

M INTELLIGENCE

THE GROWING IMPACT OF MENTAL HEALTH ON DISABILITY INSURANCE PLANS

Burnout. Stress. Anxiety. Depression. Mental health conditions affect mood, thinking, and behavior. U.S. employers are increasingly aware of the COVID-19 pandemic's impact on their employees' mental health, productivity, and healthcare costs. With mental health experts saying that the pandemic may shape our mental health well into the future,¹ it's important to understand how mental health impacts benefit planning and the role it plays in critical financial safety nets like employer-sponsored disability insurance (DI).

DI AND MENTAL HEALTH

DI and mental health are not often discussed together, but employers would benefit from understanding their connection. Headlines and statistics indicate that mental health claims are on the rise among DI companies:

- "In the past two years, the number of Unum's Short-Term Disability (STD) claims paid due to behavioral health reasons increased at more than twice the rate of the overall number of STD claims paid" (14% increase for STD claims overall, 37% increase for behavioral health*)²
- "Employers' biggest worry: A breakdown in mental health"³

- "Mental and Nervous conditions ranked third among the top causes of long-term absence from work (more than 90 days) in 2020" for medical professionals⁴

What's more, two in five working adults reported symptoms of anxiety or depression during the first year of the pandemic (April 2020-March 2021). The observed increase was four times higher during the pandemic compared to pre-pandemic levels (39.5% and 8.7% respectively).⁵

9.3% of new long-term disability claims are categorized as mental health.⁶

¹ Cedars Sinai, **Long-Term Impacts of COVID-19: Your Mental Health**, 2020.

² **Behavioral Health: A better way to help keep your employees productive**, Unum, May 2021. *Refers to the number of unique claims that received at least one payment in the year with a primary ICD10 code of a behavioral health disorder, including substance use disorders.

³ **September HR Trends Study**, Unum, September 2020

⁴ Mental and Nervous Long-Term Disability Claims for Healthcare Professionals Jumped Significantly in 2020, MGIS, August 17, 2021.

⁵ **Impact of Covid-19 on Employee Mental Health**, Integrated Benefit Institute, September 2021, pg 5.

⁶ Integrated Benefits Institute, **Health and Productivity Benchmarking 2019** (released September 2020), Long-Term Disability, All Employers. Condition-specific results. <https://files.ibiweb.org/uploads/general/Sample-Reports.zip>

HOW DI AND MENTAL HEALTH CLAIMS CONNECT

DI companies most commonly categorize mental health as Mental Nervous Conditions in contracts which include substance abuse, anxiety, and stress-related conditions. The conditions in this category are defined by the Diagnostic and Statistical Manual of Mental Disorders (DSM), published by the American Psychiatric Association.

From a technical perspective, claims are assigned a number from the International Classification of Diseases published by the World Health Organization. More commonly these are referred to as “ICD” codes. The most recent version, ICD-11 became effective January 2022.

Mental nervous claims are identified under ICD-11 codes 6A00—6E8Z. Common claim diagnoses in this range include, but are not limited to, dementias, substance use (including drugs and alcohol), anxiety, stress disorders, and mood disorders.

THE POTENTIAL GAP AND IMPACT TO HIGH INCOME PROFESSIONALS

While most DI plans cover mental nervous conditions or disabilities related to substance abuse, the duration of coverage may not last as long as expected. Individual DI can help fill the gap in mental nervous benefits left by traditional group long-term disability plans.

For employees who have coverage under a group LTD plan, mental nervous claims are typically limited

to a maximum 24 months of benefit payments. Some insurance carriers specify this as “per occurrence” while others restrict the benefit to 24 months “per lifetime.”

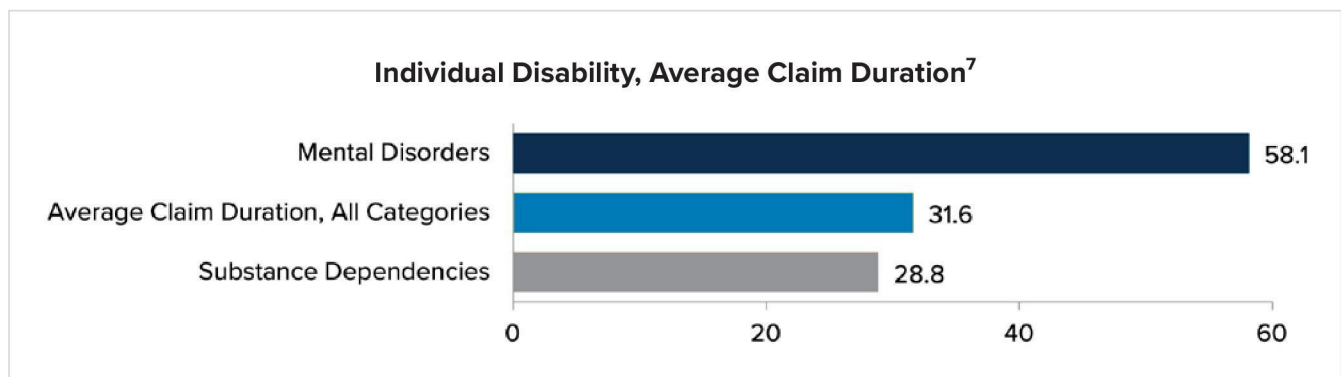
In either case, this falls short of the average claim durations for mental and substance abuse disorders.

In fact, less than 1% of all group LTD contracts are issued without a limitation (unlimited duration) for mental and nervous claims.⁷ Additionally, some carriers may list substance abuse as a separately distinct contractual limitation.

For perspective, a GenRe study specific to individual disability claims found the average claim duration for all categories is 31.6 months. Mental disorders, however, were the longest average claim at 58.1 months or almost five years. Substance dependency claims were slightly less than the average at 28.8 months.⁸

Although a 24-Month Mental Nervous limitation is typical of group LTD contracts, it would be inadequate for the average mental nervous or substance dependency claim. Individual DI has much more flexibility in mental nervous benefit durations.

While limitations of 12, 24 or 60 months can apply, 42% of M Financial’s executive disability business does not have a limitation for mental nervous benefits.⁹ Additionally, over half of new supplemental plans sold by the M Community in the legal and healthcare industries were implemented without any limitation on mental nervous benefits⁹ in 2020.



⁷ Disability Fact Book, Seventh Edition, Gen Re Research, 2013-2014, pg 52.

⁸ Disability Fact Book, Seventh Edition, Gen Re Research, 2013-2014, pg 41.

⁹ M Financial Multi-Life Disability Plan Report, Internal M Financial IDI Data, 2021.

¹⁰ Occupation claim chart: Unum Internal Data (2021). Includes claims in Closed Disability Block and Recent Issued Block. (claims categorized as Psychological/ Substance Abuse)

TOP REASONS FOR LONG-TERM DISABILITY CLAIMS:

- Musculoskeletal disorders (27.6%)
- Cancer (15.0%)
- Injuries such as fractures, sprains, and strains of muscles and ligaments (12.0%)
- Mental health issues (9.3%)
- Circulatory (heart attack, stroke) (8.2%)⁶

PERCENTAGE OF MENTAL HEALTH LONG-TERM DISABILITY CLAIMS BY INDUSTRY:

- Healthcare (10%)
- Financial Services (16%)
- Legal (21%)
- Consulting (8%)
- Manufacturing (9%)¹⁰

EARLY INTERVENTION HELPS EMPLOYEES GET BACK TO WORK

Having an appropriate disability policy may help an employee struggling with mental health get access to resources and treatment (along with the insured's physician), especially if they know their disability benefits will provide income while they are unable to work. It's important to recognize, however, that many claims don't start out as a mental health claim but may ultimately transition to one that can be identified by the insurance company. For example, while a claim due to a musculoskeletal issue such as a back injury may heal, depression or substance abuse caused by an addiction to pain killers may become a comorbid condition over time. Carrier resources and the insured's physician can help identify this possibility earlier if there is frequent interaction while treating the initial condition. This can also shorten the duration of the secondary condition and help the insured get back to work.

When adequate claim duration for disability coverage and early intervention are in place, better disability claim outcomes are possible. This is helpful for employers to get employees back to work as soon as they are able. GenRe reports:¹¹

- If mental health treatment occurs within the first four weeks of impairment, four-out-of-five individuals will likely return to work.
- If a person needs to wait six months to get into care with a mental health provider, the outcome dramatically changes, and only one-in-five may return to work.

- If the wait is between one and two years, almost none will return to work.

REVIEW YOUR POLICY

Mental health claims may be less obvious than the leading musculoskeletal/connective tissue claims, but because they are in the top five types of claims by frequency, and have longer-than-average claim durations, the processing of these types of claims is extremely important.

It's prudent for employers to understand the mental nervous contract language of existing policies so that necessary adjustments can be made. Adjustments can be made at any time a policy review is conducted, and at pivotal events (e.g., start of a new job, change in employer benefits, or an increase in a policyholder's compensation). Existing policies may not need to be replaced, but when there is a need for additional coverage, concerns for mental nervous limitations can, and should, be addressed.

M Financial Group is a leading life and disability insurance distribution, service, and product organization serving high net worth individuals, executives, and employers. M Financial Member Firms have provided executive disability plans to employers for over 35 years.

¹¹ A Mental Health Claims Dialogue, GenRe Perspective Blog, Patricia Bailer, May 27, 2021.

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