Disability Insurance Options for Federally Employed Civilian Physicians

[Editor’s Note: This is a guest post from Michael Relvas, owner of MR Insurance Consultants, one of the advertisers on this site. Mixing group disability contracts with individual disability contracts can get tricky, especially when the group contract comes from the government. In this post aimed at federally employed doctors, Michael helps you understand how to layer an individual policy on top of your federally provided one.]

Federally employed physicians subject to the Federal Employee Retirement System (FERS) are provided with a base level of disability income benefits, which work similar to an employer-sponsored group disability policy. Like group disability policies, the FERS disability program has inefficiencies that should be understood so that proper planning can be done.

Eligibility requirements

There are a number of eligibility requirements that can be reviewed on the OPM website, but below are a few that I consider most critical:

1. Federally employed physicians must have 18 months of completed creditable civilian service subject to FERS in order to be considered for benefits.
2. A federally employed physician must have become disabled, because of injury or illness, for useful and efficient service in his/her current position.
3. The disability must be expected to last at least one year.
4. Your agency must certify that it is unable to accommodate your disabiling medical condition in your
present position and that it has considered you for any vacant position in the same agency at similar grade/pay level, within the same commuting area, for which you are qualified for reassignment.

**Benefit Payouts**

What benefits can you actually get from the government if you’re disabled?

- Benefits **DURING** the first 12 months of disability: 60% of your high-3 average salary minus 100% of your Social security benefit for any month in which you are entitled to Social Security benefits.
- Benefits **AFTER** the first 12 months of disability: 40% of your high-3 average salary minus 60% of your Social Security benefit for any month in which you are entitled to Social Security disability benefits.
- Benefits after age 62: Depending on your number of years of service, you are either eligible for 1% or 1.1% of your high-3 average for each year of service.

Get [more details](#).

**Why FERS Disability Retirement Falls Short**

Benefits are reduced from 60% of the high-3 average salary to 40% after the first 12 months of benefits being paid. 40% income replacement may not be sufficient income replacement during a physician’s working and wealth accumulation years. To make matters worse, as a group disability policy, these benefits are fully taxable. Qualification guidelines are also fairly strict in comparison to the Own-Occupation wording available with individual disability insurance (IDI) policies. Like other group policies, it isn’t portable if you leave and won’t cover any “moonlighting” income you have from another job.

**Individual Disability Insurance Options to Supplement FERS**
For federally employed physicians subject to FERS, an individual disability insurance (IDI) policy allows for more adequate protection of one’s future income by insuring the percentage of income that FERS does not cover. There are a number of individual policies available to federal physicians but the most favorable option will greatly depend on one’s age, the number of years of creditable service, medical history and medical specialty.

Most IDI companies will offer similar benefit levels to federal physicians, with a few exceptions. Below is a summary of the benefits offered from 5 of the major insurance carriers. Each of these insurance carriers offers non-cancelable and guaranteed renewable coverage, true own occupation wording (either in the base policy or by optional rider), residual disability benefits and most pertinent optional riders (with a few exceptions). Product availability and features obviously vary by state.

MetLife

MetLife is a valid contender in the physician disability insurance arena and with some recent adjustments they’ve made for federal employees, they are also an attractive option for federal physicians. MetLife is currently offering their Omni Advantage, Omni Essential, Omni Select and Salary Saver policies to federal employees. It does not, however, offer a future purchase option rider to federal physicians.

Benefit Calculation: MetLife will treat federal physicians as having a group long-term disability insurance policy that covers 40% of their income. Benefits offered will account for this and also any existing individual disability insurance.

Maximum Issue Age: 55

Maximum number of Years of Service: Not a factor

Principal
Principal has offered federal physicians a similar option for a number of years now.

**Benefit Calculation:** Principal will treat federal physicians as having a group long-term disability policy that covers 40% of their income. Benefits offered will account for this and also any existing individual disability coverage.

**Maximum Issue Age:** 50

**Maximum Number of Years of Service:** Principal will not offer coverage to federal physicians with 10 or more years of federal service.

**Guardian / Berkshire**

Similar to MetLife, Berkshire has recently made adjustments to the policy structure being offered to federal employees which makes them an attractive option for federal physicians. In the federal physician marketplace, Berkshire offers their ProVider Plus and ProVider Plus Limited policies.

**Benefit Calculation:** Berkshire will treat federal physicians as having a group long-term disability policy that covers 40% of their income. Benefits offered will account for this and also any existing individual disability insurance.

**Maximum Issue Age:** 60

**Maximum Number of Years of Service:** Not a factor

**Standard**

Standard does not offer own-occupation riders in some states.

**Benefit Calculation:** Standard will also treat federal physicians as having a group long-term disability policy that covers 40% of their income. Benefits offered will account for this and also any existing individual disability coverage.
Maximum Issue Age: 55

Maximum Number of Years of Service: Standard will not offer coverage to federal physicians with 10 or more years of federal service.

MassMutual

Through their “FedWrap concept”, MassMutual offers one of the most unique options to federal physicians. Some specialties/occupation classifications unfortunately cannot get a true own-occupation definition with MassMutual, but if you can, MassMutual offers a couple of great options. The option for which you qualify will be dependent on the number of years of service that you have.

Benefit Calculation if Less Than 18 Months of Service: MassMutual is the only insurance carrier that I know of who will actually disregard FERS during the first 18 months of service, since technically FERS requires 18 months of service in order to qualify. In doing so, MassMutual will offer these federal physicians the maximum proportionate benefit amount available based on their income. For example, a physician earning $200,000 may qualify for approximately $9,000 of monthly benefit with MassMutual while only qualifying for approximately $5,900 with most other carriers.

Benefit Calculation After 18 Months of Service: Once 18 months of service has been achieved, MassMutual will offer a two part policy that is specifically tailored to supplement FERS and its reduction from 60%-40% after 12 months. Through specific policy structuring, MassMutual will provide a benefit amount that begins paying after a 90-day elimination period which is intended to supplement a group long-term disability insurance policy that pays 60%. They will provide an additional benefit amount that begins paying after a 12-month elimination period, which is intended to supplement an additional 20%, due to the reduction from 60%-40%.
Maximum Issue Age: 60

Maximum Number of Years of Service: Not a factor, other than that listed above.

Final Tips

Since insurance is regulated by the states, product availability and features will vary by state. If you are new in practice, you may benefit from applying for coverage under special limit programs, which would allow you to buy more insurance than you would later (they don’t take the FERS disability program into consideration.) Unlike FERS, these individual polices do require medical underwriting, so you have to be reasonably healthy to qualify.