

## 8 Critical Differences Between SSDI and LTD Insurance

For individuals who become disabled and unable to work, finding financial security through sources such as Social Security Disability Insurance (SSDI) or Long-Term Disability (LTD) is key. Some individuals may even end up receiving both payments, for at least a short period of time. While each benefit helps to offset the income loss due to a disabling condition(s), there are many differences between them. To learn more about the key differences between SSDI and LTD, please review the list we have compiled below.

### 1 The definition of “disabled” may vary.

The Social Security Administration (SSA) issues SSDI benefits to those qualifying workers whose injuries or illnesses are expected to keep them out of work for at least one year or, result in death. According to Social Security regulations, to receive SSDI benefits applicants must be unable to participate in any type of work currently available in the national economy, considering their aged, education, and work history. Many individuals are approved LTD for the first few years under the stipulation that they are unable to return to their previous, or “own,” occupation. Despite being able to partake in other employment, applicants may still be able to qualify for LTD benefits under the “own occupation” terminology. If a beneficiary remains out of work and wishes to continue to receive LTD benefits, he or she will need to prove they are unable to work in “any occupation” – terminology that is much closer in definition to SSDI.

### 2 The programs are funded differently.

Payroll taxes collected from employers and workers through the Federal Insurance Contributions Act (FICA) provide funding for the SSDI program. When federal taxes are withheld from a worker’s paycheck, he or she is helping to fund the SSDI program. LTD plans are typically held directly through an employer, or third-party insurer. Payments are funded through premiums that have been paid for by an employer, the employee, or both. Employers may choose to provide a baseline level of coverage for each employee, with the option for additional individual coverage to be paid from premiums withheld from a worker’s paycheck.

### 3 Payment duration can vary.

Beneficiaries are awarded SSDI benefits in a category based on the nature of their impairment – medical improvement expected, medical improvement possible, or medical improvement not expected. SSA may periodically review claims to ensure beneficiaries continue to meet the disability criteria while they are collecting ongoing benefits. SSDI can be awarded for a “closed period” of time or may be terminated if a beneficiary’s condition(s) has improved enough to allow him or her to return to work. LTD benefits are often awarded for a specific duration with continuous reviews occurring to extend benefits while the beneficiary remains out of work. Each policy has a term limit, which could end coverage after a duration of time, or if the beneficiary has reached a certain age, regardless of medical or employment status.

### 4 Benefits are calculated differently by each source.

SSA uses a variety of factors, such as age, how many years a beneficiary has worked, annual earnings calculations, and how much has been paid into Social Security by the beneficiary, to determine the benefit amount. These factors are then entered into a standard formula to determine monthly SSDI benefits. Calculating LTD benefits is typically less complex. LTD carriers pay a disabled worker a percentage of their salary, typically between 50 and 70 percent. The exact percentage is based upon the policy for the plan that the employee signed up for and paid into.

### 5 Additional benefits may be payable for family members.

When approved for SSDI benefits, certain family members of the beneficiary – including a spouse and child(ren) – may qualify for additional payments known as dependents benefits. These benefits are typically paid for the same time frame and duration as the beneficiary, assuming they continue to meet the dependency requirements. LTD plans typically do not offer additional monthly dependent benefits to disabled workers. While receiving LTD payments may allow the disabled worker to receive additional dependent benefits or assistance through outside means, that support varies and is not a direct result of LTD benefits.

### 6 Approval may provide access to healthcare benefits.

Depending on how long an individual has been out of work, those who become disabled due to illness or injury may no longer be eligible for healthcare benefits through their former employer. For most beneficiaries, after receiving SSDI benefits for two years, they become eligible for Medicare coverage, even if they are under 65 years of age. Receiving LTD benefits does not provide a disabled worker with specific healthcare coverage. In some instances, receiving LTD benefits may be a trigger for employers to transition the disabled workers off their group coverage and over to COBRA benefits.

### 7 Resources and support for individuals returning to work may vary.

Upon being awarded SSDI benefits, beneficiaries have access to the “Ticket to Work” program, which helps transition individuals from receiving SSDI benefits to reentering the workforce. The “Ticket to Work” program provides resources such as vocational rehabilitation, career counseling, and job search assistance to those individuals with disabilities who want to return to the workforce. While there is no overall program for LTD benefit recipients, disabled workers showing medical improvement, reaching the end of the policy, or simply with a desire to get back into the workforce may work with their carrier for referrals to vocational rehabilitation and other services to help with the transition back into the workforce. Some LTD plans may even contain a mandatory rehabilitation clause, which limits or reduces benefits for those individuals who are capable of a return to work under a rehabilitation program, but refuse to participate.

### 8 Beneficiaries may be able to receive payments while working.

Once approved, SSDI beneficiaries can utilize a return-to-work trial period of up to nine months. During this time, beneficiaries will continue to receive their full monthly benefit while resuming employment, ensuring they are ready to return to steady employment without jeopardizing their SSDI benefits. Disabled workers may also continue to work for an indefinite amount of time without seeing an end to their SSDI benefits if their income remains under a **yearly threshold** determined by SSA because of their disability and they continue to meet the definition of disability. LTD carriers may also provide return-to-work incentives for benefit recipients, such as a period of Work Incentive Benefits (WIB). WIB allows an individual to return to work with generally no offset against their LTD benefit, unless the return to work earnings exceed 100 percent of their pre-disability earnings. Under some plans, this calculation may change after twelve months to between 60 and 80 percent of the pre-disability earnings.

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