

Physicians Practice Long Term Disability Evaluation Guide



A complete guide to
evaluate the income
protection needs of
your practice

Provided by **Medical Group Insurance Services, Inc.**





Choose Wisely

The better informed the consumer, the wiser the choices that can be made. This philosophy is the guiding principle behind the Physicians Practice Long Term Disability (LTD) Evaluation Guide. We believe that using this Guide will provide you with the insight you need to select a group LTD plan that best meets your needs.

The Physicians Practice LTD Evaluation Guide comprises 40 different market and contract criteria for considering an insurance provider and a group long term disability plan. We feel each of these criteria is important; you decide which ones are most important to you.

Ask the tough questions, analyze the data, and compare the LTD coverages. We are confident you will choose the companies committed to the highest quality coverage designed specifically for physicians and their staff members.

Contractual Promise

Contracts must provide superior protection, which is determined by the definition within that contract. Companies that provide dedicated claims units for adjudicating physician claims recognize the importance of the contractual promise.

Specialization

When it comes to group benefits, physician groups require special attention. Not only do these groups want hassle-free administration of their group LTD plans, they also have a wide variety of medical specialities, job capabilities, and compensation structures that require specialized plan designs.

Financial Strength

Choosing the most financially secure carrier for group benefits is the best way to ensure that physician groups received the financial support promised to them – whether they need that support today or decades into the future.

Physician Advocacy

Physician practices have unique insurance needs that can only be met by a company with extensive technical expertise in this specialized market. Make sure the company you choose provides hands-on support to assure quick and efficient claim submission processing.

Evaluation Criteria

Fundamentals

Typical Market Conditions

Current/Proposed Coverage

Longevity in the physician market

Most carriers have been in the physician group market for only a few years and do not have a significant block of physician group disability policies. Some carriers have entered and exited the market several times.

Physician market philosophy

Many carriers do not treat physician groups any differently than other customers.

High financial ratings

Few LTD carriers have the highest ratings as offered by A.M. Best, Moody's, and Standard & Poor's, which means they may not stay in the market for the long term.

Specialized claims office

Few carriers have a dedicated claims office for physician group claims. The same claims person may process and pay claims for truck drivers, teachers, waitresses, etc.

Specialized contract just for medical practices

Few carriers have a specialized contract just for medical practices.

Special administration specifically for medical practices

Few carriers have specialized administration just for medical practices.

Service guarantees

Only one LTD carrier offers service and claim guarantees on all physician groups clients

Restrictions on certain specialties or ages of physicians

Some carriers will not insure high risk specialties or groups with a high percentage of older physicians.

Discount for Medical Group Management Association (MGMA) members

Most carriers do not offer a discount for MGMA members.

Evaluation Criteria

Fundamentals

Income Insured – Does your carrier protect all the income you receive from your employment at the practice?

Benefit Percentage – What percent of income is payable as a benefit?

Maximum Monthly Benefit Payable – How high a monthly benefit will the carrier offer?

Elimination Period – How long do you have to be disabled before a benefit is payable?

Benefit Duration – How long will the benefit be payable?

Definition of Disability for Physicians – What determines if a physician is disabled?

Definition of Disability for Physicians – Is Board certification required, or are there other limits on a physician's specialty?

Definition of Disability for Physicians – Is there an "income test" or a required income loss before benefits are payable?

Definition of Disability for Physicians – How does the carrier look at "receivables" or an income lag when determining an income loss?

Indexing of Income – How does the carrier account for "wage inflation" when determining my pre-disability earnings?

Policy Limitations/Mental & Nervous Conditions – Are benefits limited for disabilities due to Mental & Nervous conditions?

Typical Carrier Coverage

Many carriers do not cover bonuses or K-1 earnings, and may not understand production formulas.

Most carriers offer benefit percentages of 40, 50, 60, and 66 2/3. Most common benefit percentage is 60%.

Many carriers do not offer a benefit higher than a \$10,000 monthly disability benefit.

Most carriers offer 90, 180, or 360 day elimination periods.

Most carriers offer benefits to age 65, or to Social Security retirement age.

Most carriers only offer an "Own Occupation" definition of disability (a physician able to perform general medical duties is not considered disabled), allowing a carrier to "force" a doctor to work in another area of medicine within the scope of his/her license.

Some carriers who have an "Own Specialty" definition require board certification or a specific percentage of income being derived for the specialty. Some carriers do not cover sub-specialties.

Most carriers have an income test for both totally and partially disabled claimants. Some carriers do not require an income loss during the elimination period; however, an income loss is typically required to receive benefits.

Many carriers count income received while disabled, whether the income was based on procedures performed before or during disability. This may keep some physicians from qualifying for disability for an extended period.

Most carriers index pre-disability earnings at the lesser of the Consumer Price Index–Wages (CPI-W) or 10%. Some carriers do not index, or only index either the earnings test or the Proportionate Loss formulas.

Many carriers limit benefits for Mental & Nervous related conditions to 24 months lifetime, combined with Drug & Alcohol claims, unless hospitalized.

Current/Proposed Coverage

Evaluation Criteria

Fundamentals

Policy Limitations/Drug and Alcohol

Conditions – Are benefits limited for disabilities due to Drug and Alcohol conditions?

Policy Limitations/Self-Reported Conditions – Are benefits limited for disabilities due to “self-reported” conditions?

Policy Limitations/Pre-existing Conditions – How does the carrier limit benefits for disabilities due to pre-existing medical conditions?

Policy Limitations/40-hour Work Week – Does the carrier indicate that if a claimant can work 40 hours a week, then he/she is no longer considered disabled?

Partial/Residual/Return-to-Work Incentive – Does the carrier encourage claimants to return to work?

Partial/Residual/Disability Benefit after the Return-to-Work period – How does the carrier pay claims for a partially disabled claimant after the RTW period?

“Managed Disability”/Mandatory Rehabilitation – Does the contract require a claimant to participate in a rehabilitation plan?

Rehabilitation Benefits – Does the contract provide an incentive for a claimant to participate in a voluntary rehabilitation program?

Benefit Offsets/Individual Disability – Does the contract offset (reduce LTD benefits dollar for dollar) for benefits received from an individual policy?

Benefit Offsets/Social Security Disability Benefits – Does the contract offset (reduce LTD benefits dollar for dollar) for Social Security benefits?

Benefit Offsets/Salary Continuation – Does the contract offset (reduce LTD benefits dollar-for-dollar) for salary continuation?

Typical Carrier Coverage

Many carriers limit benefits for Drug and Alcohol-related conditions to 24 months lifetime, combined with Mental & Nervous claims, unless hospitalized.

Some carriers have 24 month limit on self-reported/special conditions: Carpal Tunnel, Epstein-Barre, Chronic Fatigue, Fibromyalgia, musculoskeletal conditions, connective tissue disorders, chemical sensitivities, etc.

Most carriers provide these options: 3/3/12, 3/12, 6/6/12, 6/12, 12/12/24, and 12/24. Some carriers use “prudent person” language, meaning that if a prudent person would have sought treatment, then the condition is also pre-existing.

Some carriers consider a physician to be fully functional (not disabled) if they can work 40 hours a week, regardless of their loss of income.

Most carriers provide a return-to-work incentive for the first 12 months after returning to work on a partial basis, where the claimant can earn up to 100% of pre-disability earnings from partial work income and disability benefits.

Most carriers use only the 50% Offset formula or the Proportionate Loss formula. The 50% Offset formula is best for lower-paid employees; the Proportionate Loss formula is best for higher-paid employees.

Many carriers often require participation in a rehab program for all physicians and employees.

Most carriers do not provide an additional benefit percentage for voluntary participation in a rehabilitation program. Most carriers do provide some form of Child Care benefit.

Some carriers offset for individual disability policies if the total of the LTD benefit, plus the DI benefit, exceeds a certain percentage of pre-disability income.

Most carriers offset for any Social Security Disability benefits received by the claimant (primary) and his/her dependents (family). Some carriers offer a 70% All Sources option.

Many carriers offset dollar-for-dollar with salary continuation.

Current/Proposed Coverage

Evaluation Criteria

Fundamentals

Taxation of Benefits – Will the LTD benefit be taxable to the claimant?

Accidental Dismemberment/Loss of Sight Benefit – Pays a specified number of monthly LTD payments for loss of limb or eyesight

Pension Contribution Benefit – Pays money into a retirement plan

Assisted Living – Pays a benefit if claimant cannot perform two or more activities of daily living (ADLs)

Cost of Living Adjustment (COLA) – Factors in an annual increase in the monthly LTD benefit

Infectious & Contagious Disease Benefit – Pays a benefit if physician tests positive for an infectious or contagious disease

Progressive Illness Benefit – Freezes income for claimant who has a slowly debilitating medical condition

Business Protection Benefit – Pays a benefit to the practice if physician or key employee is disabled

Extended Earnings Benefit – Pays a benefit if physician returns to full-time work but has an income loss

Typical Carrier Coverage

Some carriers charge extra to provide a non-taxable LTD benefit.

Many carriers do not offer this benefit.

Many carriers do not offer this optional benefit.

Most carriers have some form of this option.

Most carriers have some form of this option; but may be limited to only the CPI or ½ CPI, and not a flat percentage.

Most carriers do not offer this optional benefit. A few carriers offer this option (limited to HIV or Hepatitis only). Some carriers require loss of income because of a restriction on a physician's license, and do not consider loss of income from loss of admitting privileges or loss of patients.

Most carriers do not offer this optional benefit.

Most carriers do not offer this optional benefit. Some carriers limit benefit to just partner physicians only.

Most carriers do not offer this optional benefit.

Current/Proposed Coverage

Since 1969, Medical Group Insurance Services, Inc. (MGIS) has specialized in providing leading insurance products and services to physician group practices. MGIS is one of the nation's largest provider of Life, Long-Term and Short-Term Disability coverages to medical groups, and is also a leading national broker of medical-professional liability coverages. We achieve results for our customers because of our insurance expertise, knowledge of the healthcare industry, and longstanding relationships with the industry's top insurers. We understand the business of healthcare and we have a 37-year track record to underscore our commitment.



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