

# PAF Articles



## SHORT TERM & LONG TERM DISABILITY

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# Comparison of Federal vs. State vs. Private Disability Benefits

The inability to work can create a personal financial hardship. There are many different programs that can work as financial safety nets if your diagnosis makes it difficult to maintain employment.

**Social Security Disability** is a federal program administered by the Social Security Administration that provides benefits to people limited by total disability. Disability has two programs within it- SSI and SSDI.

- SSI (Supplemental Security Income) is a program designed to assist low-income individuals who may have never worked, or who have not worked enough to earn sufficient work credits for SSDI.
- SSDI (Social Security Disability Insurance) is funded by taxes, so only adults with a work history (and who have earned enough work credits) are eligible. To receive SSDI, your application must show that you can no longer work in your previous occupation, you cannot adjust to a new work environment, and your disability prevents you from being able to return to work for at least a year.

A few states do grant employees short-term disability benefits when they can't work, but only on a temporary basis. This differs from federal Social Security benefits because those programs only grant benefits to totally disabled claimants. Currently, there are 5 states with **state-sponsored disability plans** that are funded by mandatory contributions made by employees. The states that have these programs are: [California](#), [Hawaii](#), [New Jersey](#), [New York](#), and [Rhode Island](#). Each state has different eligibility guidelines and details on how their programs are administered including: how long you have worked for your employer, how long you have been disabled before you can apply for benefits, and what percentage of your salary is payable by the benefit plan.

**Private Disability programs** are paid for by an individual or offered as part of an employer's benefits package through monthly premiums. They are administered by large commercial insurers. These insurers sell many types of plans, all with different eligibility, limitations, and payouts. When you sign up for private disability insurance, the insurer may require you to take a health exam first. If you have health issues, the insurance company can charge you more or even deny you coverage. While Social Security Disability benefits require that a person be totally disabled, private disability companies, like state-sponsored plans, will allow coverage for partial disability. As well, Social Security disability doesn't have limitations on how long it will make payments. If you are fully disabled and unable to work, you will continue receiving payments from this program. On the other hand, most private disability insurance policies have a time limit and will cease payments once you reach that time limit, even if you are still disabled.

There is the possibility of receiving payments from both Social Security Disability and a private disability insurance plan. Receiving payments from private disability insurance doesn't affect your eligibility for Social Security disability, and your Social Security payments will never

decrease because you are receiving money from private disability insurance. However, receiving money from Social Security can drop the amount you receive monthly from your private disability policy. Some insurance companies will reduce your benefit amount by the amount of your Social Security disability income so that your total monthly income stays the same.

## Short Term Disability and Its Benefits

**Short Term disability** (STD) pays between 40 to 70% of your base salary, for non work-related illness or injury that prevents you from working for a set-period of time. Work related injuries are covered by workers compensation.

The benefit eligibility period generally lasts between 3 to 6 months.

If you are not eligible to purchase disability insurance through your employer, you can purchase an individual policy from a company or insurance agent.

Depending on where you live, you may also be eligible or already have benefits associated with a state disability program.

Disability plans vary in the kinds of waiting periods and disabilities covered, as well as benefit rates and exceptions.

Read the plan summary for definitions of what is covered as well as specific details required by your plan.

## Long Term Disability and Its Benefits

**Long Term Disability** (LTD) can be used following Short Term Disability (STD) plans or can stand alone.

Long Term Disability coverage provides wage replacement between 50-70% percent of your earnings before a non work-related injury impacting your ability to work.

If a LTD plan is offered through your employer, it is *very important* to sign up during the initial enrollment period, when you cannot be denied coverage for a pre-existing condition. Read the plan summary for definitions detailing what is covered as well as specific details required by your plan.

Most LTD plans include a waiting period that lasts from 3-26 weeks, which coincides with the length of time you can be paid for STD benefits, before you are eligible to begin receiving LTD benefits.

To continue to qualify for benefits, detailed medical information must be provided to the LTD carrier throughout the life of the claim. Failure to do so will result in termination of your benefit. If you are considered disabled longer than 90 days, most policies do not require you to continue paying premiums.

Most LTD policies have two definitions of disability: "Own Occupation" and "Any Occupation".

- The **Own Occupation** period are benefits payable if the employee is unable to perform his or her regular job or a similar job. This period can last up to two years.
- After that, benefits are payable only if the employee is unable to perform **Any Occupation** for which he or she is or becomes reasonably qualified by education, training, or experience.

Most LTD companies require you to apply for Social Security Disability (SSDI) benefits and may help in the application process. Your LTD policy provides what is known as an *offset*, or any benefit you receive from SSDI will reduce the benefit paid by the LTD policy.

*If you are approved for SSDI and receive a retroactive payment check, you are normally required to pay the amount back that you received by the LTD company during the time which SSDI pays you.*