



SSDI:

A Money-Saving Option for
Multiemployer Health Funds and

Multiemployer health funds may discover that they can save money while providing a beneficial service to their pre-65 retirees by helping them apply for benefits through the Social Security Disability Insurance (SSDI) program.



Their Members?

by | **Kenneth B. Berry** and **Craig C. Horton**

Providing health benefits to pre-65 retirees and their dependents has become an expensive issue for many multiemployer health funds. Some plans are increasing member premiums or dropping their retiree health care plan altogether in response to rising costs.

One option that funds may be unaware of is potential savings to the fund and the value to members or dependents if they become eligible for income and Medicare benefits through Social Security Disability Insurance (SSDI).¹ SSDI is an insurance-based program for individuals who have paid into the Federal Insurance Contributions Act (FICA) for a sufficient number of years.

Most people are usually aware of SSDI primarily as a standard offset to long-term disability (LTD) insurance that private LTD carriers use to lower their liability. And SSDI is generally thought of as applying only to people who have lost their employment due to a serious disability. However, as the sidebar illustrates, SSDI may help members and funds in ways that some may not have considered.

SSDI Basics

SSDI provides a monthly cash benefit to eligible individuals (those who have paid FICA taxes) based on their earnings history and the amount of Social Security taxes they have paid. Individuals are eligible to apply for SSDI up to five years

after they last paid into FICA. Following are some details of the program.

- If awarded SSDI, individuals will receive Social Security income equal to the amount they would have received if they retired at full retirement age (65-67, depending on the year they were born). By contrast, Social Security reduces benefits by 30% if they are claimed at age 62.
- The maximum SSDI benefit is about \$3,808 per month² and has annual cost-of-living adjustments (COLAs). The average monthly benefit for disabled workers is about \$1,486.³
- SSDI benefits can also include an additional 50% for a dependent under age 18.
- SSDI recipients automatically become eligible for Medicare two years after the onset date of the disability determined by SSA—no matter what age the claimant is.

SSDI can be a lifeline or key supplement to pensions for those who are unable to work due to their disability. It is a critical program for millions of Americans, providing financial support to those who would otherwise be unable to meet their basic needs.

SSDI, Medicare and Pre-65 Retirees

Here's a look at how SSDI eligibility would affect health coverage for pre-65 retirees.

- After two years, Medicare will become the primary payer for pre-65 retirees who are members/spouses of a multiemployer plan that offers retiree group health care coverage, as long as the retiree remains unemployed. The group plan will become secondary, potentially creating significant cost savings for the fund.
- Pre-65 retirees who have no trust fund subsidy and are paying the full group rate premium or are purchasing their own health insurance coverage will likely pay a significantly lower rate for any Medicare plan—whether it is traditional Medicare, Medicare Advantage or Medicare with a supplemental plan.
- For pre-65 retirees whose premiums are subsidized by the fund, there may still be savings when they move to Medicare.

The Opportunity

Most employers and funds are not fully aware of the benefits of SSDI, nor are members. Although individuals are eligible for SSDI benefits for five years after they last paid FICA taxes, most people assume that if they become disabled in retirement, they

takeaways

- Helping retirees who are under age 65 apply for Social Security Disability Insurance (SSDI) benefits may help multiemployer health funds save money and provide value to retirees.
- SSDI is an insurance-based program that provides a monthly cash benefit to individuals who have paid FICA taxes for a sufficient number of years and who meet the criteria for disability.
- If they meet the SSDI criteria, pre-65 retirees become eligible for Medicare two years after the award instead of having to wait until they turn 65. Their Social Security benefits also will be restored to the level they would have received had they retired at full retirement age.
- Savings for multiemployer health funds may result from an SSDI benefit award to a member because Medicare would become the primary payer of the member's health care claims.
- Funds may want to consider contracting with an advocate to assist members in applying for SSDI. Auditing Medicare eligibility data and conducting an educational campaign may also help identify members who may be candidates for SSDI.

don't have a way to get disability benefits. Members may be unaware of the benefits they became eligible for, such as SSDI, by paying into FICA and may be less likely to apply unless they are actively educated and receive guidance and support.

SSDI Application Process and Criteria

Following is the typical process of applying for an SSDI award. An individual may not have to go through all the steps to receive a final decision.

1. Initial application
2. Reconsideration
3. Administrative hearing
4. Appeals Council

The criteria for determining disability are complex. SSA defines *disability* as the inability to engage in any substantial gainful activity (SGA) because of a medically determinable physical or mental impairment(s) that is either expected to result in death or has lasted or is expected to last for a continuous period of at least 12 months.⁴

After receiving an SSDI application, SSA follows a sequential decision-making process in order to determine whether the claimant meets the criteria for a disability award.

1. Is the claimant performing any SGA?

If the claimant is working and their earnings average more than a certain amount each month, SSA generally

Member Example

Here is a hypothetical example of how a multiemployer fund may assist a member in applying for Social Security Disability benefits and save money for the fund and the member.

Joe finally retired at 57 after years of chronic back pain that severely limited his strength and mobility. He was diagnosed with degenerative disc disease of the lumbar spine. He has a moderate to severe condition, and his doctor says that functionally he is limited to sitting two hours and standing/walking two hours in an eight-hour workday.

Joe's annual average salary for the purpose of calculating his Social Security retirement benefit is \$75,000.

Joe's 58th birthday was January 1, 2023, and he filed for his SSDI on that date. On January 1, 2024, Joe receives a letter from Social Security that his application was approved, retroactive to his filing date. Along with his award letter, Joe receives a check for \$33,600, representing 12 months of retroactive pension benefits from the date he applied for SSDI. He also begins receiving his monthly pension payment of \$2,800.

On January 1, 2025, Joe becomes eligible for Medicare. This means that Joe will have Medicare coverage five years earlier than the normal age of 65. Joe may also benefit from a lower out-of-pocket premium and other costs for Medicare coverage or may also purchase a Medicare Advantage or Medicare Supplement policy with lower costs or additional benefits.

At this point, Medicare becomes the primary payer, and the multiemployer fund will have the benefit of paying

Joe's claims as secondary five years earlier than if Joe had not received his SSDI award.

A common way to estimate savings to the fund is to start with Medicare's average annual per person expenditure, which includes inpatient and outpatient treatment and prescription drug costs. The estimated per-person expenditure for 2023 is \$17,042.* Disabled participants are an estimated two to three times more costly than nondisabled participants.** Conservatively estimating a 40% greater cost, first-year savings to the fund can be estimated at \$23,859 and will continue for an additional four years.

Total Plan Savings and Member Value

- Total SSDI benefits (without COLAs) nine years before normal retirement age: \$302,400
- Total self-pay savings based on Medicare eligibility for five years (estimated at \$1,000 per month premium cost): \$60,000
- Estimated multiemployer fund savings from five years of Medicare primacy: \$132,322

Example Endnotes

*2023 Medicare Trustees Report. Table V.D1.

**"CHRIL Article Examines Health Care Coverage and Costs for People with Disabilities," National Disability Navigator Resource Collaborative, January 11, 2018. Retrieved May 24, 2023 from <https://nationaldisabilitynavigator.org/2018/01/11/chril-article-examines-health-care-coverage-and-costs-for-people-with-disabilities>.



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dent of SSDC since 2002, Horton was the chief executive responsible for the growth and development of the company's disability-related coordination of benefits services and was one of the co-developers of its Medicare maximization program. He previously was president and chief operating officer of CORE, Inc. a publicly traded absence management company and a vice president at Baxter Healthcare's alternate site businesses. Horton holds B.A., M.B.A. and M.P.H. degrees from the University of California, Los Angeles.

does not consider them disabled. The monthly amount changes each year. Self-care, household tasks, school attendance, social programs and unpaid job training are examples of activities not considered to be SGA.

2. Is the medical condition severe?

The claimant's condition must significantly restrict work-related activities for the claim to be considered. If it does not, the claimant will not be considered disabled.

3. Is the claimant's condition found in the list of disabling conditions (list of impairments) maintained by SSA?

If the claimant's condition is not on the list, SSA must decide whether it is of equal severity to a medical condition that is on the list. If it is, SSA will find the claimant disabled. If it is not, they then go to step 4.

4. Can the claimant do the work they did previously (past relevant work)?

If the claimant's condition is severe but not a similar or equal level of severity as a medical condition on the list, then SSA must determine whether it interferes with the claimant's ability to do the work they did previously. If it does not, the claim will be denied. If it does, SSA proceeds to step 5.

5. Can the claimant do any other type of work?

If the claimant cannot do the work they did in the past, SSA decides whether the claimant can adjust to other work in the national economy. SSA considers the claimant's medical conditions, age, education, past work experience and any transferable skills they may have. If the claimant cannot perform other work, the claim will be approved.

Barriers

Each level of the SSDI application process can be difficult for an individual attempting the process alone. They will be required to fill out detailed government forms, submit medical records, complete questionnaires and much more. Depending on the state where the application is first filed, the waiting times for the average application decision can be up to nine months. If the application is initially denied, then the reconsideration and hearing step can add another three to 18 months before the final decision. Overall, less than 40% of individuals who apply are ultimately approved for their disability award.⁴

learn more

Education

Overview of Disability Plans E-Learning Course

Visit www.ifebp.org/elearning for more details.

The length and complexity of the process causes many applicants to give up and not continue to pursue their case. Success rates greatly improve when professional disability representation is involved—particularly at the application level.⁵ However, most professional representation is only sought after an application has been denied. When representation is sponsored by a fund or other organization before an application is filed, success rates can be greatly improved.

The process can take several months to several years.

Advocates

SSA recognizes the complexity of its disability criteria and controls who can advocate for someone filing for SSDI and receive compensation. The two options are:

1. Licensed attorneys
2. Eligible direct pay nonattorney (EDPNA) representatives, who are licensed by SSA. They must successfully complete an exam and satisfy annual continuing education requirements.

SSA also limits the compensation the attorney/advocate can receive when assisting a disabled person in their filing of an SSDI claim to a maximum of 25% of the retroactive award amount up to a maximum of \$7,200.

Advocates understand the process and conditions and will assist in putting

together the strongest possible application, can manage the paperwork and will go through every stage of the process.

Putting It All Together

Following are steps that funds can take to maximize the SSDI opportunity.

1. **Audit the fund's Medicare eligibility data to make sure all those who are eligible according to the Medicare administrator (Center for Medicare and Medicaid Services (CMS)) are correctly identified in the fund's records.**

Mandatory data exchanges that have been required since 2010 under the 2007 SCHIP Extension Act by the CMS were designed to ensure that CMS was not paying for individuals who are not eligible for Medicare. However, the mandatory exchanges are not sufficient to identify every Medicare-eligible individual who is not on Medicare. Relying on or requiring self-reporting by individuals is also not reliable. Only a program using queries focused on a particular population and continuous error checking can assure 100% accurate reporting.

2. **Engage in an educational campaign about SSDI.**

The fund can develop an educational outreach campaign directed at pre-65 retirees who may be eligible for SSDI. Providing ongoing education through mailers or email or on the fund's website about SSDI benefits and eligibility to all pre-65s will help increase awareness of the availability of SSDI and Medicare. Direct outreach via email or mailers that include a simple health status

questionnaire, to either all or specific members identified through claims analysis, may increase the number of eligible members who will apply and ultimately be awarded benefits.

3. **Engage an experienced, SSA-qualified representative or firm.** Beyond professional licensure and experience, the fund should ask for at least three references from previous clients. These representatives can assist pre-65 retiree members or their spouses who may be disabled to apply for SSDI.

Conclusion

SSDI and early Medicare are often overlooked cost-containment programs for multiemployer funds to implement that may mitigate costs for pre-65 retirees and dependents. They are unique compared with other cost-containment programs because they have the potential to improve benefits to these participants. 🗣️

Endnotes

1. Supplemental Security Income (SSI) is also administered by the Social Security Administration but is a needs-based program designed for individuals who did not pay sufficiently into Social Security (FICA) and typically qualify for Medicaid.

2. www.ssa.gov/oact/cola/exampleax.html. Maximum current monthly benefit for workers who were employed steadily at maximum Social Security taxable rate.

3. www.ssa.gov/policy/docs/quickfacts/stat_snapshot. "Monthly Statistical Snapshot—June 2023." Table 2.

4. www.ssa.gov/redbook/eng/definedisability.htm?tl=0.

5. "Annual Statistical Supplement to the Social Security Bulletin," 2022. *SSA Publication No. 13-11700*, released December 2022. Table 6.C7.

6. *Legal Representation in Disability Claims*, National Bureau of Economic Research, July 2021. www.nber.org/sites/default/files/2023-06/NB19-29%20Hoynes%2C%20Maestas%2C%20Strand%20FINAL_0-VD.pdf.

