

# *the* SOURCE

MAY/JUNE 2007

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## FAST FACTS

**1 IN 5**

*workers who call in sick are suffering from stress rather than illness<sup>1</sup>*

**\$5 TO \$16**

*in savings for every dollar invested in an EAP<sup>2</sup>*

**33% LESS**

*use of sick leave benefits nationwide because of EAP<sup>3</sup>*

**30%**

*decline in workers' compensation claims nationwide because of EAP<sup>4</sup>*

**\$688**

*the cost per employee of unscheduled absenteeism<sup>5</sup>*

**1,000,000**

*workers are absent on an average workday because of stress related complaints<sup>6</sup>*

## The Coming Crisis

*By Mark Sutherland, Allsup, Inc.*

Today, the Social Security Administration (SSA) and its SSDI program are over-worked, over-loaded and under-staffed because of budget cuts and the aging boomer population. Combined with the pending retirements of over 50 percent of SSA employees<sup>1</sup>, the situation will get much worse. Longer waiting periods and larger double-benefit amounts are the result.

A U.S. House Ways and Means Committee press release<sup>2</sup> recently stated:

**“Nowhere is the situation more grave than in the processing of applications for disability benefits. Due to large and increasing backlogs, severely disabled individuals can wait years to get the benefits they need for basic economic survival.”** The release continued, **“At the end of fiscal year 2006, about 1.3 million people were awaiting a decision.”**

The Ways and Means Subcommittee on Social Security met to discuss the problem on February 14, 2007. At the hearing, Social Security experts

*continued on page 2 ...*

## From The Murphy Files

*By Mark Murphy, Director of Contracts and Compliance*

### System for Electronic Rate and Form Filings (SERFF) Update

– The list of states requiring SERFF for disability filings has grown to 3: AL, IA, and SD. Effective 7/1/07, UT will require some form of electronic filing (SERFF is an option). And SERFF will be required for Interstate Compact filings. ([www.serff.org](http://www.serff.org))

### Interstate Compact (IC) Update

– TN just signed on as the 30th state. IC plans to start accepting filings in June for products with completed product standards. Work on individual disability income application and product standards is well underway. IC filings will require use of SERFF. ([www.insurancecompact.org](http://www.insurancecompact.org))

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# The Coming Crisis

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warned Congress that the problem will grow even more severe if the status quo continues.

In written testimony to the subcommittee, Jim Allsup, founder and CEO of Allsup Inc., stated that a public-private partnership might be the solution to the SSDI disability crisis.

He warned of a meltdown in the SSA's disability program, adding that third-party organizations such as his company "are well-tested and available to assist increasing numbers of individuals with applying for SSDI claims." The former SSA employee added, "Current [disability] claimants are experiencing unacceptable delays in obtaining determinations. Disability applicants and [Social Security Administration] employees need help immediately."

## Delays Across the Country

News articles across the U.S. have brought this crisis to the attention of the public, but claimants caught in this backlog feel the reality every day.

A recent story in the Columbus Dispatch revealed the waiting lists in just two offices in Ohio to be over 20,000.

Level 1 is the initial application. This is where all relevant medical and vocational evidence is submitted to the SSA. Level 2 is the appeal level. If a person's initial application is denied, he or she can file an appeal. The backlog at these two levels at the end of fiscal year 2006 was nearly 700,000<sup>3</sup>.

Level 3 is the hearing level. If the appeal is also denied, there will be an administrative law judge hearing. Level 4 is the Appeals Council. If a person's hearing ends in a denial, he or she may submit an appeal to the Appeals Council. The Appeals Council will review the hearing decision to determine if it was rendered properly according to the law. The backlog at these two levels at the end of fiscal year 2006 was 716,000<sup>4</sup>.

Level 5 is Federal Appeals Court. This level takes a person into the federal court system. There are no statistics available to track any backlogs at this level.

It is a lengthy process that is made much longer by the building crisis. Securing SSDI provides access to automatic Medicare benefits including medical benefits, prescription drug coverage, protected retirement benefits, benefits for dependents and return-to-work incentives. Allsup will continue to monitor the situation and work with Washington to help develop a solution to this crisis. ■

*Allsup, Inc. is a leading national provider of SSDI representation services. Custom Disability Solutions contracts Allsup, Inc. to secure rapid SSDI awards for their plan participants. Online at: [www.allsup.com](http://www.allsup.com)*

Source Notes:

1. Congressional Testimony, National Council of SSA Field Operations Locals ALF-CIO, 6/15/06
2. House Committee on Ways and Means, Subcommittee on Social Security, 2/7/07
- 3, 4. Congressional Testimony, Sylvester Schieber, Chairman, Social Security Advisory Board, 2/14/07 and Phil Landis, Senior Advisor, Office of Disability Determinations, 5/10/07

In 2006,  
**1.3 million**  
people were awaiting  
a decision

# CDS News In Brief

CDS has contracted with Resources For Living (RFL), provider of outcome-based behavioral health counseling and coaching, to provide integrated EAP solutions to CDS' clients. The EAP services provided by RFL cover the full spectrum of challenges that may affect individuals and their families at home or in the workplace. CDS will offer the EAP services with its group disability insurance products.

"Adding EAP to our portfolio helps enhance the competitiveness of our current group disability product offering," said Jerry Bannach, president and CEO of Custom Disability Solutions. "The EAP product will help to further differentiate our clients' LTD offering, and allow them to stand out with brokers and employers," Bannach concluded.



Shawn Dutremble, Director of Client Management and Underwriting, is presenting a workshop on Renewal Underwriting at GUAA's 3rd Annual Joint Conference With the Society of Actuaries

The session will review the importance of having a defined renewal strategy. Shawn will discuss strategy development; the roles of Sr. Leadership, Managers and Underwriters; what to include in the strategy and how the renewal strategy impacts future sales.

**Where:** Chicago, IL

**When:** Wednesday, June 27th  
Workshop Set 10  
10:15 - 11:15am

**SEE YOU IN CHICAGO!**

## From The Murphy Files

(continued from front page)

**Discretionary Authority** – Recent activity in MI and NJ (see below) brings to 8 the number of states having issued formal written communications or taken action on this topic. Others include CA, IL, MT, NH, NY, and UT. According to an industry insider, these states were the drivers of the creation of the NAIC Model Law on this topic, and it will be worth watching to see if other states now begin to pick up the ball.

**CA** – Counsel who represented the major trades in the July 2006 DOI Settlement matter recently requested a meeting with high level CA DOI representatives to determine what is preventing approval or even substantive DOI feedback on the settlement filings that were required to be submitted in September 2006.

**MI** – Recent bulletin requested information from insurers on their “discretionary authority” policy provisions.

**NJ** has approved rule prohibiting insurers from using policy provisions purporting to reserve sole discretion to the carrier for interpreting policy terms, with compliance date of 1/1/08. Rule does allow for discretionary clauses that affirm insurer’s right to make initial interpretations of policy terms, subject to review by an “internal utilization review organization, a court of law, arbitrator or administrative agency having jurisdiction.”

**NY** plans for DOI rollout of “post approval review” process for expedited approvals on filings for which carriers certify compliance.

**In the Courts** – Major trade groups recently filed an amicus (“friend of the court”) brief with the NY Court of Appeals in Benesowitz vs. MetLife. This case involves interpretation of a NY statute concerning pre-existing condition provisions in group disability policies. At issue is whether the provision is a limitation or an exclusion. An outcome favoring the plaintiff here could have a huge impact on LTD industry pricing.



Feel free to contact Mark Murphy, CDS Director of Compliance, if you would like more information on any of these items. You can reach Mark at [mmurphy@customdisability.com](mailto:mmurphy@customdisability.com) or 860-751-7160. ■

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2. USDL, *What Works: Workplaces Without Drugs*
3. Statistics., May 30, 2002, [www.fishervista.com](http://www.fishervista.com)
4. [www.fishervista.com](http://www.fishervista.com)
- 5, 6. *The American Institute of Stress, 2000*