Employer Responsibility or Social Insurance for Workers with Disabilities?

Winthrop Cashdollar
America’s Health Insurance Plans

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Private Disability Insurance: A New Role for Employers and Insurers?

• What insights do private disability insurers have?

• What new issues would insurers face?

• Potential challenges

• Findings regarding current interactions of private disability insurance and public programs
A Sampling of Prominent Disability Reform Proposals

• Requiring/encouraging employers to provide private disability insurance integrated with SSDI in a way that is designed to decrease the burden on the program

• “Experience rating” the portion of the FICA tax that employers pay to support the SSDI program

• Programmatic reforms and structural changes to consolidate administration of support for individuals with disabilities at state or local level

• Demonstration projects to test several approaches to disability reform – and increased investment in SSA administrative capacity
Insights: Comprehensive Disability Management and Return-to-Work
What New Issues Would Insurers Face?: A Whole New Mindset.

Current Private Disability Insurance Coverage is Designed as a Complement to SSDI Coverage.

• SSDI benefits can be modest relative to pre-disability income.

• Though SSDI claimants are eligible to begin receiving benefits 5 months after disability onset, there is often a long delay before the claimant is awarded benefits.

• For these and other reasons, private disability income insurance can play a crucial role in helping disabled workers – and their families – to maintain a comfortable standard of living, by complementing SSDI coverage.
Potential Challenges

• Industry Capacity: Growing pains of tripling covered lives?

• Cost: Would fundamentally re-arranging the relationship of private disability insurance and the SSDI program result in higher cost coverage than preliminary estimates?

• Targeting of Rehabilitation and Return-to-Work Assistance: Is the proposal inclined to increase spending on return-to-work assistance that is not cost-effective?

• And the devil that lurks in the details . . .
Private Disability Insurance and Return-to-Work: Cost Savings to SSDI and Other Federal Programs

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Private Disability Insurance: Providing Financial Relief for Consumers and Taxpayers

“Group long-term disability insurance as currently configured will save the Federal treasury $25 Billion over the next 10 years.”

—Charles River Associates

Private Disability Insurers Provide Important Protections and Benefits

- 1 in 3 employees between ages 35-45 will at some point in their career be out of work for three months or more because of illness or injury.

- Approximately 1/3 of the U.S. private sector workforce is covered by private, employer-sponsored group long-term disability insurance.

Customized return-to-work support plans include:

- Rehabilitation counselor support
- Coordination with employer
- Adaptive equipment at workplace
- Job search assistance

Private Disability Insurers Save Taxpayers Billions

$25 Billion

Approx. $30,000 per employee per year

65,000 employees a year help less or not at all by public programs due to private disability insurance
Financial Security for Working Americans

Saving Taxpayers Money

Income protection provided by employer-sponsored disability insurance means that between 280k - 575k families each year avoid impoverishment and, therefore, do not need public assistance programs.

On a very conservative basis, this translates into at least a $2.25 - $4.5 BILLION SAVINGS PER YEAR to the government and the taxpayer.

In 2009, only 32% of workers were covered by group long term disability insurance.

Research was commissioned by employee benefits leaders Union.
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