



## Achieve Savings in Your Self-Insured Long-Term Disability Programs by Maximizing Your SSDI Offset Provisions

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LTD policies contain provisions to offset coverage with SSDI benefits. To reap these savings, companies should identify SSDI-eligible candidates and provide assistance with the application process.

Many employers utilize self-insured programs to offer long-term disability (LTD) coverage to employees. These companies take on the financial risk of these policies, and so it's important for them to remember that LTD policies often contain provisions to offset coverage, dollar for dollar, with the benefits that employees receive from Social Security Disability Insurance (SSDI).

Many LTD policies state that claimants must pursue SSDI if they're entitled to this benefit. Such offset provisions enable self-insured employers to offer LTD coverage to employees at affordable rates. Otherwise, policies might be prohibitively expensive for both employers and employees. Reaping potential offset savings, however, depends on programs being able to successfully identify SSDI-eligible candidates and providing assistance with this complex application process.

### Navigating Social Security

Today, applying for SSDI benefits has become increasingly complex. The Social Security Administration (SSA) continually modifies its procedural requirements. The right information must be provided to ensure a fair and accurate SSDI determination is made. SSDI pays benefits to people who cannot work due to a medical or mental health condition. It is funded through FICA Social Security payroll taxes that workers pay, and it's considered a form of insurance earned by accumulating enough work credits throughout a person's working life.

To qualify for SSDI benefits, a person must be under full retirement age and have a qualifying severe impairment as designated by the SSA. Once it's determined that a person meets the work requirements to be eligible, the severity of the impairment is assessed.

Education about SSDI benefits helps employees understand the reasons why they should apply.

Cutting-edge technology can help identify the claimants most likely to be eligible for SSDI.

Social Security bases disability on a person's inability to work. Individuals fit the definition if they:

- Cannot do the work they once did.
- Cannot adjust to other forms of work because of this medical or mental condition.
- Have an impairment that has lasted or is expected to last for at least one year.

### Employee Education on Extensive SSDI Benefits

For a variety of reasons, some employees may be hesitant to apply for SSDI. In these situations, they need education to help them understand the plethora of benefits available under SSDI. Although these employees may not obtain additional income on a monthly basis, other benefits do make application worthwhile. See section on "Extensive SSDI Benefits for Employees" on page 3.

Once employees understand the benefits available, they're often willing to move forward and apply. In fact, many eventually see it as a no-brainer since SSDI provides them with comprehensive, long-term value.

### "Smart" Systems Help Identify SSDI Beneficiaries

It can be difficult to identify the LTD claimants who may qualify for SSDI benefits. These days, cutting-edge technology in the form of iterative machine learning can help identify those claimants who are most likely to be eligible. Iterative machine learning is precise and accurate because it uses new data to retrain the analytic model on an ongoing basis. As a result, it can predict claimants who would qualify based on the most current trends. For example, if there's a change in how California hearings are being awarded, and new judges rule in different ways, the model would account for those changes and predict accordingly.

Iterative machine learning will not only identify those who might be approved for SSDI, but also predict other factors that assist with the self-insured organization's financial planning. Oftentimes, employers won't have an analytics team capable of making predictions in relation to their LTD programs. For example, a self-insured employer might have 1,000 LTD cases and want to know when it can anticipate offsets being put in place. Iterative machine learn-

## Extensive SSDI Benefits for Employees

### No Durational Limits

Most LTD policies have specific durational limits for certain types of impairments. An employee may have a mental health issue or a condition with self-reported symptoms, such as headaches or back problems that have no identifiable physical cause. In these situations, LTD benefits are subject to a 24-month durational limit, so coverage would be terminated after 24 months. Meanwhile, SSDI does not have this type of durational limit, so an employee who suffers from depression could be awarded SSDI benefits for an indefinite period.

### Return-to-Work Programs

Other employees may not want to apply as they feel they'll be able to return to work the following year. The employee needs to understand that SSDI is not a permanent benefit. In fact, if employees recover and want to go back to work, SSDI offers a return-to-work program with unique features, such as an "unsuccessful work attempt" and "trial work period" – both of which provide a safety net to employees who may want to return but perhaps in doing so find their impairment is still holding them back. The safety net enables them to return to SSDI benefits, if needed, without starting over in the application process.

### Disability Freeze

This relates to Social Security retirement benefits. If an employee is 40 years old and is out on disability until retirement but doesn't apply for SSDI, the SSA would add zeros into the person's earning record from the point when they're out until they reach full retirement age. By then, the person may not have accumulated enough credits to qualify for retirement benefits. However, if that same employee, who is 40, is out on disability and obtains SSDI benefits, the SSA would place a disability freeze on the individual's earning record. This is a huge advantage, which helps to safeguard retirement benefits.

### Healthcare Coverage

This is yet another SSDI benefit. With LTD coverage, employers typically terminate coverage after a year. Two years after SSDI entitlement, beneficiaries become Medicare eligible.

When employees get a successful initial award, they can avoid a prolonged process that might include reconsideration and possibly a hearing.

Educating claimants about the offset provision can help ensure successful recovery of overpayments.

ing can forecast these figures and more. The technology can also anticipate what the potential awards may be, what level in the SSDI process cases will reach, how long the award process will take, and the accumulated total of retroactive benefits.

### Avoiding Reconsiderations & Hearings

Today, the SSDI process is becoming increasingly prolonged. As such, it's important to achieve a high initial award rate. It takes only three to six months to obtain an initial award decision. If the application gets denied, it goes through a longer, more convoluted process. Some states have a reconsideration process; some don't. The average national award rate at reconsideration is very low. So, most likely, the application will be denied at reconsideration, and a request for a hearing will need to be filed.

Hearing wait times have become a major issue. Previously, it took 12 months from the time a hearing request was filed to the actual hearing date. These days, it can take 16 to 24 months.

However, if the initial award is achieved, there's no need to file for a hearing. Organizations should strive to help claimants get awarded at this first level, avoiding reconsiderations and hearings whenever possible.

### Successful Recovery of Overpayments

Once an SSDI application is filed, it can often take up to six years for claimants to be awarded their benefits. Once this occurs, claimants will begin to receive monthly SSDI benefits going forward, but they may also receive a lump sum retroactive benefit. In some cases, the lump sum could be as high as \$100,000 if the claimant has been waiting for several years. However, these funds are typically owed back to the self-insured LTD program, which in the interim has been overpaying their share of the disability benefits.

Recovering these overpayments is a huge challenge. Claimants must be educated about the offset provision – from the onset of the claim as well as throughout the process – and what it will mean in relation to their SSDI benefit award. In this way, by the time claimants receive their lump sum retroactive benefit, they understand that the payment is not theirs to keep. But, education is a vital component to ensuring successful collection.

Tracking credits for additional earnings yield additional savings.

If the steps in this paper are followed, companies help employees apply for SSDI, while simultaneously savings costs in their self-insured LTD programs.

## Monitoring for Credits for Additional Earnings

When a claimant receives an initial award, the SSA often does not have the information on this person's last year of earnings. Most of the time, people earn more as they progress year to year in their careers. Once the SSA obtains the latest earnings information, it will recalculate the benefit amount. If claimants have higher incomes, the benefit goes up, but it can take a full year for the recalculation to occur. At that point, the SSA will issue a credit for additional earnings.

Tracking credits can be difficult, but they can also result in significant savings. Perhaps a credit will only be \$10 a month, but when credits are applied across a large number of claimants over many years, it can quickly add up.

## Leveraging SSDI Expertise and Education

Employers often choose to self-insure their LTD program to exert more control over costs and risks. As this paper has shown, one area where they can shore up significant LTD costs is by optimizing their offset provisions, especially in relation to SSDI benefits.

Employees who are out on LTD may need assistance in applying for SSDI, so they have a higher likelihood of being awarded these benefits. This includes education on SSDI's benefits, which often makes the value clear to employees, so they'll want to move forward and apply.

Machine learning can help identify the employees most likely to be eligible. Organizations should also try to achieve an initial award to avoid reconsiderations and hearings, which could significantly prolong the process. Employee education regarding offset provisions is vital to enable successful collection of overpayments – ensuring employers maximize savings. And finally, tracking credits for additional earnings can achieve additional savings across their self-insured LTD program.

### About the Author

**Jennie Gailey, Esq.**, vice president of Social Security Services at Genex Services, oversees the operation and delivery of this program to insurers, employers and employees. With nearly 15 years of experience as an attorney in this space, she manages an expert team, which provides long-term disability claimants with representation throughout the entire Social Security Disability Insurance (SSDI) application process. Her team ensures a high initial award rate, excellent customer service and successful collection of overpayments.

### About Genex Services, LLC

Genex's Disability and Absence Management Services ([www.genexservices.com/disability](http://www.genexservices.com/disability)) is a national provider of managed care and vocational services to the disability and leave management industry. Genex serves the top underwriters of disability insurance, third-party administrators and a significant number of Fortune 500 employers. The company's specialized disability expertise helps mitigate the challenges of compliance, high disability costs, lack of resources, and legal expenses. Our in-house disability experts provide comprehensive services throughout disability, FMLA, and ADAAA environments, including medical evaluations and clinical reviews, vocational expertise, ADAAA accommodation reviews, and Social Security Services. Genex's integrated Absence Management Services help administrators and employers achieve better FMLA and ADAAA outcomes and enable faster and sustained return to work.



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