



LONG-TERM DISABILITY (LTD)

IBI LEAVE MANAGEMENT BENCHMARKING SERIES

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Executive summary

Long-term disability (LTD) leave refers to extended time off due to work-disabling illness or injury. LTD typically commences after exhaustion of benefits taken for the same reason such as short-term disability leave. As part of its Leave Management Benchmarking series,¹ the Integrated Benefits Institute (IBI) surveyed more than 930 organizations about their formal leave policies and received about 220 in-depth responses specific to LTD leave. Employers were instructed that formal leave policies are those that go beyond any applicable federal, state and local laws or that the company has implemented where there are no legal requirements for leave. Formal policies are specific rules or instructions that define who can take leave, for what reasons and for how long.

- **Nearly three-quarters of all employers reported having formal LTD leave policies.** One in six reported that employees could take extended time off to recover from work-disabling illness or injury using consolidated leaves such as paid time off (PTO) or leave banks, sick leave or vacation. Formal LTD leave policies were less common among employers in public administration and more common among employers in utilities, information, and finance and insurance. Generally, larger employers were more likely to have formal leave policies. Among states for which we received responses from at least 30 employers, Illinois, California, Florida and Washington employers were less likely to have formal LTD leave policies. Employers with workers in multiple states or with most of their employees in Missouri or Ohio were more likely to have formal LTD leave policies.
- **One-fourth of employers offered LTD leave to all employees.** There were slightly fewer in health care than in manufacturing or in finance and insurance. Employers with at least 2,500 employees were the most likely to offer benefits to all employees. Part-time employees, hourly employees, employees with collective bargaining arrangements, and employees outside of the U.S. were eligible for LTD benefits less often than their counterparts. Hourly employees were offered LTD benefits at a rate similar to salaried employees.
- **Three in five employers required a waiting period for new employees to become eligible for LTD leave.** Compared to manufacturers, waiting periods more were common among finance and insurance and health care employers. Employers with a waiting period typically made leave available during the first three to six months of hire. Waiting periods were most common among the largest (10,000 or more employees) and smallest (fewer than 500 employees) companies.
- **Four in five of employers outsourced responsibilities for managing and tracking LTD leaves.** Few employers split responsibility for managing and tracking leaves between internal and external resources. With some exceptions, employers with at least 500 employees were more likely to outsource the management and tracking of LTD leaves.
- **Two-thirds of employers required a six month elimination period before LTD benefits commenced.** Elimination periods longer than six months were rare. Nearly one-third of health care and finance and insurance employers used 13 week elimination periods—virtually no manufacturing employers did so. Generally, larger employers were more likely to apply a six month elimination period and less likely to apply a 13 week elimination period.

¹ <https://ibiweb.org/research-resources/detail/leave-management-benchmarking-project>

- **Three-quarters of employers specified that LTD benefits could continue until Social Security Normal Retirement Age (SSNRA).** About one in ten employers had a two year maximum duration, while one in six specified “some other” duration. With the exception of finance and insurance employers, few employers had three or five year maximum benefit durations. Employers with fewer than 500 employees were the least likely to specify that LTD benefits could continue until SSNRA.
- **Across industries and company sizes, virtually all employers paid at least 50% but less than 75% of an employee’s wages during LTD leave.** Almost none reported using any other wage replacement rate.
- **Other time-off and pay policies.** Over half of employers reported that the leave durations and wage replacements for LTD benefits went beyond what is required by law. Similarly, over half of employers reported that benefits such as health care continue during LTD leave. Generally, smaller employers were less likely to report that benefits such as health care continue during LTD leave.

Background

Since the end of the Great Recession and the return of several economic indicators to prerecession levels,² many employers have been reviewing and updating their employee leave policies. While providing time off from work is intended to address several strategic goals—including attracting and retaining talent, helping employees meet challenging life events and signaling corporate social values³—employers often take their cues from their peers and competitors when considering the design of their leave benefits.

As part of its Leave Management Benchmarking series, the **Integrated Benefits Institute (IBI) surveyed 934 organizations** about their formal leave policies, including the following:

- Maternity leave
- Parental leave for non-birth mothers
- Family leave
- Elder care leave
- Sick days
- Short-term disability (STD)
- Long-term disability (LTD)
- Bereavement leave
- Career development leave

The surveys also included a block of questions about paid-time-off (PTO) programs for employers that implemented this approach to leaves.

Recognizing that most employers have complex workforces comprising many different categories of workers, fulfilling a diversity of functions and sometimes spread across multiple locations and legal jurisdictions, the intent of the benchmarks is to provide some basic guidance on what is typical for specific types of leaves. This will give senior leaders, human resource (HR) and benefits professionals and their third-party partners a starting point for considering how to craft policies that best address their specific business goals for their own workforce needs.

This report focuses only on long-term disability (LTD) leave. LTD refers to extended time off due to work-disabling illness or injury. LTD typically commences after exhaustion of benefits taken for the same reason such as short-term disability leave.

SURVEY APPROACH

The survey began by asking all employers about formal policies for all leaves listed above. Employers were instructed that formal leave policies are those that go beyond any applicable federal, state and local laws or that the company has implemented where there are no legal requirements for leave. Formal policies are specific rules or instructions that define who can take leave, for what reasons and for how long.

After employers reported whether or not they had each of the listed leaves, they were given the option of requesting benchmark reports for each type of leave. For a requested leave report, employers with no formal policies were asked to provide contact information confidentially and were then given the option of requesting any of the remaining reports. Employers with formal LTD leave policies were asked to provide additional information about eligibility for leave, before providing contact information to receive the reports.

We received in-depth responses for approximately 220 employers' formal LTD leave policies. Those responses are reported in this document for the entire sample, for employers in industries for which we had at

² See, for example, the Federal Reserve Bank of St. Louis for historical series on indicators such as unemployment, personal consumption, gross domestic product (GDP) and wages as a share of GDP. <https://fred.stlouisfed.org>

³ Gifford B, Zong B, Presutti J. *And Baby Makes Three (Months Off): Paid Parental Leave at 15 High Technology Firms*. Integrated Benefits Institute, August 2016. <https://ibiweb.org/research-resources/detail/and-a-baby-makes-three-months-off-paid-parental-leave-at-15-high-tech-firms>

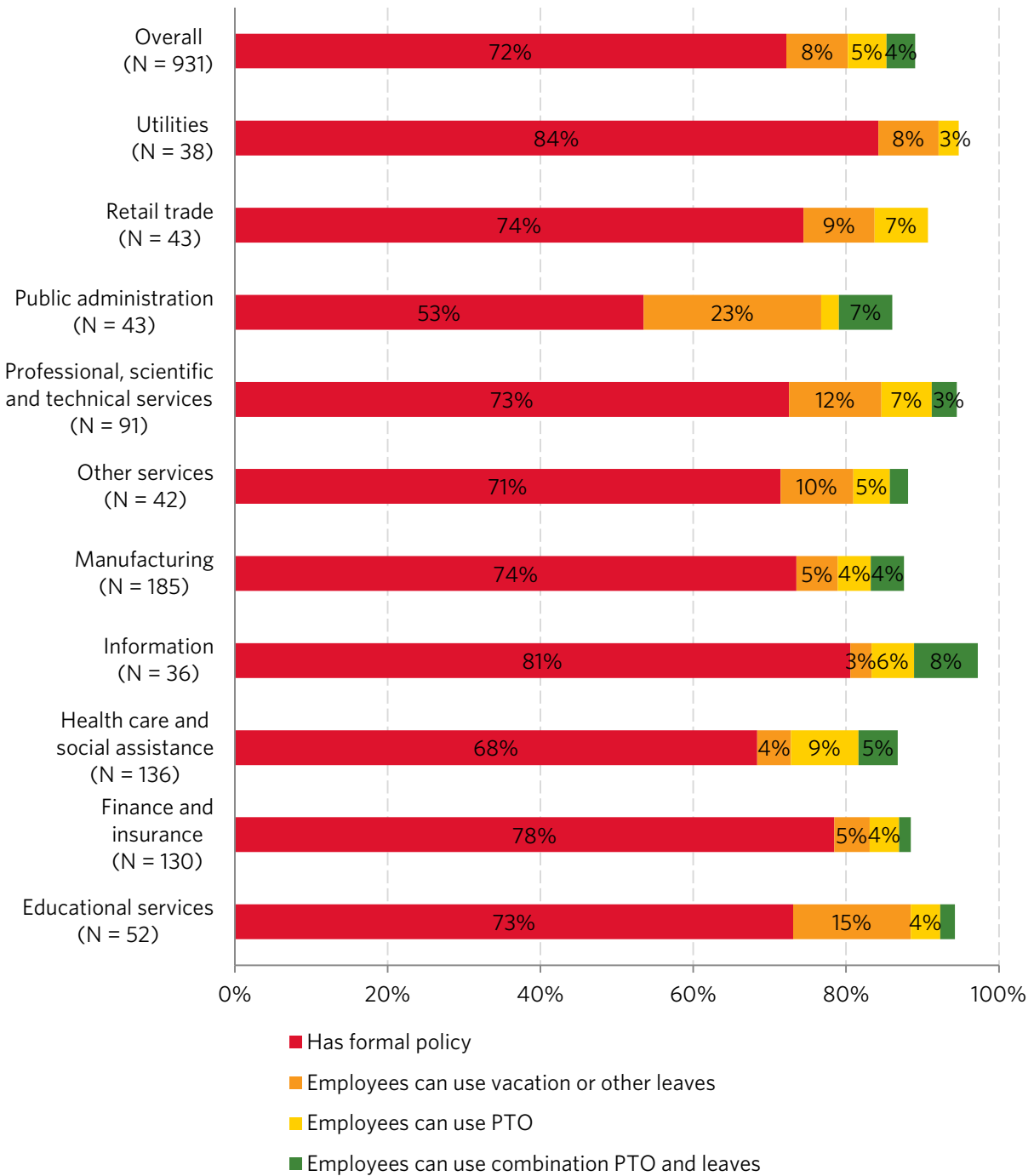
least 30 responses and across employers of different sizes. Results for other leave policies are provided in separate reports. See the appendix for more information about the survey and the participating organizations.

How many employers have formal LTD leave policies?

As illustrated in Figures 1 through 3, nearly three-quarters of employers reported having LTD leave policies that go beyond any applicable federal, state and local laws or that the company had implemented policies where there are no legal requirements for leave. Another 17% reported that employees could take extended time off to recover from work-disabling illness or injury using consolidated leaves such as PTO or leave banks, sick leave or vacation.

Formal LTD leave policies were less common among employers in public administration and more common among employers in utilities, information, and finance and insurance. Generally, larger employers were more likely to have formal leave policies. Among states for which we received responses from at least 30 employers, Illinois, California, Florida and Washington employers were less likely to have formal LTD leave policies. Employers with workers in multiple states or with most of their employees in Missouri or Ohio were more likely to have formal LTD leave policies.

Figure 1: LTD leave policies by selected industries (% of employers)



Note: Industries with fewer than 30 responding employers are not shown.

Figure 2: LTD leave policies by number of employees (% of employers)

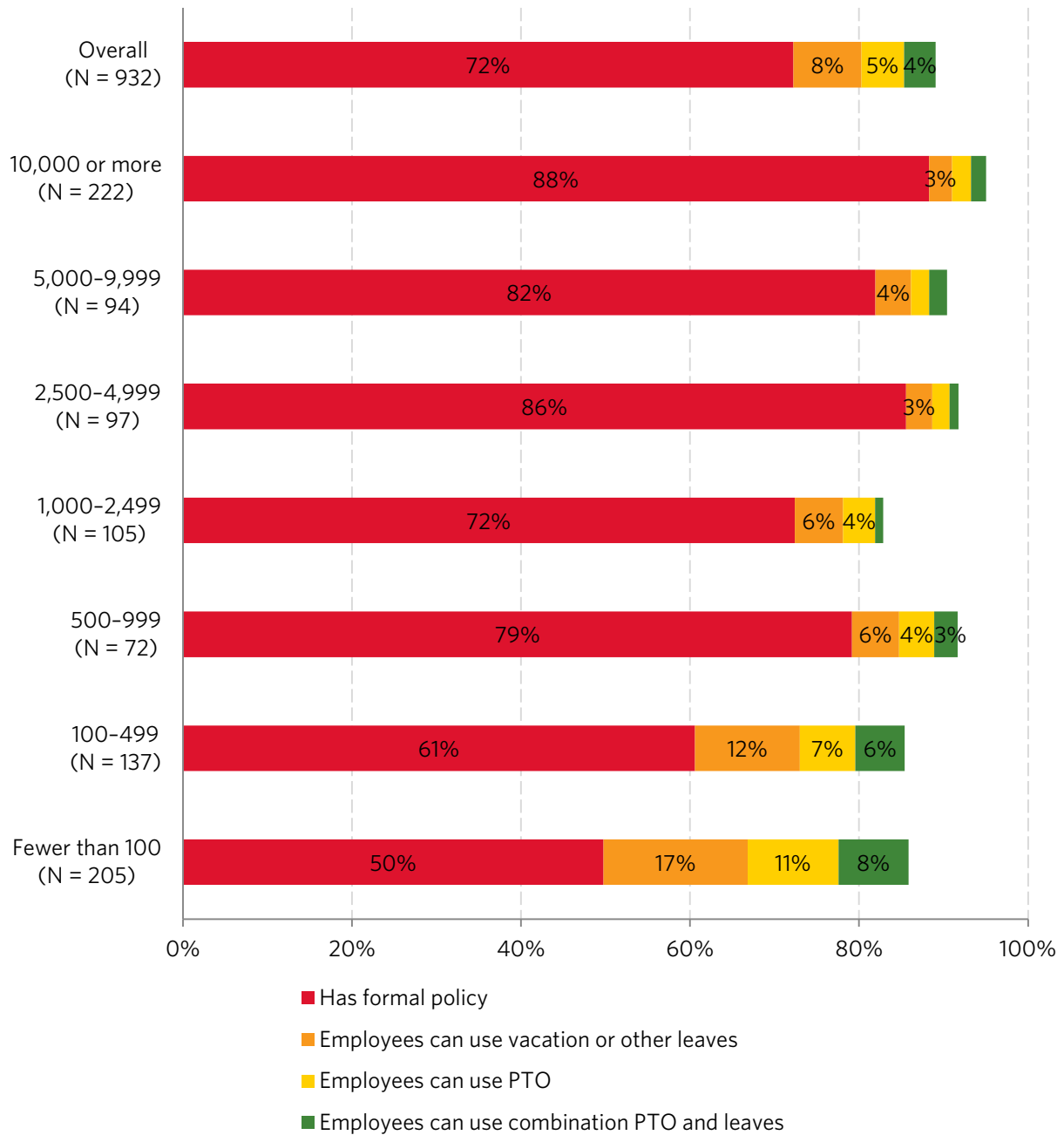
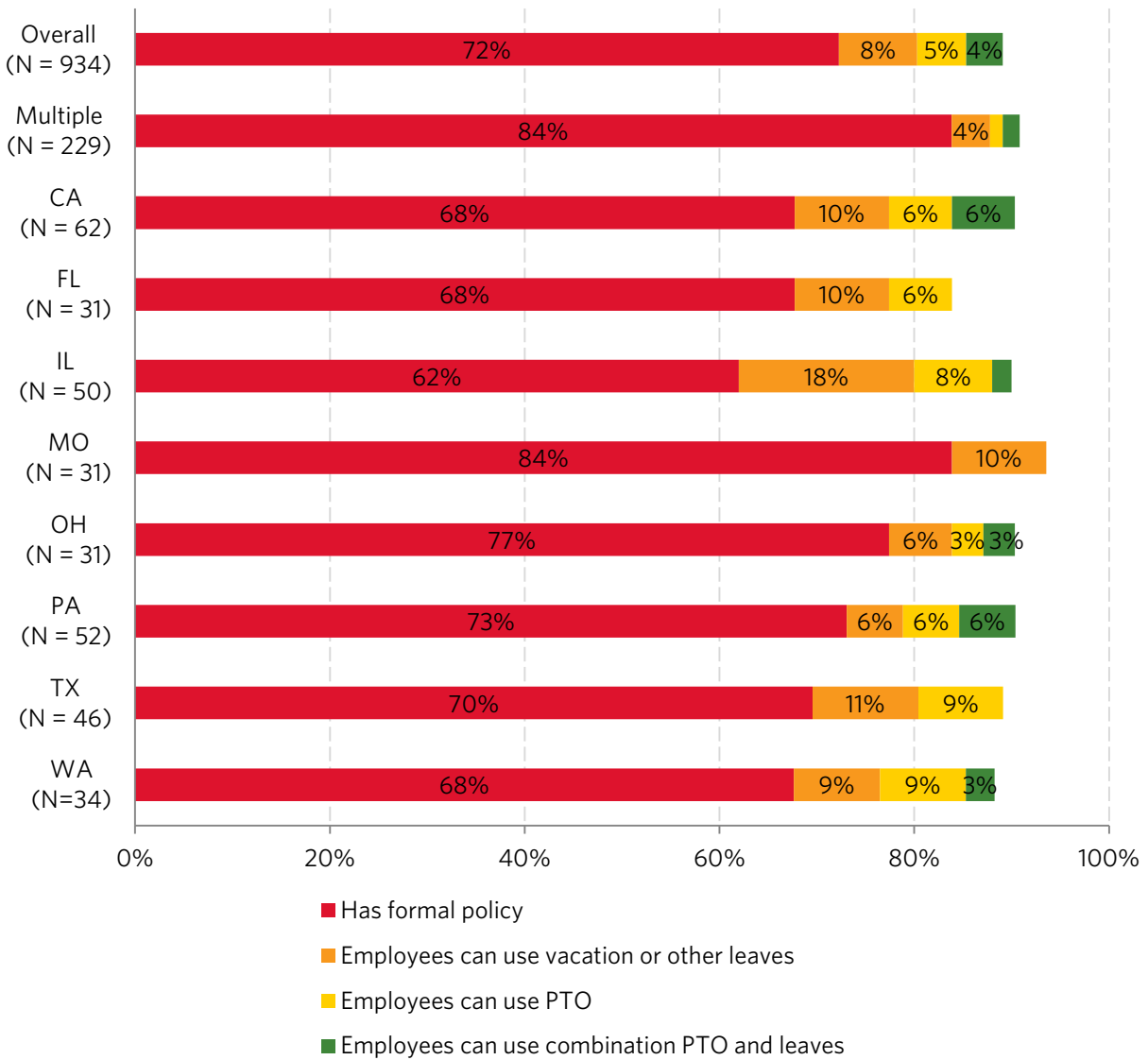


Figure 3: LTD leave policies by selected states (% of employers)



Note: States with fewer than 30 responding employers are not shown.

Who can take LTD leave?

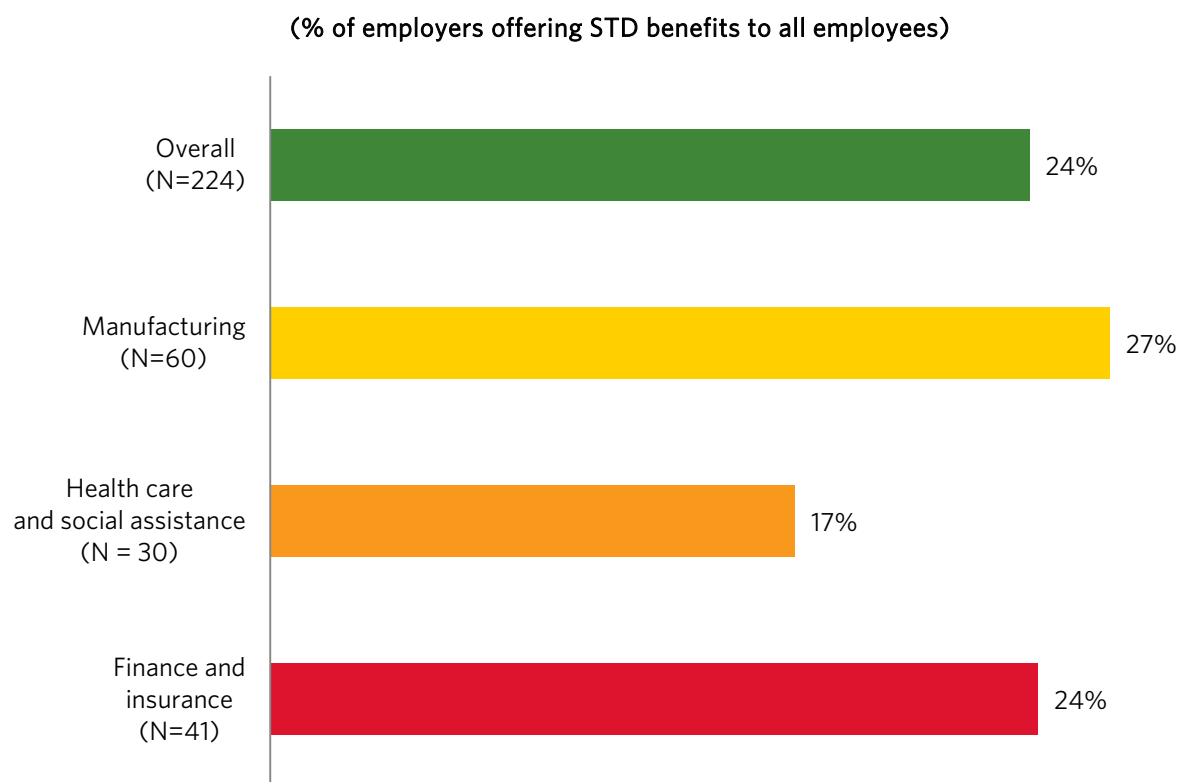
UNIVERSAL ELIGIBILITY

Employers with formal LTD leave policies were asked to provide additional information about eligibility for leave. About 220 employers opted to provide this information (out of 670 employers with any formal policies to describe).

Figures 4 and 5 illustrate employers' responses to whether LTD leave was offered to all employees, by industry and employer size. As of this writing, no single state had responses from at least 30 employers. For that reason, results are not reported by state.

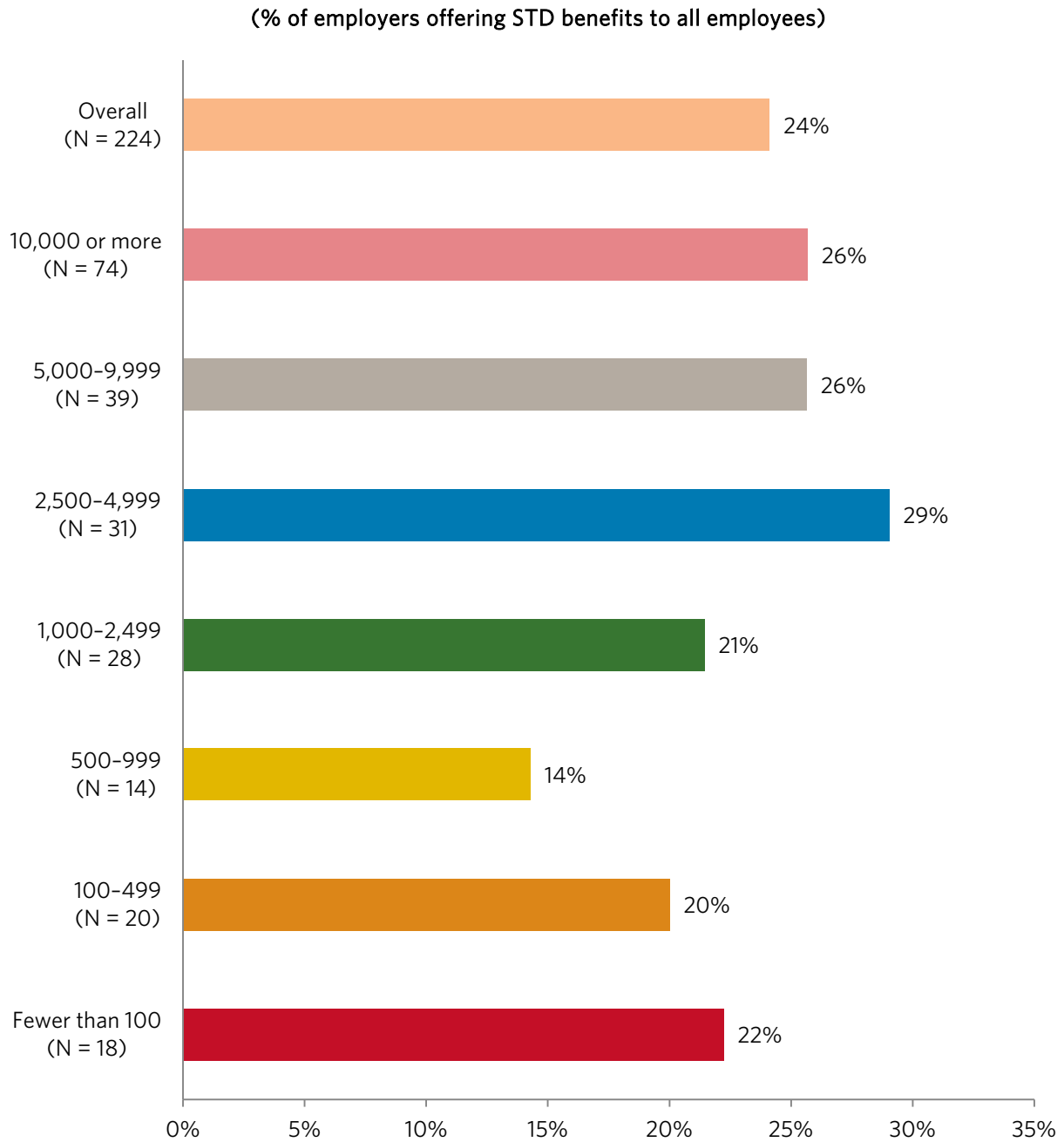
About one-quarter of employers offered LTD leave to all employees, slightly fewer in health care than in manufacturing or in finance and insurance. Employers with at least 2,500 employees were the most likely to offer benefits to all employees.

Figure 4: Universal eligibility by selected industries



Note: Includes only employers that provided information about their formal LTD leave policies. Industries with fewer than 30 responding employers are not shown.

Figure 5: Universal eligibility by number of employees



Note: Includes only employers that provided information about their formal LTD leave policies.

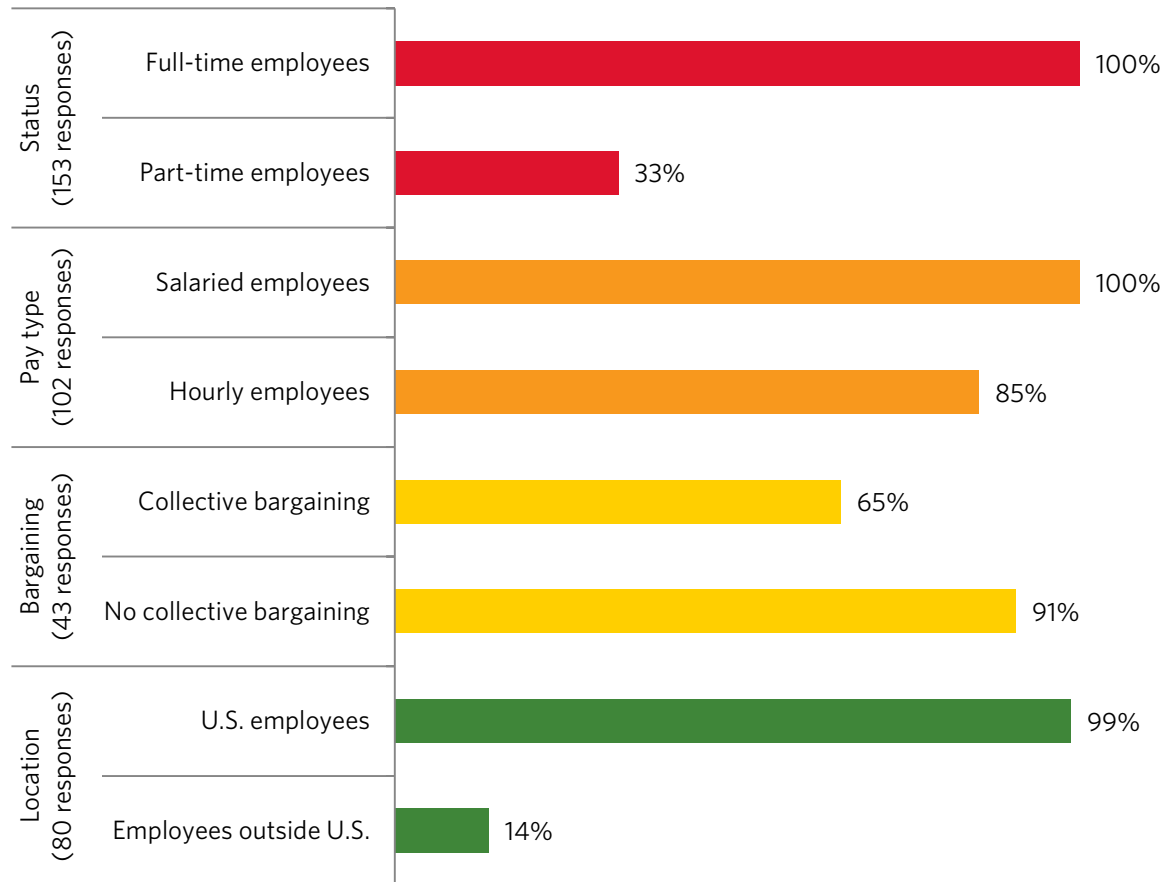
ELIGIBILITY BY EMPLOYEE CATEGORY

Employers that did not offer LTD leave to all employees were provided the opportunity to identify categories of employees who were eligible for leave. These categories included full- or part-time status, salaried or hourly pay status, employees covered/not covered by collective-bargaining agreements and employees inside or outside the United States.

Figure 6 shows the percentage of employers that identified specific categories of employees in their formal leave policies. Because not all categories of employees are relevant to all employers, the proportions represent employers that responded about different ways to classify employees (e.g., by pay status or by full- or part-time status).

One-third of employers that referenced full- or part-time status offered LTD benefits to part-time employees. Salaried employees are offered LTD benefits more often than hourly employees, whereas two-thirds of employers that referenced collective bargaining offered LTD benefits to employees covered by collective-bargaining agreements. Only 14% of employers that referenced the location of employees indicated that LTD benefits were offered to employees outside the United States.

Figure 6: Categories of employees identified in formal LTD leave policies (% of employers)

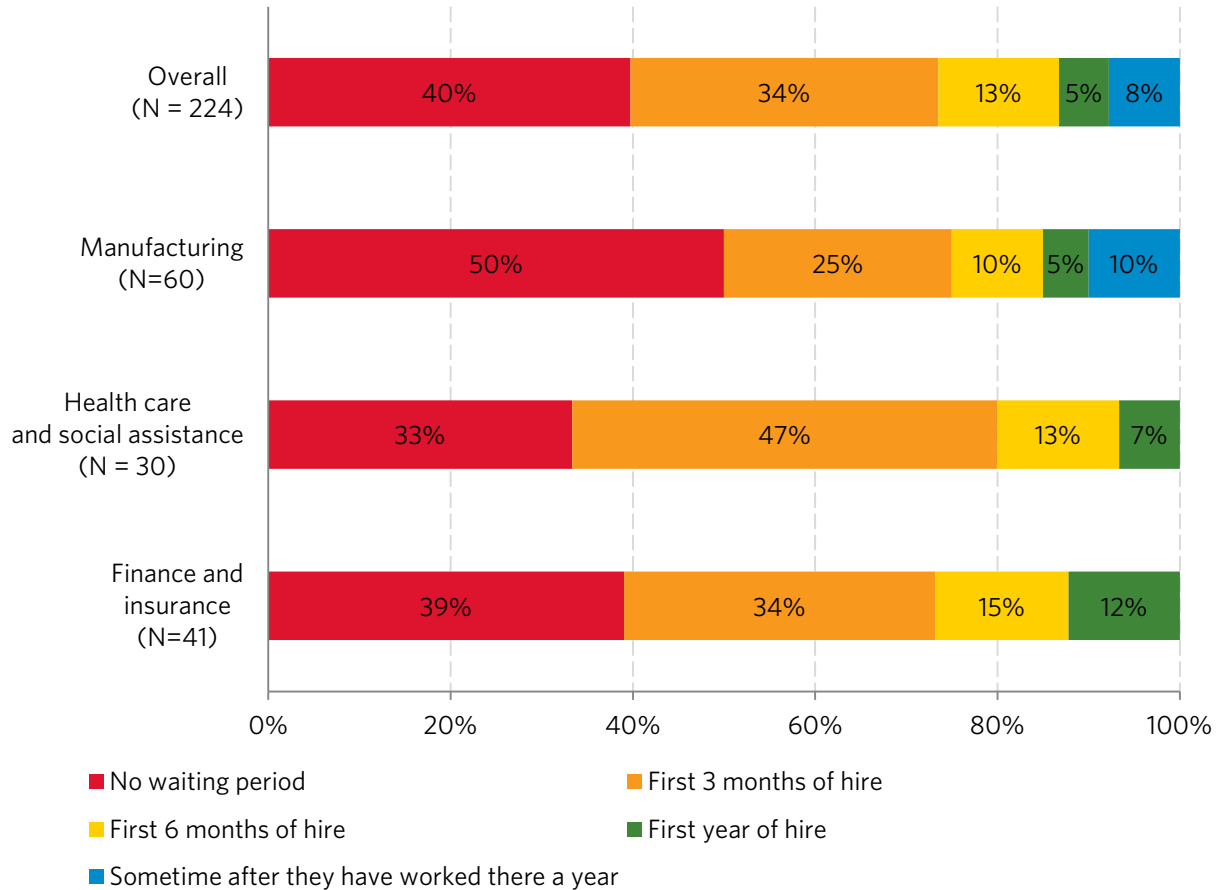


Note: Includes only employers that provided information about their formal LTD leave policies.

How long must new hires wait until they become eligible to take LTD leave?

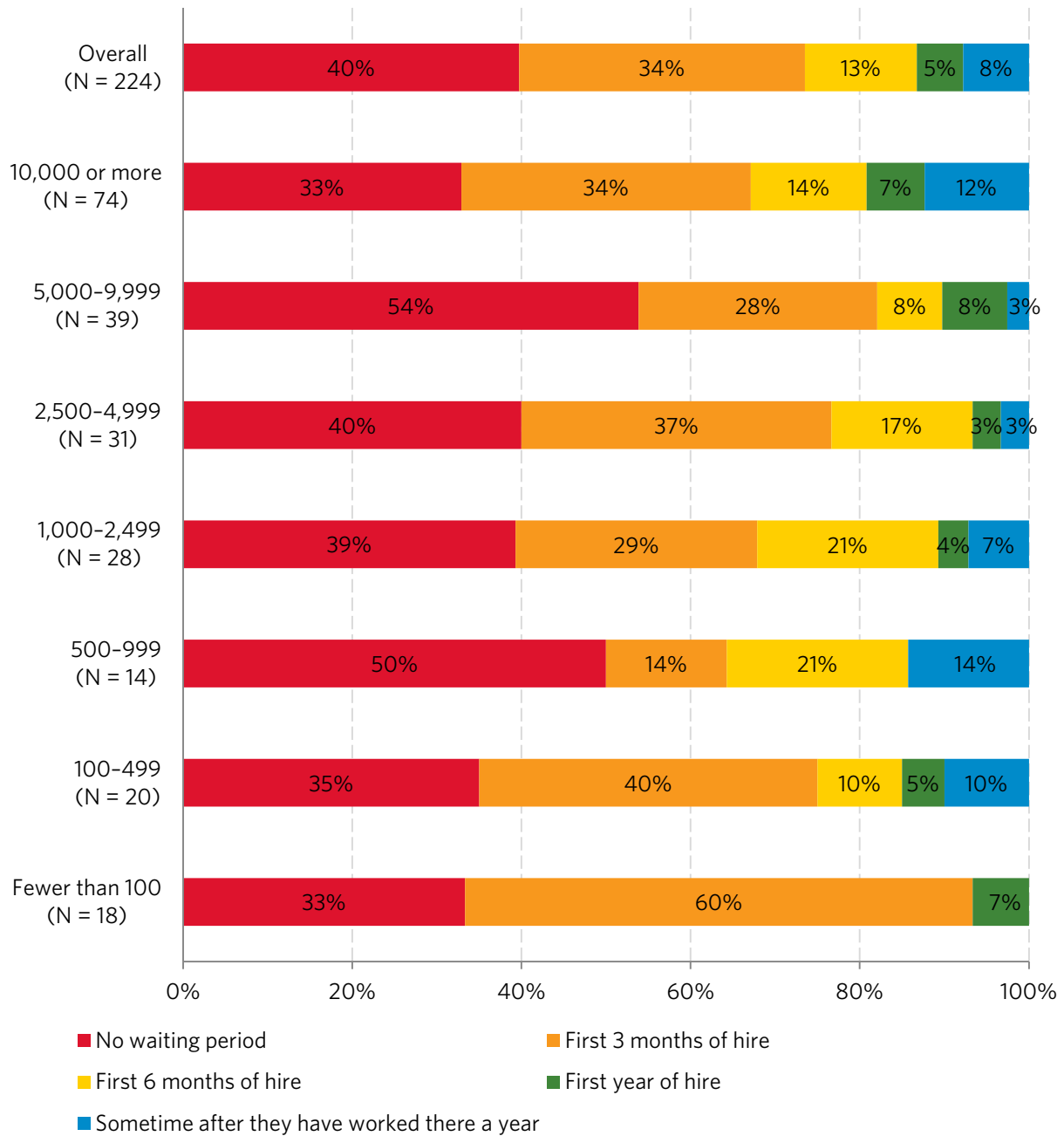
Figures 7 and 8 show the waiting periods before new employees become eligible for LTD leave. Three in five employers required a waiting period for new employees to become eligible for LTD leave. Compared to manufacturers, waiting periods more were common among finance and insurance and health care employers. Employers with a waiting period typically made leave available during the first three to six months of hire. Waiting periods were most common among the largest (10,000 or more employees) and smallest (fewer than 500 employees) companies. Waiting periods longer than one year were the most common among employers with at least 500 but less than 1,000 employees and employers with at least 10,000 employees.

Figure 7: Waiting periods for LTD leave eligibility by selected industries (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies. Industries with fewer than 30 responding employers are not shown.

Figure 8: Waiting periods for LTD leave eligibility by number of employees (% of employers)



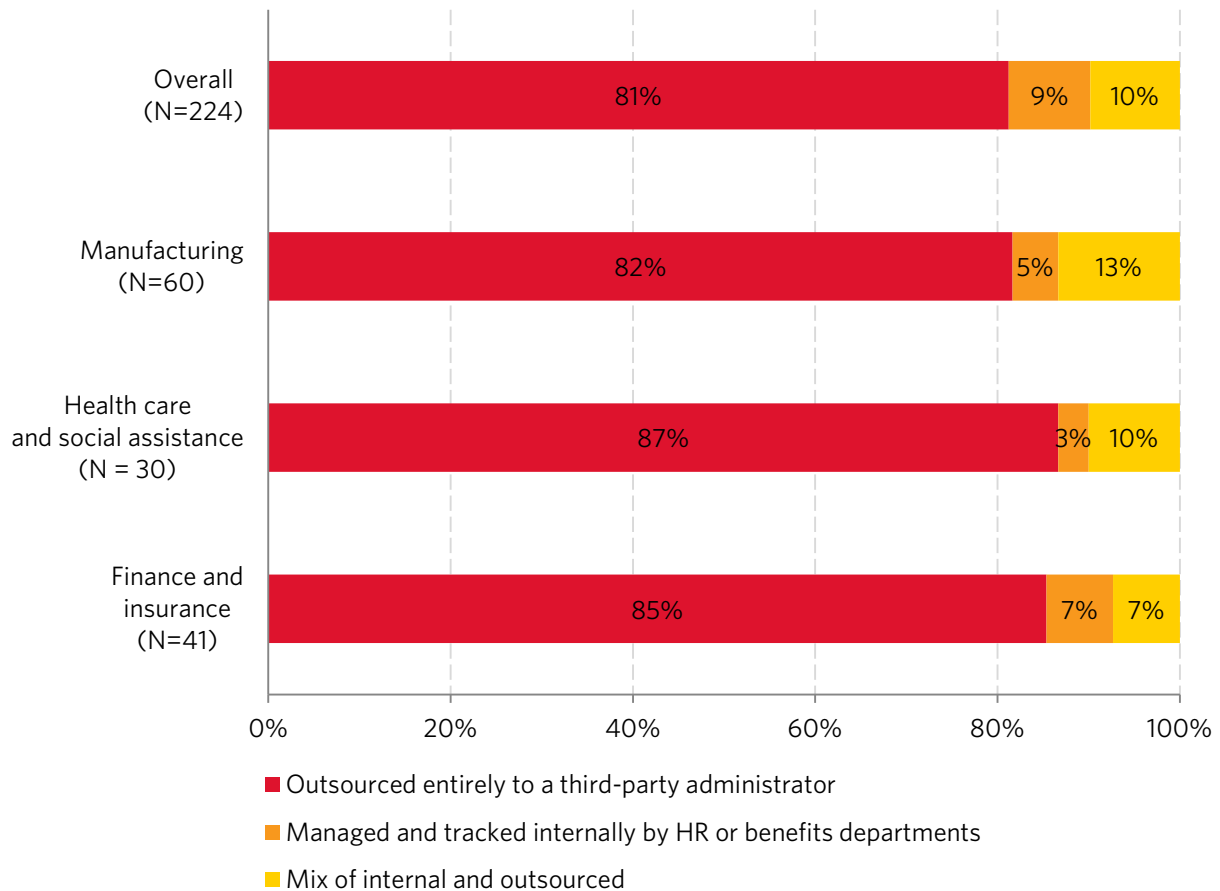
Note: Includes only employers that provided information about their formal LTD leave policies.

How is LTD leave managed and tracked?

Figures 9 and 10 show how many employers manage and track LTD leave using internal resources (such as an HR or benefits department) or outsource their leaves to a third-party administrator.

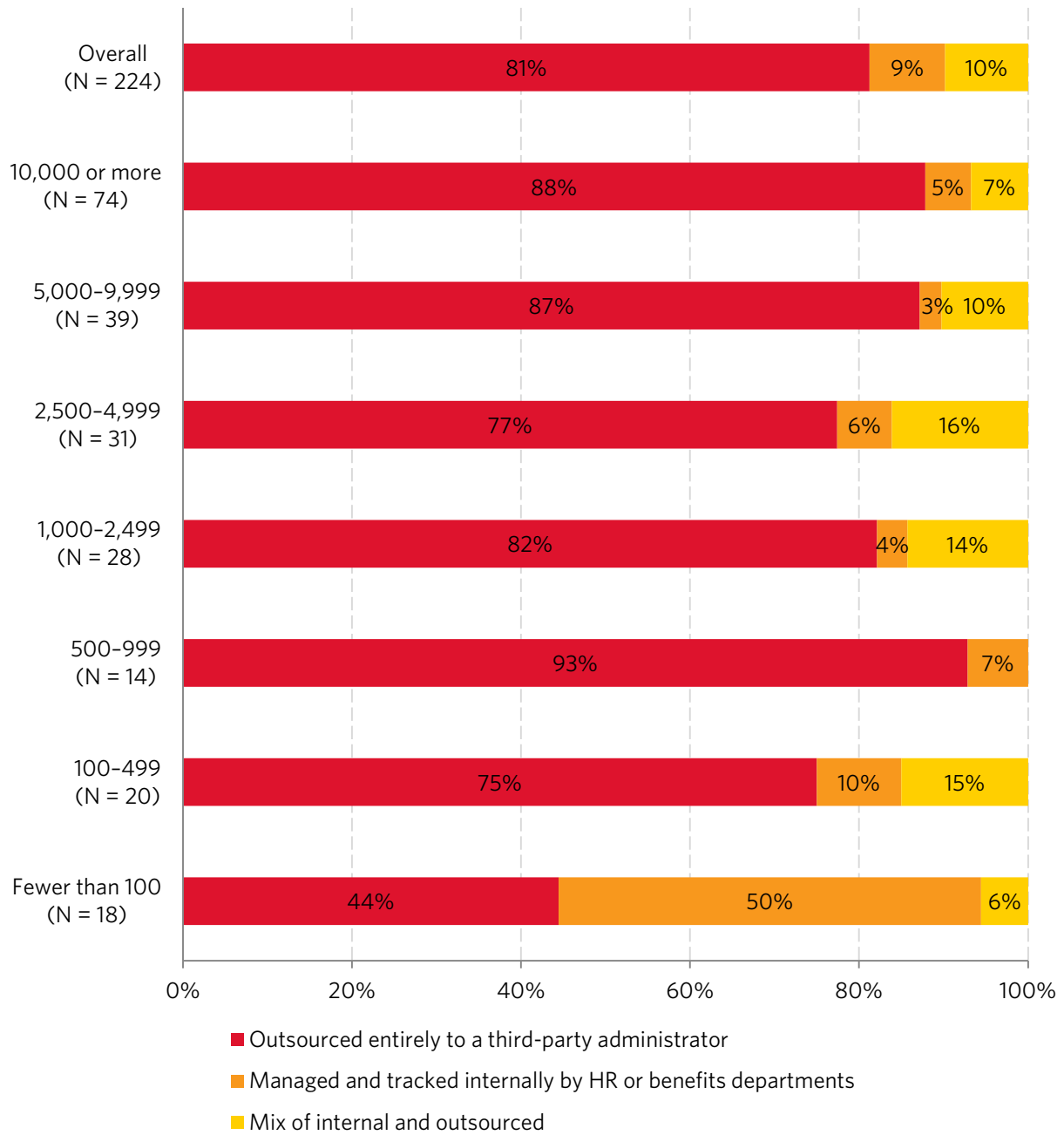
Few employers split responsibility for managing and tracking leaves between internal and external resources. About four in five employers outsourced managing and tracking LTD leaves. Health care and finance and insurance employers were more likely to outsource the management and tracking of LTD leaves. With the exception of employers with at least 2,500 but less than 5,000 employees, employers with at least 500 employees were more likely to outsource the management and tracking of LTD leaves.

Figure 9: Method of managing and tracking LTD leaves by selected industries (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies. Industries with fewer than 30 responding employers are not shown.

Figure 10: Method of managing and tracking LTD leaves by number of employees (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies.

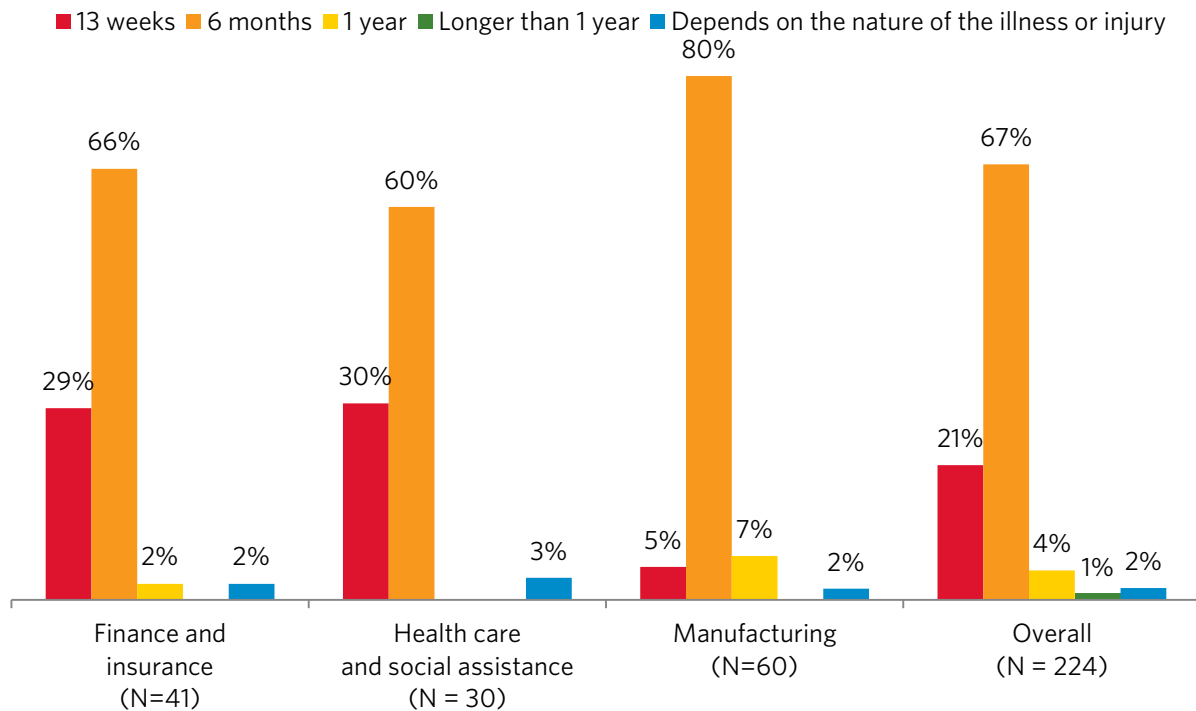
What elimination periods do employers require for LTD leave?

Figures 11 and 12 show the elimination periods employers required before LTD benefits commenced, by industry and number of employees.

The most common elimination period (used by two-thirds of all employers) was six months; elimination periods one year or longer, or which depended on the nature of the illness or injury, were rare. Nearly one-third of health care and finance and insurance employers used 13 week elimination periods—virtually no manufacturing employers did so.

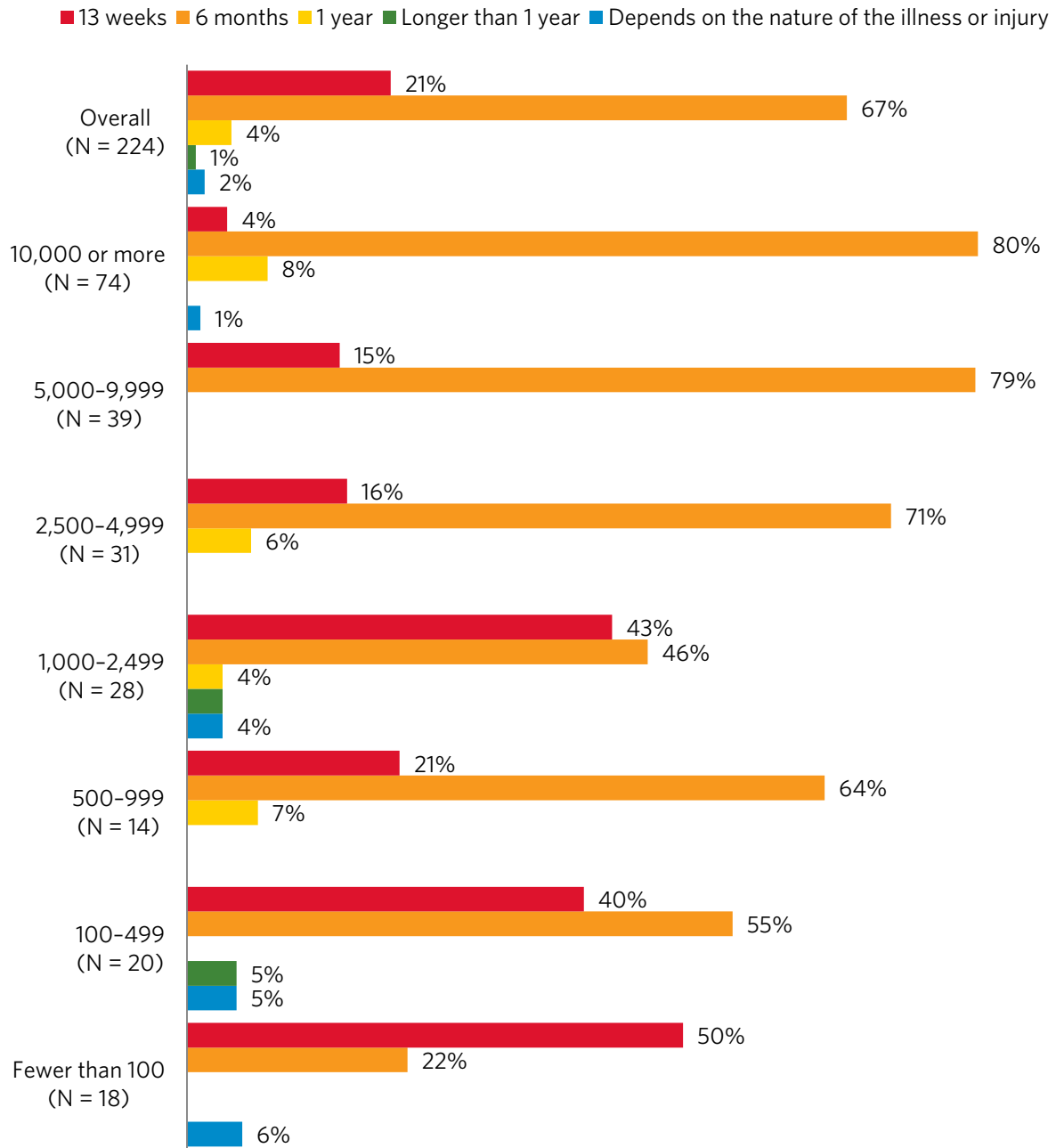
Generally, larger employers were more likely to apply a six month elimination period and less likely to apply a 13 week elimination period.

Figure 11: LTD elimination periods by selected industries (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies. Industries with fewer than 30 responding employers are not shown. Because employers can use more than one elimination period, results may not sum to 100%.

Figure 12: LTD elimination periods by number of employees (% of employers)

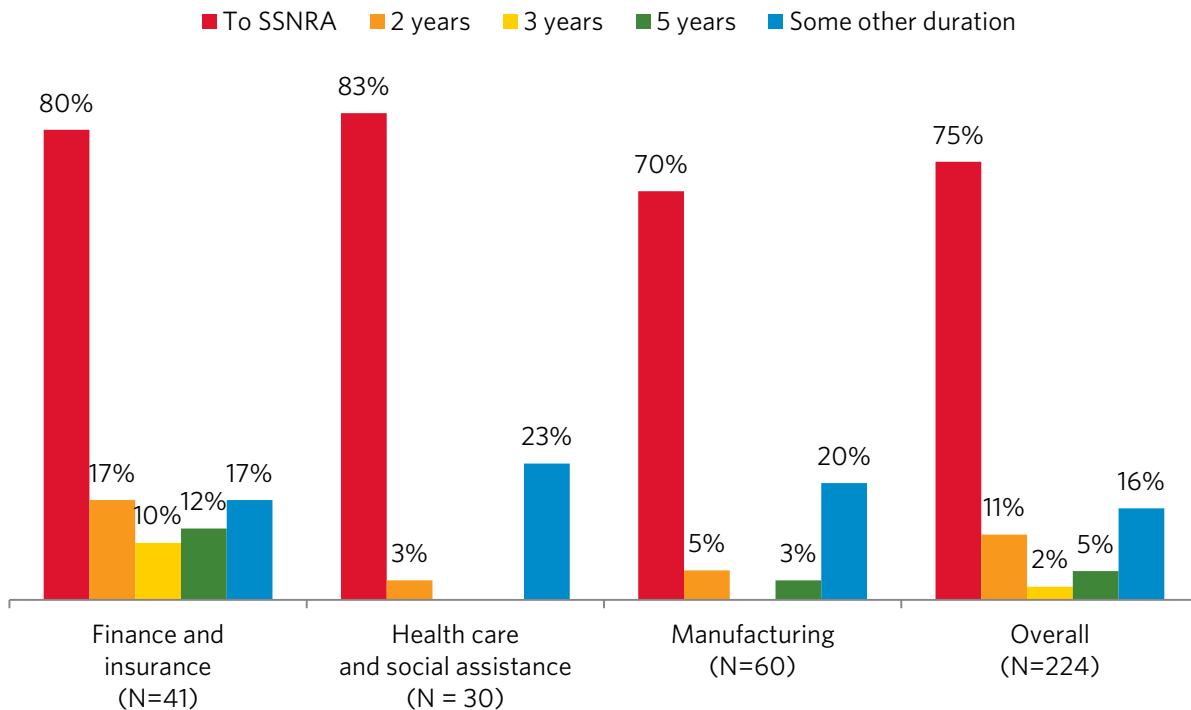


Note: Includes only employers that provided information about their formal LTD leave policies. Because employers can use more than one elimination period, results may not sum to 100%.

What are the maximum benefit durations for LTD leave?

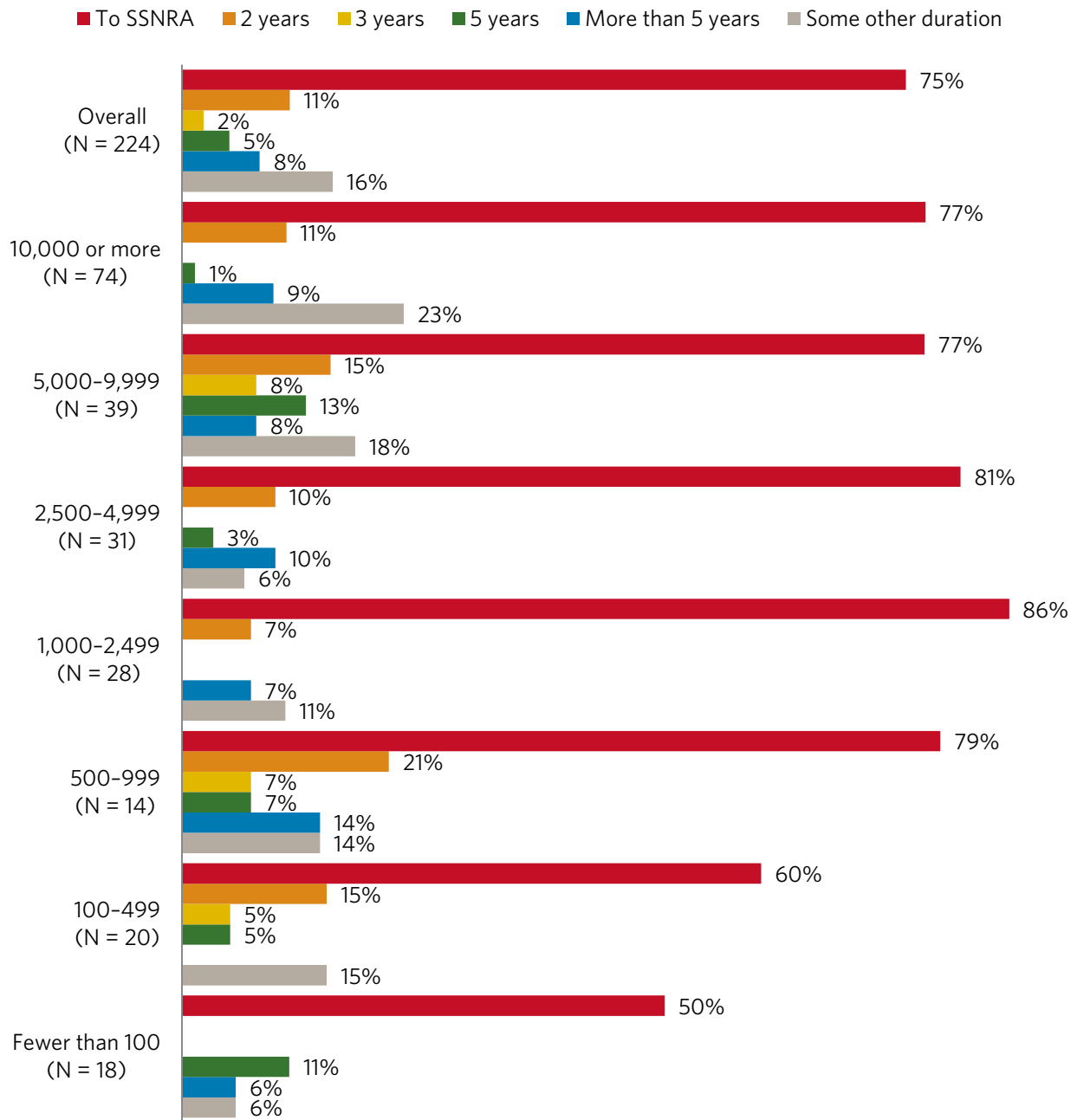
Figures 13 and 14 show the maximum benefit durations of LTD leave, by industry and by the number of employees. Overall, three-fourths of employers specified that LTD benefits could continue until Social Security Normal Retirement Age (SSNRA). About one in ten employers had a two year maximum benefit duration, while one in six reported “some other” duration. With the exception of finance and insurance employers, few employers had three or five year maximum benefit durations.

Figure 13: Maximum benefit duration of LTD leave by selected industries (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies. Industries with fewer than 30 responding employers are not shown. Because employers can use more than one maximum benefit duration, results may not sum to 100%. SSNRA = Social Security Normal Retirement Age.

Figure 14: Maximum benefit duration of LTD leave by number of employees (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies. Because employers can use more than one maximum benefit duration, results may not sum to 100%. SSNRA = Social Security Normal Retirement Age.

How much of their usual pay does an employee receive while on LTD leave?

Across industries and company sizes, virtually all employers paid at least 50% but less than 75% of an employee's wages during LTD leave. Almost none reported using any other wage replacement rate.

What other policies are applied to LTD leaves?

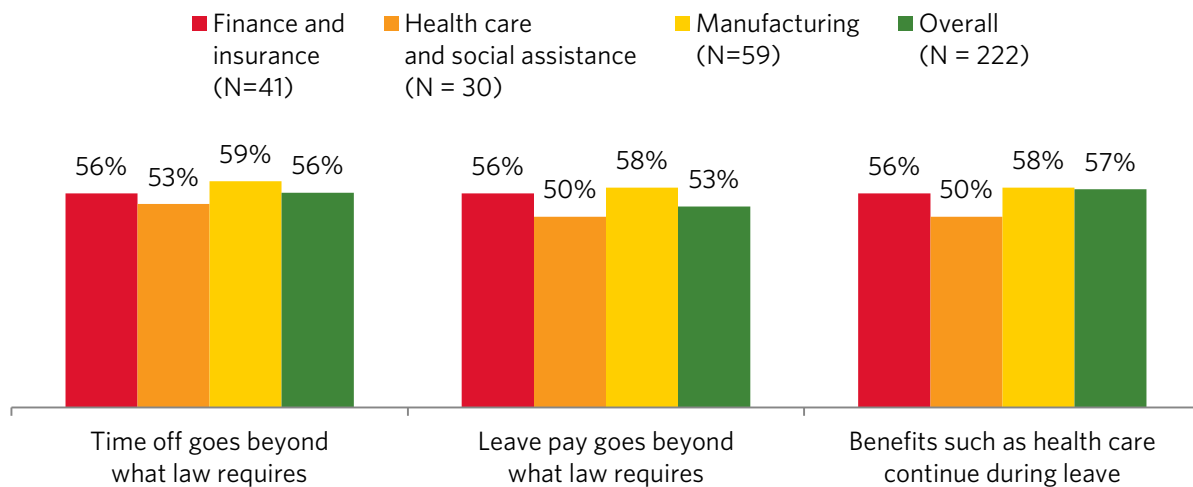
Employers with formal LTD leave policies were also asked about rules that applied to time off and pay during leave. Time-off policies include the requirements that employees authenticate the reason for leave and whether the amount of allowed time off exceeds what is required by applicable leave laws. Pay policies include whether employee benefits such as health care continued for the duration of leave and whether amounts of leave pay exceed what is required by applicable leave laws.

Nearly 100% of employers required that employees authenticate the reason for LTD leave.

Figures 15 and 16 show the percentage of employers that apply time-off and pay policies that go beyond what is required by law, and whether benefits such as health care continue during leave, by industry and number of employees.

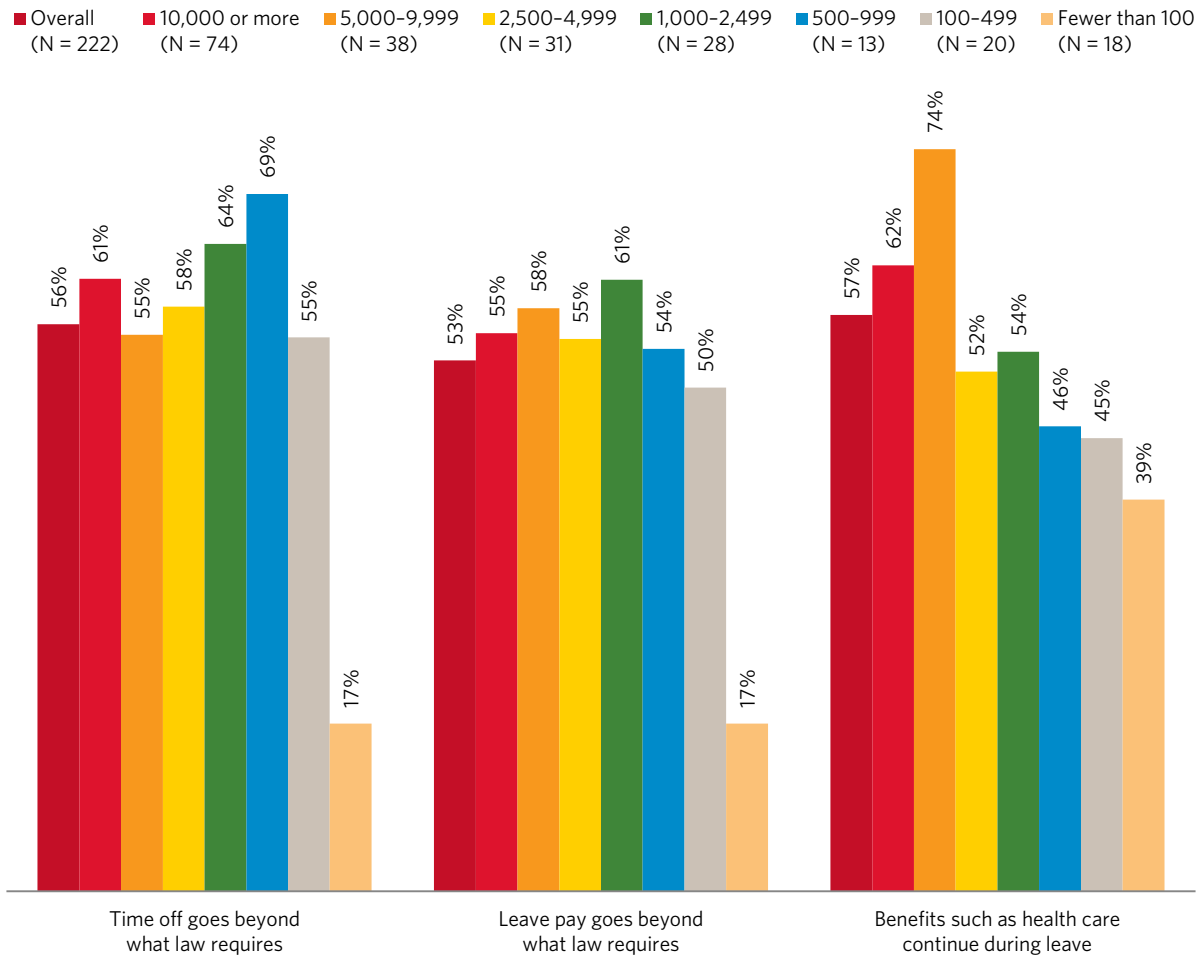
Over half of employers reported that the leave durations and wage replacements for LTD benefits went beyond what is required by law. Similarly, over half of employers reported that benefits such as health care continue during LTD leave. Generally, smaller employers were less likely to report that benefits such as health care continue during LTD leave.

Figure 15: Other time-off and pay policies by selected industries (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies. Industries with fewer than 30 responding employers are not shown.

Figure 16: Other time-off and pay policies by number of employees (% of employers)



Note: Includes only employers that provided information about their formal LTD leave policies.

Appendix

SURVEY ADMINISTRATION

The Leave Management Benchmarking program collects data on nine separate types of leaves. Employers complete a survey for each type of leave for which they would like to receive a benchmarking report. Each leave is considered as a separate survey effort. Employers may complete surveys for as many leaves as they wish, and survey responses across leave types are not connected to one another.

PARTNER ORGANIZATIONS

Employers are recruited for the survey from IBI member organizations, as well as from the membership lists and client bases of partner organizations. As of the publication date of the current report, partner organizations that have invited members and clients to take surveys include the following:

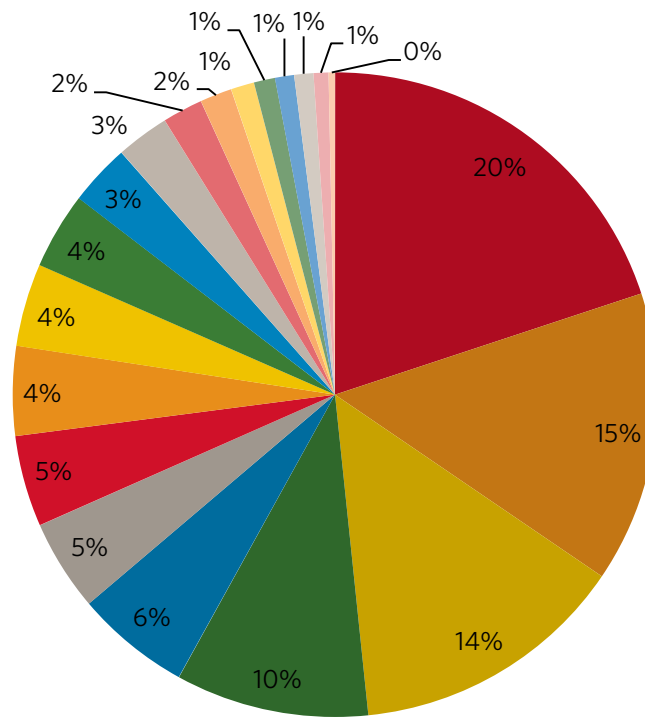
- The Alliance
- Aon Hewitt
- Broadspire
- ClaimVantage
- Employers Health
- Employers Health Coalition
- Employers Healthcare Coalition
- Florida Health Care Coalition
- Greater Philadelphia Business Coalition on Health
- HC21
- Houston Business Coalition on Health
- Liberty Mutual Insurance
- Memphis Business Group on Health
- Midwest Business Group on Health
- Mississippi Business Group on Health
- Nevada Business Group on Health
- Northeastern Oklahoma Business Coalition on Health
- Pacific Business Group on Health
- Pittsburgh Business Group on Health
- The Reed Group
- Rhode Island Business Group on Health
- Sedgwick Claims Management Services, Inc.
- St. Louis Area Business Health Coalition
- Standard Insurance
- Sun Life Financial
- Unum Group
- Washington Health Alliance
- Willis Towers Watson
- WorkPartners
- Wyoming Business Coalition on Health

The survey was opened for responses on July 5, 2017, and remains open continuously. A report on a specific leave type is released when surveys from 30 organizations provide information about their policies; it is subsequently updated for each additional 30 recorded policy descriptions. Because the interest is primarily in benchmarking employers' policies, all due diligence is made to exclude responses from persons known to represent consultants, absence management suppliers or third-party administrators. The primary method of identifying these organizations is through cross-referencing the domain in the work email address provided by the user for delivering results. Respondents who provide an email address that indicates a personal email service (such as Gmail) are asked to provide a corporate work email to verify their employer status. Responses with unverified email addresses are excluded from analysis.

Reports are updated with industry- and state-level benchmarks when 30 additional responses are recorded.

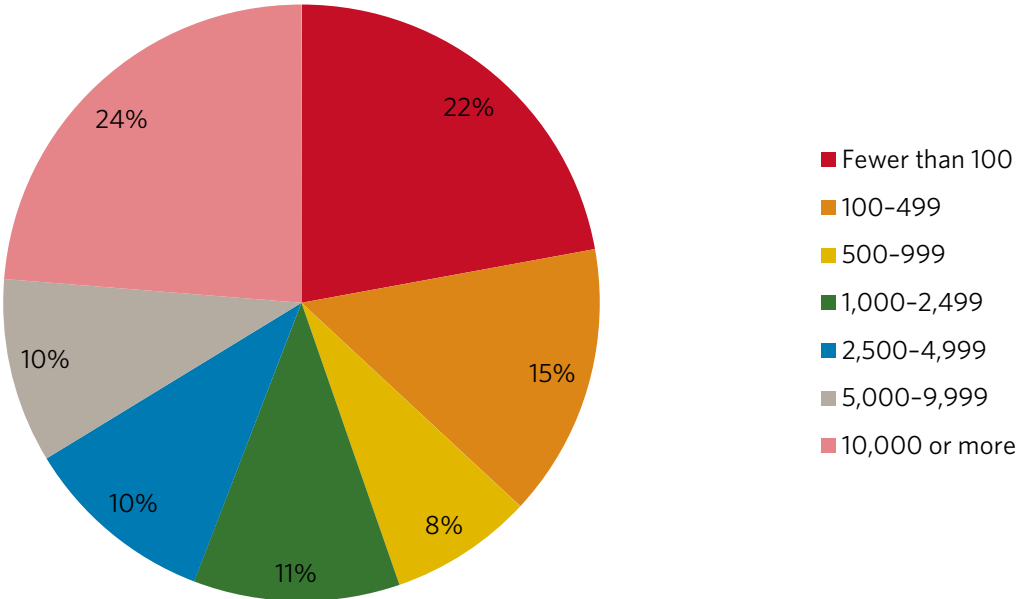
DEMOGRAPHICS OF RESPONDING EMPLOYERS

Appendix Figure 1: Industry

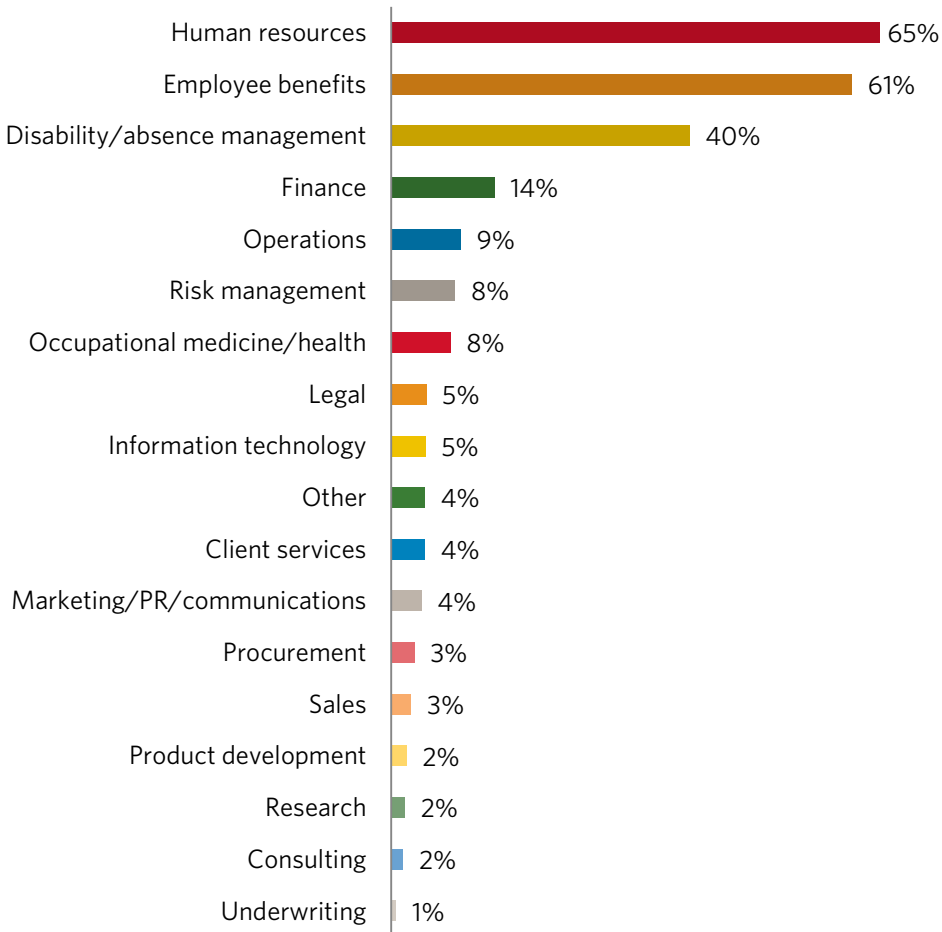


- Manufacturing
- Finance & insurance
- Educational services
- Retail trade
- Utilities
- Wholesale trade
- Construction
- Administrative & support
- Accommodation & food services
- Agriculture, forestry, fishing & hunting
- Health care & social assistance
- Professional, scientific & technical services
- Public administration
- Other services
- Information
- Transportation & warehousing
- Mining, quarrying & oil & gas extraction
- Arts, entertainment & recreation
- Real estate & rental and leasing
- Other

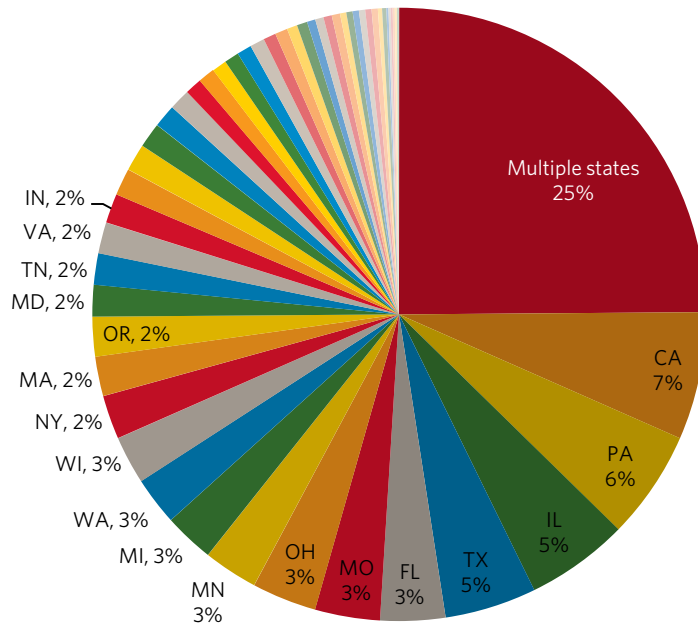
Appendix Figure 2: Company size



Appendix Figure 3: Respondents' organizational functions



Appendix Figure 4: State in which most employees work



Note: States that represented less than 1% of responses are not labeled.

Acknowledgments

Special thanks are due to the National Alliance of Healthcare Purchaser Coalitions for helping coordinate the distribution of the survey through several employer coalitions.

IBI's Leave Management Benchmarking series originated from the Leave Management Issue Group, part of IBI's Research Committee. IBI gratefully acknowledges representatives from the following organizations for providing expert guidance during the development of the Leave Policy Benchmarking Survey.

Leave Management Issue Group members:

- Angie Brown, ClaimVantage
- Ed Crouch, MD, Liberty Mutual Insurance
- Marc Cunningham, Broadspire
- Susan Fabry, Sun Life Financial
- Michelle Jackson, Unum Group
- Annie Jantz, Lincoln Financial Group
- Gene Lanzoni, The Guardian Life Insurance Company of America
- David Setzkorn, Standard Insurance

Terri Rhodes, President of the Disability Management Employer Coalition, also provided valuable guidance on the development of the survey.

IBI RESEARCH COMMITTEE MEMBERS

- AbbVie Inc.
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- Aon Hewitt
- Bristol-Myers Squibb
- Broadspire
- CareWorks Absence Management
- ClaimVantage
- The Guardian Life Insurance Company of America
- The Hartford
- Health Care Service Corporation
- Liberty Mutual Insurance
- Lockton Companies
- Mercer-Trion
- Merck & Co., Inc.
- Morneau Shepell
- Novo Nordisk, Inc.
- Pfizer Inc.
- Prudential Financial, Inc.
- The Reed Group
- Reliance Standard/Matrix Absence Management
- Sanofi S.A.
- Sedgwick Claims Management Services, Inc.
- Standard Insurance
- Sun Life Financial
- Teladoc
- UnitedHealthcare
- Unum Group
- WorkPartners
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