

# **Chapter 4**



## ***Long-Term Disability Insurance***

***State Agencies***

# Long-Term Disability Insurance

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## Long-Term Disability

**Basic LTD:** The employee is automatically enrolled in basic LTD when enrolled in the PAY1 system. Basic LTD is employer-paid and offers a 90-day wait period.

**Optional LTD:** Employees may elect optional LTD coverage no later than 31 days after their date of eligibility without providing evidence of insurability. Applications for LTD insurance after the initial 31 days of eligibility require carrier approval. A copy of the *LTD Enrollment/Change* form and an *Evidence of Insurability* form must be submitted to Standard for approval. Optional LTD coverage is employee-paid.

Employees may change coverage at any time. Carrier approval is required when an employee requests to reduce their waiting period.

See instructions for enrolling a newly eligible employee in the Enroll in Long-Term Disability section (Chapter 2) of this manual.

LTD insurance is administered by The Standard Insurance Company (Standard).

## LTD Final Action Notice (FAN)

A FAN will be issued by Standard when:

- An employee requests optional LTD after the initial period of eligibility.
- An employee chooses to decrease their waiting period.

The employee must submit an *Evidence of Insurability* form to Standard in both situations above. When Standard makes a decision, a Final Action Notice (FAN) will be issued to your agency and the employee.

The FAN indicates if the coverage is approved, denied, or closed. A request may be closed if Standard does not receive all requested information from the employee in a timely manner. Standard may re-open a closed request when they receive the information or require the employee to resubmit the request.

### *Keying FAN into PAY1*

Prior to keying the information into PAY1, verify all information is correct, the requested coverage requires approval, and the *LTD Enrollment/Change* form was completed correctly. **Note:** Refer to the *LTD Administration Manual* for issues pertaining to

### *Final Action Notices (FANs).*

1. Upon receipt of the FAN, verify the agency number is correct.
2. Look up the employee in PAY1.
3. On the command line, enter A.41 in the Next Function field. Enter "I" in the Type field. Select Enter. The A.41 screen displays in Inquiry mode.
4. Verify the requested coverage required approval.
  - a. Check the hire date in the HRMS system and the signature date on the form. Is the date within 31 days of the employee's initial eligibility?
    - i. If the answer is **Yes**, approval is not required.
    - ii. If the answer is **No**, approval is required.
5. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select Enter. Screen 46 displays in Inquiry mode.
6. Verify that the coverage amounts listed on the FAN match the requested amount keyed into the system. *Note: If the coverage amount does not match, review your copy of the employee's LTD Enrollment/Change form to verify the requested benefit waiting period.*
7. If the benefit waiting period pended in PAY1 is incorrect, correct in the Desired column when you enter the approval.
8. If the benefit waiting period on the FAN is incorrect, contact Standard and request an updated FAN.

### *Approval*

1. If all information on the FAN has been verified and is correct (see above for verification), and the employee has been approved for the requested benefit waiting period:
2. On the command line, enter A.46 in the Next Function field. Enter "U" in the Type field. Select Enter. Screen A.46 displays in Update model.
3. Enter the effective date under the Desired column. The effective date is the first of the month following the approval date on the FAN. *(E.g., if Standard approved the coverage on August 1, the effective date would be September 1.)*
4. Tab to the Indicator field under the Pend/Approval column. Change the "P" to an "A" for approved.
5. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select F10 to update.

**Note:** Depending on where your agency is in the invoicing cycle, the coverage may move to the Current column or may remain in the Pend/Approval column until your next invoicing cycle. Set a reminder to check the record after the invoicing cycle completes to verify the coverage has moved to the Current column. If the coverage has not moved after the invoicing cycle, contact HCA through [FUZE](#).

6. Depending on the effective date, the employee may owe back premiums. Send an email to HCA Accounting through [FUZE](#) indicating back premiums to be collected. Notify the employee of any back premiums due.
7. Make a notation on the FAN that includes the date the decision was keyed, who keyed the decision, the effective date of the coverage, and any other pertinent information. Place the FAN in the employee's file.

**Note:** If the FAN was keyed with a retro-effective date, a manual adjustment may be necessary in the HRMS system. The day after keying the approval, verify that the effective date in HRMS matches the effective date in PAY1 for the approved coverage. If the effective do not match, make a manual adjustment in HRMS and notify HCA accounting through [FUZE](#).

### *Denial or Request Closed*

1. On the command line, enter A.46 in the Next Function field. Enter "U" in the Type field. Select Enter. The A.46 screen displays in Update mode.
2. Tab to the Indicator field under the Pend/Approval column. Change the "P" to a "D" for denied or "C" for closed. **Note:** Do not change the effective date when a request has been denied or closed.
3. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select F10 to update. Verify the changes are accepted.
4. Make a notation on the FAN that includes the date the decision was keyed, who keyed the decision, and any other pertinent information. Place the FAN in the employee's file. **Note:** A FAN indicating the request has been denied or closed does not include the requested benefit waiting period.

**Sample: LTD FAN**



October 9, 2008



**NOTICE OF APPROVAL GROUP INSURANCE COVERAGE**

**POLICY OWNER:**



**GROUP POLICY NUMBER:**



**APPLICANT:**

**MEMBER IDENTIFICATION NO.:** John Doe  
999990001

**COVERAGE APPROVED / AMOUNT OF COVERAGE:**  
Long Term Disability / 60 day BWP

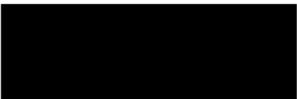
**DATE EVIDENCE OF INSURABILITY APPROVED:** October 8, 2008

The applicant named above has been approved for group coverage with Standard Insurance Company.

This approval notice is subject to all terms and conditions of the group policy and state limitations. Premiums should be deducted in accordance with the provisions of the group policy.

If you have questions regarding this letter, please write to the address below or call

Sincerely



### *Keying Pending Waiver into PAY1*

During the time the LTD benefits are waived, the employee's insurance will continue without payment of premiums. A premium waiver should be pended in the system until the final decision is received. **Note:** *Refer to the LTD Administration Manual for instructions for filing a claim.*

1. Log into the PAY1 system.
2. Access the subscriber's record.
3. On the command line, enter A.46 in the Next Function field. Enter "U" in the Type field. Select Enter. The A.46 screen opens in Update mode.
4. Tab to the Enrollment field under the Desired column, next to the insurance to be waived. This includes both basic and optional. Enter a "W" for waived.
5. Enter the effective date field under the Desired column. This should be the first day of the month following the last day worked.
6. Repeat steps for each insurance type.
7. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select F10 to update. Verify the changes are accepted. The request to waive premiums will pend approval from Standard.

Submit copies of the completed *LTD Employer's Statement* to Standard, copies of the employee's *LTD Enrollment/Change* forms, current Classification Questionnaire (CQ) and any documentation from Section 7 of the claim form. Be sure to keep copies for yourself.

If the employee is still in pay status, continue to collect optional premiums until notification of the decision is received. When you receive a premium waiver letter from Standard, complete the approval, denial, or closure.

### *Keying Waiver Decision into PAY1*

1. Upon receipt of the letter, look up the employee in PAY1.
2. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select Enter. The A.46 screen opens in Inquiry mode.
3. Verify the agency number.
4. Verify the waiting period listed in the letter matches the waiting period in the system. **Note:** *If the waiting period does not match, contact Standard. The employee may have applied for a change that has been approved but not yet keyed into the system.*

## Approval

1. On the command line, enter A.46 in the Next function field. Enter “U” in the Type field. Select Enter. The A.46 screen opens in Update mode.
2. If the request to waive was not entered already, tab to the Enrollment field under the Desired column, next to the insurance to be waived. This includes both basic and optional. Enter a “W” for waive.
3. Enter the effective date under the Desired column. The effective date is always the first of the month the claim is payable. To find the date on the claim approval letter, look at the adjusted net benefit for both the basic and optional. Use the earliest date. *(E.g., if Standard approved the basic claim for August 8–August 31 and the optional claim July 8– July 31 (difference in waiting period—90 days for basic and 60 days for optional), the effective date is July 1.)*
4. Tab to the Indicator column in the Pend/Approve column. Enter “A” for approval.
5. Repeat steps if the claim includes optional.
6. On the command line, enter A.46 in the Next Function field. Enter “I” in the Type field. Select F10 to update. Verify the changes are accepted. **Note:** *Depending on where your agency is in the invoicing cycle, the coverage may move to the Current column or may remain in the Pend/Approval column until your next invoicing cycle. Set a reminder to check the record after the invoicing cycle completes to verify the waiver has moved to the Current column.*

Depending on the approval date, the employee may be eligible for a refund. Send an email to HCA Accounting through [FUZE](#) indicating the refund amount. Notify the employee of the refund amount and process the refund.

7. Make a notation on the letter that includes the date the decision was keyed, who keyed the decision, the effective date of coverage, and any other pertinent information. Place the premium waiver letter in the employee’s file.

**Note:** *If coverage was keyed with a retro-effective date, a manual adjustment may be necessary in the HRMS system. The day after keying the approval, verify that the effective date in HRMS matches the effective date in PAY1 for the approved coverage. If the dates do not match, make a manual adjustment in HRMS and notify HCA Accounting through [FUZE](#).*

## *Denial or Closure*

**Note:** *It is not necessary to key a denial or closure if the initial request was not keyed and is not pending.*

1. On the command line, enter A.46 in the Next function field. Enter “U” in the Type field. Select Enter. The A.46 screen opens in Update mode.
2. Tab to the Indicator column in the Pend/Approve column. Enter a “D” for denied or a “C” for closed.
3. Repeat step for optional coverage.
4. On the command line, enter A.45 in the Next Function field. Enter “I” in the Type field. Select F10 to update. Verify the changes are accepted.
5. Make a notation on the letter that includes the date the decision was keyed, who keyed the decision, and any other pertinent information. Place the premium waiver letter in the employee’s file.

## *Sample: LTD Claim Letters*

If the employee has both basic and optional coverage, two letters will be issued explaining the benefits. To identify which type of coverage the letter is for, look at the minimum and maximum benefit payable amounts. The basic coverage will always have a minimum of \$50 and a maximum of \$240 per month.

## Basic Coverage Letter



Standard Insurance Company  
Benefits Department  
PO Box 2800  
Portland, Oregon 97208-2800

TO: John Doe                      MBR ID: 999-99-0001                      GROUP ID: [REDACTED]  
GROUP POLICYOWNER: [REDACTED]                      POLICY: [REDACTED]  
DATE: 08/15/2008                      CLAIM: [REDACTED]

We are pleased to inform you that your claim for long-term disability (LTD) benefits has been APPROVED. This notice explains how your benefits have been calculated.

LTD Benefits have been computed using the benefit formula described in your group policy. Your LTD benefits are reduced by any Deductible Income that you or your dependents are eligible to receive as a result of your disability or retirement (including, but not limited to, sick leave or salary continuation, Social Security, Workers Compensation, Unemployment benefits, rehabilitation wages, and/or retirement benefits).

If you are presently receiving Deductible Income which is not shown below, please forward a copy of any official statement you have received about the amount of this income and the period it covers. In some cases, a minimum LTD benefit may be payable if your Deductible Income exceeds a specified amount.

If you are awarded deductible Income in the future or return to work and then return from your disability, please notify our office immediately to determine possible overpayment of your claim. Your monthly LTD benefit is:

Maximum Benefit Payable.....\$ 240.00  
Minimum Benefit Payable.....\$ 50.00

Deductible Income Deduction of the first check\*:  
NONE FOR THIS CHECK

Below is the check calculation. The first line indicates the dates the benefit Waiting Period began and ended. As you can see, no benefits are payable during the Benefit Waiting Period.

Waiting Period in Days:	90		
	05/07/2008 THRU 08/07/2008.....	\$	0.00
Adjusted Net Benefit	08/08/2008 THRU 08/31/2008.....	\$	201.29
Less Social security Tax	.....	\$	-12.48
Less Medicare Tax	.....	\$	-2.92
<b>FIRST CHECK DUE:</b>	<b>09/01/2008 TOTAL</b> .....	<b>\$</b>	<b>185.89</b>

If you are eligible for additional LTD Benefits, you will receive them on the 1<sup>st</sup> of the month.

We hope that the above information helps you understand your first benefit check from STANDARD. If you have any questions about your coverage under your group policy, please refer to your Certificate of Insurance or contact:  
John Smith - LTD                      [REDACTED]

**MONTHLY RATE:** \*Deductible Income received for less than a one-month period is converted to an equivalent monthly rate.

**DAILY RATE:** A Daily Rate is used when your LTD benefit or your Deductible Income applies for only a partial month. The Daily Rate is calculated by dividing the monthly rate by the number of days in that particular month.

## Optional Coverage Letter



Standard Insurance Company  
Benefits Department  
PO Box 2600  
Portland, Oregon 97208-2600

<b>TO:</b> John Doe	<b>MBR ID:</b> 999-99-0001	<b>GROUP ID:</b> [REDACTED]
<b>GROUP POLICYOWNER:</b> [REDACTED]		<b>POLICY:</b> [REDACTED]
<b>DATE:</b> 08/15/2008		<b>CLAIM:</b> [REDACTED]

We are pleased to inform you that your claim for long-term disability (LTD) benefits has been APPROVED. This notice explains how your benefits have been calculated.

LTD Benefits have been computed using the benefit formula described in your group policy. Your LTD benefits are reduced by any Deductible Income that you or your dependents are eligible to receive as a result of your disability or retirement (including, but not limited to, sick leave or salary continuation, Social Security, Workers Compensation, Unemployment benefits, rehabilitation wages, and/or retirement benefits).

If you are presently receiving Deductible Income which is not shown below, please forward a copy of any official statement you have received about the amount of this income for the period it covers. In some cases, a minimum LTD benefit may be payable if your deductible income exceeds a specified amount.

If you are awarded deductible income when you return to work or recover from your disability, please notify our office immediately to minimize possible overpayment of your claim. Your monthly LTD benefit is:

Maximum Monthly Payout	\$ 1540.40
Minimum Benefit Amount	\$ 50.00

**Deductible Income used in calculation of the first check\*:**  
SALARY CONTINUATION 05/01/2008 TO 05/31/2008 \$ 2734.00

Below is the first check calculation. The first line indicates the dates the benefit Waiting Period began and ended. As you can see, no benefits are payable during the Benefit Waiting Period.

<b>Waiting Period in Days:</b> 60	
05/07/2008 THRU 08/07/2008	\$ 0.00
Adjusted Net Benefit 07/08/2008 THRU 07/31/2008	\$ 43.11
<b>FIRST CHECK DUE:</b> 07/11/2008 TOTAL	\$ 43.11

If you are eligible for additional LTD Benefits, you will receive them on the 1<sup>st</sup> of the month.

We hope that the above information helps you understand your first benefit check from STANDARD. If you have any questions about your coverage under your group policy, please refer to your Certificate of Insurance or contact:

John Smith – LTD [REDACTED]

**MONTHLY RATE:** \*Deductible Income received for less than a one-month period is converted to an equivalent monthly rate.

**DAILY RATE:** A Daily Rate is used when your LTD benefit or your Deductible Income applies for only a partial month. The Daily Rate is calculated by dividing the monthly rate by the number of days in that particular month.

## Reinstate LTD Coverage after Waiver

The employer must notify Standard any time there is a change in work status of an employee. When the employee returns to work full-time, regular duty, the employer will reinstate optional coverage. If the coverage is not reinstated in the PAY1 system, premiums will not be deducted.

1. Log into the PAY1 system.
2. Access the employee's record.
3. On the command line, enter A.46 in the Next Function field. Enter "U" in the Type field. Select Enter. The A.46 screen opens in Update mode.
4. Tab to the Enrollment field under the Desired column, next to the coverage to be reinstated. Enter a "Y."
5. Tab through the Coverage field. Do not enter the benefit waiting period.
6. Enter the effective date under the Desired column. The effective date is the first of the month following the date the employee returned to work full-time, regular duty. (E.g., if the employee returns to work on August 1, the effective date is September 1.)
7. Repeat steps for optional, if the employee had optional LTD waived.
8. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select F10 to update. Verify changes are accepted. **Note:** Depending on where your agency is in the invoicing cycle, the coverage may move to the Current column or may remain in the Pend/Approval column until your next invoicing cycle. Set a reminder to check the record after the invoicing cycle completes to verify the coverage has moved to the Current column. If the coverage has not moved after the invoicing cycle, contact HCA through [FUZE](#).
9. Depending on the effective date, the employee may owe back premiums. Send an email to HCA Accounting through [FUZE](#) to resolve reinstatement. Notify the employee of any back premiums due.

**Note:** If coverage was keyed with a retro-effective date, a manual adjustment may be necessary in the HRMS system. The day after keying the approval, verify that the effective date in HRMS matches the effective date in PAY1 for the keyed coverage. If the dates do not match, make a manual adjustment in HRMS and notify HCA Accounting through [FUZE](#).

## Increase Waiting Period

The waiting period of optional LTD may be increased without approval from Standard.

1. Log into the PAY1 system.
2. Access the subscriber's record.
3. On the command line, enter A.46 in the Next Function field. Enter "U" in the Type field. Select Enter. The A.46 screen displays in Update mode.
4. Tab to the Coverage field under the Desired column on the optional coverage line. Enter the desired benefit waiting period. The options include: 30, 60, 90, 120, 180, 240, 300, and 360 days.
5. Enter the effective date under the Desired column. The effective date is the first of the month following the signature date on the form.
6. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select F10 and update. Verify the changes are accepted.

**Note:** *If the effective date is in the current processing month or a future date, the request will move to the pending column. The new waiting period will move to current when the invoicing cycle runs and the employee's premium will be recalculated. Set a reminder to check the record after the invoicing cycle completes to verify the coverage has moved to the Current column. If the coverage has not moved after the invoicing cycle, contact HCA through [FUZE](#).*

If the effective date is a past date, the request will move to the Current column. The employee may be owed a refund. Notify the employee of the refund amount and process the refund.

## Terminate LTD Coverage

1. Log into the PAY1 system.
2. Access the subscriber's record.
3. On the command line, enter A.46 in the Next Function field. Enter "U" in the Type field. Select Enter. The A.46 screen displays in Update mode.
4. Tab to the Enrollment field under the Desired column, next to optional. Enter "N."
5. Enter the effective date under the Desired column. The effective date is the last day of the month of the signature date on the form or the last day of the month in which the employee worked. (E.g., if the employee signed the form on August 15, the effective date is August 31.)

6. On the command line, enter A.46 in the Next Function field. Enter "I" in the Type field. Select F10 to update. Verify the changes are accepted.

***Note:** If the effective date of termination is in the current processing month or a future date, the termination will pend until the invoicing cycle completes. Set a reminder to check the record after the invoicing cycle completes to verify the coverage has moved to the Current column. If the coverage has not moved after the invoicing cycle, contact HCA through [FUZE](#).*

If the effective date is a past date, the request will move to the Current column. The employee may be owed a refund. Notify the employee of the refund amount and process the refund.