

UNDERSTANDING & OPTIMIZING DISABILITY BENEFITS

A. Social Security

- Our objective is not to give you all the answers but to give you an overview of what is available and where to find out more. Best source for SS disability information will be found at www.ssa.gov

- To qualify for benefits, disabled individual must meet two tests

Recent work test (5 out of last 10 years ... reduced for younger ages)

Duration of work test (between 1.5 and 9.5 years worked, depending on age when disabled)

- No money paid for partial disability or short term disability
- To be eligible, total disability must be expected to last for 12 months or end in prior death
- Disabled person is eligible after five months of total disability ... that's when to file a claim
- Benefits are based upon your earning history

Benefits are payable to age 65

Benefits available to spouses (including divorced spouses) and children of disabled individuals under certain situations

- After 24 months of disability claims (months 5 through 29), disabled individual will be eligible for Medicare ... best source for that information is www.medicare.gov

B. Individual Disability Insurance Policies

- Individual disability insurance is unavailable for somebody with MS. This is not an illness where an insurance company will write a policy with an "exclusion".

- If one has an individual policy, do not let it lapse for nonpayment of premium. Once the insurance company starts paying a claim, further premiums are waived during disability
- Individual policy has the following variables an insured should understand:
 - When do benefits begin (typically after 30, 90 or 180 days of disability). This is called an “elimination period”
 - How long do benefits go (2 years, 5 years and to age 65 are typical). This is called a “benefit period”.
 - How much is payable by the insurance company each month (check policy). Normally an insurance company will not insure you for more than about 60% of your income
 - Does that benefit increase (is there a Cost of Living rider)? Look to policy
 - Is there a partial disability benefit? Look to policy
 - Is there what is called a “residual disability benefit” and how does that work
 - If you are married and disabled, it is critical that your spouse has adequate disability insurance
 - If you have an individual disability policy, review it with a knowledgeable insurance agent to fully understand the benefits

C. Group Disability Insurance

- Group disability insurance is usually available only through an employer but it may also be available through a professional or trade association
- Benefit plans typically provide 60% of pay reduced by whatever the disabled employee receives from Social Security or state disability benefits
- A person with a health issue can normally get insured under a group LTD plan. The group enrollment form normally will not ask about health conditions.

- A group plan will protect itself against “adverse selection” by use of a pre-existing conditions limitation clause. That clause typically states that the plan will not pay for any pre-existing condition until the employee has been insured for a year. A pre-existing condition may be defined as something for which you had medical treatment in the past three months before becoming insured under the plan.
- SUGGESTION: If a newly diagnosed patient is working, he or she should encourage the employer to add a group long term disability benefit. The cost is surprisingly reasonable, especially when compared to group medical insurance. And the patient will be covered for all pre-existing conditions after a year under the plan
- Tax aspects of insurance ... if the employer pays the premium, all benefits will be taxable. If the employee pays the premium, all benefits will be income-tax free. That’s why insurance companies will not insure you for 100% of pay ... there would be no financial incentive to return to work.
- Check employee benefit booklet for the following features:
 - Residual disability benefit ... this provides a benefit if one can still work but cannot work full time. Usually, if an employee can only work three days and has a loss of income of 40%, a residual benefit of 40% of the insurance amount will be paid
 - Conversion privilege ... if you leave the employer, can you convert the contract to an individual policy to keep from that point on.
 - Pre-existing conditions limitations
- If in doubt about group benefits, ask the Human Resources Department to refer you to the insurance agent who wrote the policy. Have that individual explain the benefits in detail. DO NOT RELY on the Human Resources Department