

4.1.2: READ- The Differences Between Short-Term and Long-Term Disability



Disability Insurance by [Nick Youngson CC BY-SA 3.0 Pix4free.org](#)

Short-Term and Long-Term Disability

Disability insurance is a crucial safety net that supports employees who get hurt and can't perform their job requirements. Both short-term and long-term disability insurance serve different purposes depending on the employee's situation.

As a business owner with employees, it's important to familiarize yourself with your legal obligations and your employees' responsibilities regarding both types of disability insurance.

Short-term disability insurance

Short-term disability insurance covers an employee's compensation — supplementing between 40-70% of their salary — for a short period of time in the event that they are unable to perform their job duties due to serious medical conditions, such as an injury or illness. An employee's coverage can last anywhere from a few weeks to a full year in certain circumstances.

To receive coverage, the employee must prove they cannot perform their duties with evidence from medical providers like a therapist or doctor. Qualifying medical conditions include surgery rehabilitation, injury from an accident, or pregnancy. However, unlike workers' compensation coverage, the injury or illness does not have to take place on the job. Because many states are required to offer workers' compensation insurance, on-the-job injuries and illnesses are often covered under that policy instead of disability.

Whether or not employers must provide short-term disability insurance depends on the state in which you are registered to conduct business. Only a few states — like New York, California, and Rhode Island — require employers to provide short-term disability coverage to all employees, whether it's a plan employers purchase through a private carrier or a state-sponsored plan.

Long-term disability insurance

Long-term disability insurance also protects an employee's compensation, covering roughly 60% of their gross monthly income for an extended period of time. In contrast to short-term disability, long-term disability is awarded to those who cannot perform any job — not just their current one. The length of coverage can span from two years all the way to retirement, or when Social Security payments commence.

Qualifying injuries and illnesses include cancer, mental illness, arthritis, back problems, stroke, and other serious conditions that prevent employees from completing normal day-to-day tasks. To receive compensation, employees must provide medical records which show the qualifying injury lasted beyond the elimination period. Then, employees can receive benefits until they have been medically cleared or until their policy benefits have been exhausted.

Oftentimes, an employer will offer both short- and long-term disability benefits; short-term benefits are usually exhausted first, at which point long-term benefits kick in. Employers can, but are not required to, provide long-term disability benefits. Doing so usually yields cheaper rates for employees, but often at the expense of a less comprehensive plan. Furthermore, if an employee leaves the company, they are not able to take their coverage with them, making private policies more appealing to some.

Short-term disability insurance is more suited for situations in which an employee was injured but can ultimately return to work, whereas long-term disability helps those who will be out of work for a long time, or even permanently.

The differences between short-term and long-term disability insurance

While short- and long-term disability insurance have similarities — neither have a deductible or minimum spending threshold and they both cost 1% to 3% of your annual salary — they also have several differences.

The two primarily differ based on the length of the coverage period. Short-term disability insurance is more suited for situations in which an employee was injured but can ultimately return to work, whereas long-term disability helps those who will be out of work for a long time, or even permanently.

In addition to the coverage length, benefits begin at different times for each insurance. For short-term disability, benefits begin after a predetermined amount of time, called an elimination period, ranging from seven to 30 days, with 14 days being the average. The elimination period for long-term disability is longer, lasting anywhere from 30 days to two years, with 90 days being the most common. This range will depend on the policy you purchase — cheaper policies incur longer elimination periods.

Finally, short- and long-term disability insurance each cover a different portion of an employee's income. While the exact amount is determined by their salary and plan coverage, short-term disability insurance typically covers about 80% of one's income, while long-term is closer to 60%.

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A printable copy of this article is attached below.

Source: [Short-Term vs. Long-Term Disability: What's the Difference?](#) U.S. Chamber of Commerce. 2024

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