

LONG TERM DISABILITY INSURANCE INFORMATION FOR GRADUATING MEDICAL AND MSPA STUDENTS

Importance of Disability Income Coverage that Protects your Medical Occupation/Specialty

Disability income is an extremely important consideration whether you are staying or completing your program. Since 1992 we have managed the Stanford Medical School and Stanford House Staff group long term disability income plans. As a result, we have worked with many physician assistants, medical students and physicians both while in training and when in practice to provide coverage that protects their "medical occupation/specialty". When most people think about the risk of disability – they think not me. I'm young & health. However, statistics show that the risk of disability is real and can have a major impact on both your health and your future. You spend a ton of time, money and energy to become specialized. It is important to consider protecting yourself and securing your medical specialty.

There are three main types of disability income plans: Group Plans, Association Plans and Individual Disability Income Plans.

Group Plans

- Group long term disability income plans are generally offered thru an employer. They provide long term disability that covers a percentage of your income with a monthly benefit maximum. Either you or your employer pays the premiums for the coverage. The monthly benefit integrates with other income you may be eligible to receive. This means that they subtract other income, such as, state disability, work's comp, settlements, etc. If the employer pays for the coverage, then the monthly benefits are most likely taxed. The definitions for Total Disability vary based on the plan. For example, some group long term disability plans only cover your medical occupation/specialty for 12 months as opposed to age 65/67. Finally, group plans end when you leave the group (university, hospital, practice, etc).

Association Plans

- Association disability income plans are offered by various medical associations and provide disability income coverage in which you pay the premiums. As long as you pay your premiums, the coverage will stay in force. The association is in control of the majority of the plans. This means they can cancel the policy and/or raise your premiums. Similar to group plans, the definitions for Total Disability vary based on the association plan. For example, your medical occupation/specialty may be covered to age 65; however, only if you are not working in any other occupation. The monthly benefits are generally tax-free since you are paying for the premiums. The riders (additional policy benefits) that you can add to the policy are generally limited since the association is insuring a larger group of people. For example, Partial Disability pays you a portion of your monthly benefit even if you are working in your medical specialty if a disability causes you to lose 15% to 20% of your pre-disability income. However, with most association plans, their Partial Disability definition requires you to be fully disabled for 12 months before you can apply for a partial disability income claim. This can be an issue in some cases since disabilities can be illnesses which tend to be degenerative. For example, chronic pain, MS, back problems which will over time mean that someone

cannot work a full day, or there are some patients that they cannot see. These are not total disabilities, but rather partial and result in a loss of income.

Individual Disability Income Plans

- Individual disability income plans are purchased and owned by you. With policies that include non-cancelable, guaranteed renewable coverage, you are in control the policy and it is fully portable. This means the insurance company cannot change the terms of the policy, cancel the policy and/or raise your premiums. The policy goes with you wherever you go and the monthly benefits pay in addition to any other benefits you may be eligible to receive. Also, the monthly benefits are tax-free. One of the key advantages of an individual disability income policy is securing a policy that provides "True" Own Occupation/Specialty-Specific Coverage. This definition for Total Disability states - In the event that you become disabled due to an injury, illness or accident your "medical occupation/specialty" is covered up until age 65/67 REGARDLESS if you choose to do another occupation. This means that if you cannot perform your "medical occupation/specialty" due to a disability and even if you choose to do another occupation that you will still receive your full monthly benefit regardless of any other income you are generating. You also want a Partial/Residual disability rider that states - if your disability causes you to lose 15%-20% of your income per month, then you can apply start to collect a portion of your monthly benefit while still practicing in your medical occupation/specialty. You do not have to be fully disabled prior to receiving a partial disability monthly benefit. The requirements to qualify vary based on the insurance carrier. Finally, Future Increase Options give you the ability to secure future coverage based on your current health. You can start off with a lower monthly benefit and then expand the coverage in the future without any health questions or exams once you qualify.

As part of the Stanford program, there many options available to you. If interested in reviewing your individual disability income options and/or any group/association plans, please contact either Ethan Sopkenski at ethan_sopkenski@pacificadvisors.com or Anthony George at ageorge@pacificadvisors.com to schedule a quick in-person or Zoom meeting.