2006 STD Claims*	# of Claims per 100 VSDP EEs	Lost Work Days (LWD)**	# of LWD per 100 VSDP EEs	Lost FTE's***	Number of 2006 Open Claims for which lost time hasn't been determined	2007 VSDP Enrollment
Nova	867	104	12.0	4708	543	18.1	868	111	12.8	4947	570	19.0	6	887
Salem	682	105	15.4	5155	756	19.8	678	133	19.6	6057	893	23.3	5	700
Hampton	921	134	14.5	5874	638	22.6	919	136	14.8	5637	613	21.7	4	884
Staunton	593	59	9.9	2013	339	7.7	594	61	10.3	2240	377	8.6	3	579
Richmond	616	83	13.5	3326	540	12.8	616	116	18.8	4945	803	19.0	6	593
Culpeper	314	27	8.6	1416	451	5.4	317	43	13.6	1346	425	5.2	2	289
Lynchburg	359	33	9.2	1899	529	7.3	361	53	14.7	2143	594	8.2	2	333
CO	1122	82	7.3	2731	243	10.5	1116	83	7.4	2835	254	10.9	3	1127
Bristol	605	91	15.0	4999	826	19.2	604	98	16.2	4799	795	18.5	2	520
Fred'burg	480	65	13.5	3504	730	13.5	480	67	14.0	2555	532	9.8	5	447
Total	6559	783	11.9	35625	543	137.0	6553	901	13.7	37504	572	144.2	38	6359

**Lost Work Day (LWD) = 8 hours

*** 1 FTE (Full Time Equivalent) = 2080 hours

Source: UnumProvident (March 2007)

Appendix C

Appendix Six Draft Language for Agency Head Scorecard

HR5: HEALTH & SAFETY

Promotes a healthy workforce and provides a safe work environment minimizing potential hazards. Agencies return employees to work whenever possible using transitional duty.

Data source: Workers' Compensation Executive Order 94(05), Agency annual Loss Control Report and Annual Return to Work Report, Strategic Plans, VSDP and WC Claims Reports

Criteria

Meets Expectations:

Potential work and health hazards have been identified and corrected. Loss data is analyzed and Executive Order 94(05) October 1 Loss Control Report is submitted on time. Prior year's Loss Control goals have been met. Safety training is provided. Safety programs are up-to-date. Agencies have a return to work policy in effect and manage every absence in accordance with their policy. Agencies have provided return to work training to 100% of employees and management and include goals and objectives to support return to work in 100% of management's performance expectations. Agencies have submitted their April 1 Return to Work Report and have met all goals from prior year's report.

Progress Toward Expectations:

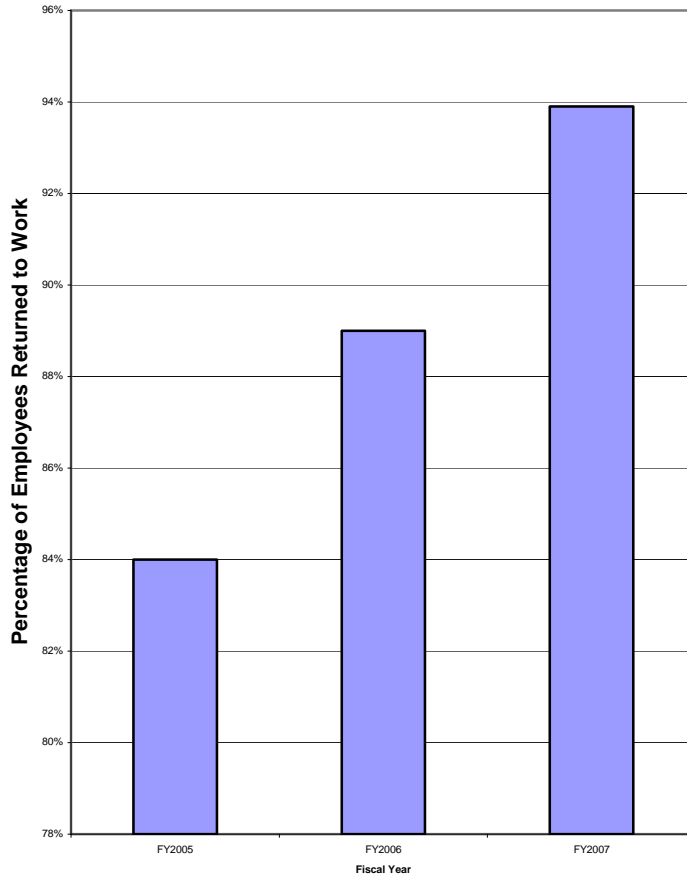
Addresses workplace and health hazards as they occur. Workforce receives minimal safety training. Some safety programs are out-of-date. Agencies have not submitted their October 1 Loss Control Report and have not completed prior year's goals. Agencies have a return to work policy that is in effect and manage most absences in accordance with their policy. At least 75 % of employees and management have had return to work training and 75 % of managers have goals and objectives to support return to work in their performance expectations. Agencies have not submitted their April 1 Return to Work Report and/or have not met all goals from the prior year's report.

Below Expectations:

Workplace and health hazards are not addressed. Workforce receives no safety training. Agency has not analyzed loss data and has not submitted the October 1 Loss Control report and/or has not met any of the prior year's goals. Safety programs are not in place. Agencies have not submitted their October 1 Loss Control Report and have not completed prior year's goals. Agency has a return to work policy, however there is no management of absences. 50% or less of employees and management have had return to work training and 50 % or less of managers have goals and objectives to support return to work in their performance expectations. Agencies have not submitted their April 1 Return to Work report and have not met any goals from the prior year's report.

Appendix C

Appendix Seven Workers' Compensation Return-to-Work Rate Statewide



Appendix Eight

Selected Bibliography for Best Practices

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Hall and Kaleta, "New Return-to-Work Strategies," Benefits & Compensation Digest at 33-39 (Dec. 2005).

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Appendix D

High-Level VSDP Cost Analysis by Segment

In order to improve our understanding of the VSDP long term disability (LTD) claim costs, we studied the VSDP experience by various groupings of state agencies, or “segments”. Examples of segments include Colleges, Corrections, and Law Officers (i.e., VALORS). For each segment and for VSDP as a whole, we computed interest-adjusted loss ratios for the three most recent fiscal years. An interest-adjusted loss ratio is defined as the total cost of claims beginning in that year, divided by the total LTD-related VSDP contributions in that year.

Because contribution rates change from year to year, it can be difficult to interpret the interest-adjusted loss ratios. Therefore, we computed “actual-to-average” loss ratios, where the loss ratio for each segment in each year is divided by the total loss ratio for the year. The results, which are shown in the table below, provide a useful comparison of experience by segment for the past three fiscal years. Actual-to-average loss ratios of less than 100% represent lower-than-average LTD claim costs, and actual-to-average loss ratios of greater than 100% represent higher-than-average LTD claim costs.

Virginia Sickness and Disability Program Actual-to-Average Loss Ratios at 7.5% by Fiscal Year and Segment				
Segment	FY 2004	FY 2005	FY 2006	Total
All Others	84.3%	75.9%	91.3%	84.0%
Colleges	108.0%	58.2%	96.5%	88.0%
Dept. of Mental Health	207.8%	225.8%	153.2%	194.7%
Judicial	57.3%	30.1%	64.8%	51.2%
Universities	50.3%	77.0%	77.1%	68.1%
VA Dept. of Corrections	169.0%	118.7%	165.9%	151.7%
VA Dept of Transportation	111.7%	85.4%	80.7%	92.5%
VALORS	178.0%	225.9%	165.5%	189.1%
Total	100.0%	100.0%	100.0%	100.0%

The actual-to-average loss ratios reveal significant and consistent patterns by segment over the three fiscal years. The Mental Health, Corrections, and VALORS (i.e., law officers) segments have significantly higher-than-average claim costs in all years, while the Judicial and Universities segments have significantly lower-than-average claim costs. The use of a single contribution rate for all segments means that the higher costs of some segments are subsidized by the contributions from other segments with lower costs. VRS may wish to consider the use of different contribution rates by business segment based on the observed claim trends.

As a means of gaining additional insight into the experience by segment, VRS may also wish to study differences in cause of disability among segments. To the extent that differences in total costs can be traced to specific types of disabilities, then it is possible

that they could be addressed through changes in plan design instead of (or in addition to) changes to contribution rates. For example, if most of the variation is due to different levels of psychiatric claims, then the introduction of a benefit limitation for those types of claims would reduce the differences among segments.