Benefits: Disability Insurance Set Up

User Guide

GREENSHADES

LET US HANDLE THAT

Contents

GREENSHADES
LET US HANDLE THAT

1 Introduction

Greenshades Software Benefits Module is a self-service benefits administration platform, allowing both administrators and employees to see and manage benefit information. One of the many benefit types supported on the Greenshades platform is Disability Insurance. This user guide will walk you through how to set up disability insurance on GreenshadesOnline so that it accurately reflects your company's disability offering.

2 Setting Up Disability Insurance

2.1 Setting up a new disability benefit version

Your benefits set up can be found at GreenshadesOnline > Settings > Employee Services > Benefits. Under the 'Benefits' tab, all of the benefit types supported on the Greenshades platform will be visible. To create a new Disability benefit, select the "+ New Life or Disability Insurance Benefit" button. This will redirect you to the Life and Disability Insurance Set Up Wizard.

In the wizard, select "Add another benefit" at the bottom left hand corner of the page. This will then open up a section to add your overarching benefit details. This includes:

- **Name**: The name of the benefit
- **Description**: An option al description
- **Type**: Disability or Life Insurance
    - o **Note**: Due to the difference in setup between Life and Disability Insurance the type cannot be changed once the Benefit in created
- **Provider**: Insurance provider
- **Group Number**: The identifying number for the company's plan
- **Effective Start and End Date**: The date in which the benefit coverage begins and ends for the employee
- **Payroll Effective Start and End Date:** The date in which the deductions will begin and end for that benefit
- **Benefit Code:** The code associated for that benefit. This will come from your payroll software
- **Deduction Frequency**: The frequency in which you run payroll.
- **Deductions Per Year**: The total number of times you run payroll per year. This number is incredibly valuable, as the system will use this number in its calculation to determine the employee's per pay period cost.

2.1.1 Entering a disability benefit payout

After setting up the basic information for your new disability benefit version, you will be asked about how your employees' payouts will be determined. The information entered in this section will be based on your plan documentation. We have included an example benefit for illustration purposes (see **Figure 1**).

Effective Date	January 1, 2019
Eligibility	All Active Full Time Upper Management Staff Employees working a minimum of 30 Hours per week.
Non-Contributory LTD Benefit	60% of your Monthly Earnings to a maximum of $7,000 per month. Minimum Benefit: Greater of $100 or 10% of gross monthly benefit Guaranteed Issue Benefit: $7,000 Earnings are defined in the UnitedHealthcare contract with your employer.

Figure 1. Sample plan documentation

Based on this sample plan documentation, lets walk through what you would enter on GreenshadesOnline. Since the benefit is 60% of the monthly earnings, you would select Monthly from the "Frequency of employee benefit payments:" dropdown menu and 60 for "Percentage of the employee's salary paid by plan". For the rounding portion this is a little more subjective, since the document does not outright state there are increments or rounding. You can enter any of the rounding options in the dropdown at their discretion. As for the increments, $100 would be the suggestion since the document states that $100 is the minimum benefit. The **up to** portion would be $7,000 as this is the maximum monthly benefit. (see **Figure 2**).
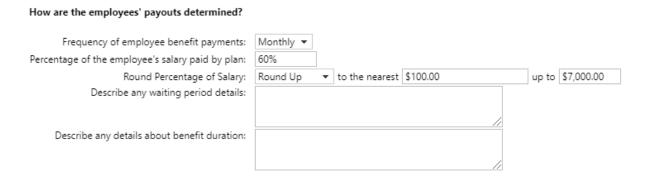

How are the employees' payouts determined?

Frequency of employee benefit payments: Monthly ▼
Percentage of the employee's salary paid by plan: 60%
Round Percentage of Salary: Round Up ▼ to the nearest $100.00 up to $7,000.00
Describe any waiting period details:
Describe any details about benefit duration:

Figure 2. Set up on GreenshadesOnline for sample plan documentation

2.1.2 Calculating the employee's premium

Once you enter the payout information, you will then select how Greenshades should calculate the employee's premium. This includes three different options: 1) Premiums are fixed dollar amounts calculated using employee salary and age-based rates 2) Premiums are a percent of employee gross wages and 3) Premiums are a percent of

GREENSHADES
LET US HANDLE THAT

employee net wages. Options 2 and 3 are relatively straight forward and would be outlined by your plan documentation. However, lets review how option 1 works.

2.1.2.1 *Premiums are fixed dollar amount calculated using employee salary and aged based rates*

Greenshades uses the following formula to calculate the premium cost of a Disability Insurance using option 1:

> ***Total Monthly/Weekly Premium = [Employee's Monthly/Weekly Salary] x [Percent of Employee's Salary paid by plan] x [Age Based Rate]***

It is important to note that by default Greenshades uses the Employee's Benefit amount in its calculation of the employee's premium. Your insurance plan might base the premium off the employee's salary instead. If so, this difference can be accounted for on Greenshades by adjusting the Age Based Rate. This will be explained in more detail later.

First, the system will use the amounts entered in the "payout frequency" section to calculate the employee's monthly/weekly salary. Using our example documentation from Figure 1, and an example employee that makes $150,000 per year, our formula would start to look like this:

> ***Total Monthly Premium = $12,500 x 0.60 x [Age Based Rate]***

Our employee's salary would be divided by 12, since we entered 'monthly' as the payout frequency. The percent of the salary paid by the plan would be 0.60 because we entered '60%' in the section above. If we continue with the calculations (12,500 x 0.60), we get $7,000. This is the employee's maximum monthly benefit they could receive should there be no age-based rate that would apply to them.

Next, let's set up the age-based rate tables. Included below is the rate table provided in our sample plan documentation (see **Figure 3**).

Rates listed below are monthly per $100 of monthly covered payroll		
Voluntary Long-Term Disability Employee		
<25	$0.192	
25-29	$0.254	
30-34	$0.333	*Your rate is determined on your monthly income and age.*
35-39	$0.560	
40-44	$0.737	
45-49	$0.972	
50-54	$0.789	
55-59	$1.239	
60-64	$1.314	
65-69	$1.268	
70+	$0.363	

Figure 3. Age based rate tables from sample plan documentation

To set this up on Greenshades, you will first need to convert the rate provided in your plan documentation to a per dollar rate to enter on Greenshades. Using our $150,000 employee for example, this employee is 47 years old. Using the rate table above, their age rate is $0.972 per $100 of coverage. To convert that to a per dollar rate, do the following:

Monthly Rate = *$0.972 ÷ $100 = 0.00972*

Do that for all age ranges in your plan documentation.

IMPORTANT: Please make sure the rate from your plan documentation matches the benefit frequency. If your benefit frequency is monthly and your rate is also monthly, then there is no need for conversion.

If however, you encounter a situation where the benefit frequency is weekly, but you are provided a rate table from your provider that is monthly (figure 3 for instance), then we will need to convert that rate from monthly to weekly before we enter it into the **[Age Based Rate]** table. Continuing from the last example we know the monthly rate is 0.00972. To convert this to a weekly rate, do the following:

Weekly Rate = *(0.00972 x 12) ÷ 52 = 0.0022431*

First you multiple by 12 to get the yearly rate before dividing by 52 to find the weekly rate. You can use this same formula to convert any rate to the desired frequency. First convert the rate up to the yearly rate, then divide it back down to match the benefit frequency (weekly or monthly).

If you have multiple age ranges, you will need to do the same conversion for each age range if applicable.

GREENSHADES
LET US HANDLE THAT

Once we have the rate, we can finish calculating the **[Weekly/Monthly]** total premium. Using our formula and our example employee, lets input all the information into our formula:

$$\text{Total Monthly Premium} = \$12{,}500 \times 0.60 \times 0.00972 = \$72.90$$

Therefore, for our example employee, the total monthly premium would be $72.90.

2.1.2.1.1 Using employee salary to calculate premium instead of benefit amount

There is one other important thing to keep in mind when figuring out the rate. You must be aware if your premium from the provider is based on the Benefit Amount or the Employee's Salary. As mentioned before, by default, Greenshades calculates the premium based off the Benefit amount. This is the **[Employee's Monthly/Weekly Salary] x [Percent of Employee's Salary paid by plan]** portion of the calculation. Not all plans base their premium off the coverage amount, some will base it off the employee's salary. In these cases, you will need to factor out the **[Percent of Employee's Salary paid by plan]** portion of the overall calculation by adjusting the **[Age Based Rate].**

Let's walk through an example to show how to do this in GreenshadesOnline. For an example employee, we have the following information:

Monthly Salary: $12,5000

Benefit: 60% of Monthly Salary

Employee Age based Rate: 0.00972

Expected Premium based on Salary: $12{,}500 \times 0.00972 = \$121.50$

Using our formula, we know the following:

$$\text{Total Monthly Premium} = \$12{,}500 \times 0.60 \times 0.00972 = \$72.90$$

As you can see this premium is different from the expected **$121.50** that we are expecting. In order to account for this, we need to update the rate to factor out the 60% in order to get the Monthly premium based off the employee's salary. In this case you would divide the Age based rate by the percent of the monthly salary paid by the plan. Our new rate would be **(0.00972 / 0.6) = 0.0162**. With this new rate the 0.6 from the Greenshades equation is effectively cancelled out, allowing the premium to be based off the salary. Our new premium equation is:

$$\text{Total Monthly Premium} = \$12{,}500 \times 0.60 \times 0.0162 = \$121.50$$

This amount is the same as **$12,500 * 0.00972 = $121.50** in which the percent paid by the plan is cancelled out.

GREENSHADES
LET US HANDLE THAT

2.1.3 Calculating your employee's premium per pay period

Finally, we can convert the total monthly premium to the Pay Period premium that the Employee will see when they enroll in the benefit. Continuing from the previous example we have a total monthly premium of $72.90 for our example employee. We take this amount and convert to the pay period premium based on the deductions per year entered on the first page of the setup. For example, if there are 26 deductions per year (based on the first step of the wizard), then the calculation would be as below:

Total Per Pay Period Premium = *($72.90 x 12) ÷ 26 = $33.65*

Keep in mind this is the total premium for the Disability Insurance. If there is any employer assistance then this amount will be different than what the employee will see when they go to enroll into the Disability Insurance.

GREENSHADES
LET US HANDLE THAT