

Duke University and Health System

Income Replacement: What You Need to Know about Disability Insurance

Tuesday - 9/12/23

3:00 p.m. - 4:00 p.m.





Agenda



- ^ Introductions
- ^ Why might I need Disability Insurance
- ^ Disability Statistics
- ^ The Differences between STD and LTD
- ^ Overview of the Duke LTD Plan
- ^ Overview of the Hartford Voluntary STD and LTD Plans
- ^ How to calculate your cost for The Hartford plans

Introductions



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Wjti Why I might need Disability Insurance?



- z **Do I need Disability Insurance?** Your ability to earn an income is one of your biggest assets. If you or others depend on your income to cover living expenses, then the simple answer is yes.
- z **Why do I need Disability Insurance?** Disability insurance is there to provide protection against short- and long-term financial risks, due to unexpected illnesses and injuries.
- z The most common reasons for disability claims are: Pregnancy, Musculoskeletal Disorders, Cancer, Mental Health Issues, Heart Attack/Stroke and Injuries such as fractures and sprains.

Disability Statistics: Chances of Becoming Disabled and Consequences



S One in four of today's 20-year-olds can expect to be out of work for at least a year due to disability before they reach normal retirement age.

^ Each year around 5% of Americans will experience a short-term disability of less than six months, due to illness, injury or pregnancy. *(American Council of Life Insurers - 2017)*

S A 2019 study of consumer bankruptcy filings found that 77.8% of debtors cited income loss as a contributor to their bankruptcy.

^ Disability causes nearly 50% of all mortgage foreclosures: 2% are caused by death. *(Health Affairs, The Policy Journal, 2005)*

Short and Long-Term Disability - What are the differences?



- S Short Term Disability** - Also called STD, is for temporary disabilities. It is designed to replace approximately 60% of your income for a short period, usually 3 to 6 months after the benefit waiting period is met. The benefit waiting period is the amount of time you must be disabled before you can begin to collect your benefit. An STD plan benefit waiting period is usually anywhere from 0 to 30 days.
- S Long-Term Disability** - Also called LTD, is to provide coverage for longer periods of time. It is also designed to replace approximately 60% of your income for durations ranging from 2 years, all the way up to retirement age. An LTD plan's benefit waiting period usually ranges from 3 to 6 months and is meant to begin once STD benefits end.

Other STD and LTD Provisions



S Definition of Disability - This defines whether or not you will qualify for your benefit. Normally you will be considered disabled if you are unable to perform the essential duties of “your own occupation” for a defined period of time, depending on the contract. After that the definition changes to, unable to perform the essential duties of “any occupation” for the remainder of the benefit duration.

S Pre-Existing Condition Limitation - This is a lookback period for conditions existing prior to coverage being in effect. It also establishes how long one must be treatment free before those conditions may not be excluded from coverage.



Other STD and LTD Provisions



S For example, in a 12/12 pre-existing clause, the insurance carrier will look back 12 months for any condition diagnosed or treated during that 12-month period. These conditions will not be covered per the contract. Once the employee is treatment free while covered on the plan for 12 months, that particular pre-existing condition will no longer be excluded from coverage.

^ **Offsets with Other Income Sources** - Most STD and LTD contracts will offset your benefit by other sources of income that you may be receiving, these can include Social Security, Worker' Compensation, Sick Leave, PTO, etc.

Duke LTD Plan



Upon meeting the eligibility requirements, Duke provides a Long-Term Disability plan at no cost to all eligible employees.

Who Is Eligible for Coverage?

S If you are an active, regular full-time employee scheduled to work at least 30 hours per week, a faculty employee holding a regular rank appointment who is receiving wages for Social Security purposes, or a faculty employee holding other than a regular rank appointment and classified as a full-time member of the faculty, who is receiving wages for Social Security purposes, you are eligible to participate in the Duke Disability Program as of the first day of the month after the completion of three years of full-time continuous service with Duke.

Duke LTD Plan - continued



- ^ **Benefit Waiting Period** - The benefit waiting period/elimination period is the length of time you must be continuously partially or totally disabled before you qualify to receive any benefits.

The benefit waiting periods for Duke employees are as follows:

S Duke University Employees (Company Code 10) -120 calendar days

- ^ Duke University Health System (DUHS) (All other Company Codes) - 90 calendar days

Duke LTD Plan - continued



S Monthly Benefit Amount - Upon approval, your monthly benefit will be the lesser of 60% of your basic monthly earnings or \$35,000, minus other income such as Social Security, Worker's Comp, any income paid by your employer, etc.

Definition of Disability

S Clinical faculty/physicians - Their definition is "own occ" to age 65 in the specialty or subspecialty in the practice of medicine in which they are both board certified and practicing immediately prior to the start of the disability.

S All other employees - Disability is defined as the ability to perform the essential duties of your "own occupation" for the first 24 months of coverage. For the remainder of the Benefit Period, the definition is the ability to perform the essential duties of "any occupation".

Duke LTD Plan - continued



The Maximum Benefit Period is based on the age at disability and is as follows:

Less than age 61	to age 65
61 but less than 62	48 months
62 but less than 63	42 months
63 but less than 64	36 months
64 but less than 65	30 months
65 but less than 66	24 months
66 but less than 67	21 months
67 but less than 68	18 months
68 but less than 69	15 months
69 and over	2 months

Please note that since this plan is paid by your employer, disability benefits are considered taxable income and will be subject to state and federal taxes.

More information on the Duke LTD plan along with a complete Summary Plan Description can be found at hr.duke.edu/benefits



The Hartford Voluntary STD and LTD



Both voluntary STD and LTD from The Hartford are offered to all Active full-time employees of Duke through payroll deduction.

How do I know which coverage is best for me?

S Voluntary STD is for those employees that have not accumulated much PTO/sick leave days or may not have enough of an emergency fund to get them through a few months without a paycheck. There is no employer provided STD coverage for employees.

S Voluntary LTD is for those with fewer than 3 years of full-time continuous service that are not yet eligible for the Duke LTD plan.



The Hartford Voluntary STD and LTD - cont.



How do I enroll in Voluntary STD or LTD coverage?

S Employees should enroll within 30 days of their date of hire to receive guaranteed issue coverage. You may enroll at any time, but if enrollment takes place after 30 days of hire, you will be considered a late-entrant and will need to complete a Personal Health Statement. Your Personal Health Statement will need to be approved by The Hartford before coverage will go into effect.

S Employees may not enroll in the Voluntary LTD plan if they are eligible for the Duke LTD plan.

S Forms and more information on how to enroll can be found at:

<https://hr.duke.edu/benefits/finance/disability/>



The Hartford Voluntary STD



- ^ The Voluntary STD plan replaces 60% of your weekly base salary up to a weekly maximum of \$2,885, less offsets from other sources of income, which may include Social Security, Worker's Comp, sick/vacation leave, paid time off, etc. The minimum weekly benefit is \$15.
- ^ For Duke University employees, benefits begin after 4 weeks (28 days) and may continue up to 13 weeks.
- ^ For Duke University Health System employees with less than 3 years of full-time continuous service, benefits begin after 4 weeks (28 days) and may continue up to 22 weeks.



The Hartford Voluntary STD - cont.



- ^ For Duke University Health System employees with more than 3 years of full-time continuous service, benefits begin after 4 weeks (28 days) and may continue up to 9 weeks.
- ^ The plan includes a 12/12 pre-existing condition limitation. Any condition that was diagnosed or that you received care for during the 12 months before your coverage was effective will not be covered until you are treatment free for that condition for at least 12 months.
- ^ If approved for benefits, the plan will pay 2 weeks of benefits even if your condition is determined to be a pre-existing condition.



The Hartford Voluntary STD - cont.



- ^ The STD plan does offset with other sources of income as we discussed before, so you will not receive a benefit if you choose to use sick time or PTO.
- ^ Payroll deductions for the Voluntary STD plan are done post-tax, so benefits are not subject to federal, state or FICA taxes.



The Hartford Voluntary LTD



- ^ The Voluntary LTD plan replaces 60% of your monthly base salary up to a monthly maximum of \$12,500, less offsets from other sources of income, which may include Social Security, Worker's Comp, sick/vacation leave, paid time off, etc. The minimum monthly benefit is the greater of \$100 or 10% of the Monthly Benefit.
- ^ For Duke University employees, benefits begin after 4 months of total disability.
- ^ For Duke University Health System employees benefits begin after 6 months of total disability.

The Hartford w Voluntary LTD - cont.



The Maximum Benefit Period is based on the age at disability and is as follows:

Prior to age 63 to SSNRA or 48 months, if greater

Age 63 to SSNRA or 42 months, if greater

Age 64 36 months

Age 65 30 months

Age 66 27 months

Age 67 24 months

Age 68 21 months

Age 69+ 18 months

The plan includes a 2-year “own occupation” definition of disability for the first 2 years and then an “any occupation” definition for the remainder of the benefit period.

The plan includes a 12/12 pre-existing condition limitation. Any condition that was diagnosed or that you received care for during the 12 months before your coverage was effective will not be covered until you are treatment free for that condition for at least 12 months.



The Hartford Voluntary LTD - cont.



- ^ The LTD plan does offset with other sources of income such as Social Security Disability, Worker' Compensation, Sick Leave, PTO, etc.
- ^ Payroll deductions for the Voluntary LTD plan are done post-tax, so benefits are not subject to federal, state or FICA taxes.

More information on The Hartford Voluntary STD and LTD plan along with information on how to enroll can be found at:

<https://hr.duke.edu/benefits/finance/disability/>

Voluntary STD

Calculating the cost of coverage

The premium will be payroll deducted monthly. The rate depends on your current base salary and age as of January 1st of current year, calculated per \$ 100 of covered monthly pay. To determine your monthly payroll deduction, fill out the premium calculation worksheet.

Premium Calculation Worksheet

Example: Employee age 35 earning \$25,000 per year.

Voluntary STD

1. Enter your annual earnings, up to \$250,000:

Example: \$ 25,000

You: \$

2. Divide by 12:

\$2,083.33

\$

3. Divide line 2 by 100:

\$ 20.83

\$

4. Enter your rate from the table to the right: \$.23

\$

5. Multiply line 3 by line 4.

This is your monthly premium:

\$ 4.79

\$

Age	Voluntary STD Rate/\$100 of covered payroll
<25	\$.27
25-29	\$.29
30-34	\$.23
35-39	\$.23
40-44	\$.23
45-49	\$.26
50-54	\$.31
55-59	\$.34
60-64	\$.36
>65	\$.50



МФЖ Voluntary LTD

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Example:

\$ 25.000

You:

\$ _____

2. Divide by 12:

\$2.083.33

\$ _____

3. Divide line 2 by 100:

\$ 20.83

\$ _____

4. Enter your rate from the table to the right:

\$.32

\$ _____

5. Multiply line 3 by line 4.

This is your monthly premium:

\$ 6.67

\$ _____

Age	Voluntary LTD Rate/\$100 of covered payroll
<35	\$.25
35-39	\$.32
40-44	\$.50
45-49	\$.94
50-54	\$ 1.10
55-59	\$ 1.24
>60	\$ 1.36

Questions?



<https://hr.duke.edu/benefits/finance/disability/>



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