Investing in Absence Management

An Employee Lifecycle Approach
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Seminar Objective

A review of current trends in the marketplace that provide the road map for the development of Absence Management Solutions - designed to reduce employee lost time and promote return to work.
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Why Absence Management?
Impact of Poor Health in the Workplace

Employers spend approximately **$13,000 per employee per year** and total direct and indirect health-related costs.¹

One study found that more than **80% of medical spending** goes towards care for **chronic conditions**.²

Nearly **50% of Americans** have **one or more chronic conditions**.³

**Chronic conditions are on the rise in all age groups**, which represent a significant economic burden on employers as they try to provide medical benefits in addition to absorbing the cost of absence and disability claims.⁴

**U.S. Department of Labor estimates** that there are over 137 million employees, yet the overall **annual impact of poor health in the workplace is $1.8 trillion**.⁵

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The Premises

Premise 1: Workplace health programs can increase productivity

- In general, healthier employees are more productive
- Healthier employees are less likely to call in sick or use vacation time due to illness
- Companies that support workplace health have a greater percentage of employees at work every day
- Employees health frequently carries over into better health behavior that impacts both the employee and their family

Premise 2: Employers hold the key to a successful program

- Employers make the decision on who gets hired
- Employers determine how the work is structured and control the work environment
- Employers determine what benefits and programs are offered to assist employees
Exactly How Much Does Absenteeism Cost Your Business?

A recent Mercer survey shows:

Total cost of absence can equal as much as 36% of payroll

9% is for unplanned absences

Health care coverage is approximately 15.4% of payroll

For a midsize business, this unplanned absence can account for as much as $4.5 million per year
Exactly How Much Does Absenteeism Cost Your Business?

The Mercer survey shows that casual sick days result in the highest per day productivity loss.

<table>
<thead>
<tr>
<th>Vacation Days</th>
<th>Sick Days</th>
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<td>15% productivity loss per day</td>
<td>21% productivity loss per day</td>
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On average employees have **5.3 unplanned absence days per year.**
Ensure Coverage across the Spectrum of Risk

- Workers’ Compensation
- Errors & Omissions
- Health Insurance
- Life Insurance
- Disability
- Accident/Cancer Policies
- Key Man
Why Absence Management Solutions

Too often organizations address issues separately, such as:

- Absenteeism
- High Turnover
- Accidents, Injuries, Illnesses (WC, STD, LTD)

This leads to “partial solutions” that fail to address the underlying causes behind many of these problems.
The Cost of Absence
How Does Absence Disrupt Your Business?

What happens if employees are absent from work?

- Are you developing, producing, and/or delivering as much as you’d like?
- How much more do you have to develop, produce, and/or deliver to your customers to offset the costs of absence?
Why Absence Management is Important

The Iceberg Effect

25% Direct Costs

Productivity Costs 75%

Medical and Pharmacy
- Personal Health Costs
- Medical Care
- Pharmacy

Absenteism
- Short-term Disability
- Long-term Disability
- Paid Time Off
- Workers’ Compensation Lost Time

Productivity Costs
- Presenteeism
- Overtime
- Turnover
- Temporary Staffing
- Administrative Costs
- Replacement Training
- Off-site Travel for Care
- Customer Dissatisfaction
- Inconsistent Quality of Service
Indirect Impact of Absence

- Adds to Workload: 90%
- Disrupts the Work of Others: 80%
- Increases Stress: 78%
- Hurts Morale: 63%
- Reduces Quality of Work Output: 59%
- Adds Mandatory Overtime: 42%
- Penalizes or Reflects Badly on All in the Work Unit: 26%
- None: 2%
Comprehensive Approach

- Align with Company Strategy
  - What is our strategy for the company?
  - What are our goals?
- Link Available Health Metrics to Business Performance
  - Chronic illness review
  - Health risks
  - Utilization of services
  - Work outcomes
Impact to Your Business

• Driving Value to Your Business:
  • Cost savings – average of 20% of the direct and indirect costs
  • Increased productivity
  • Administrative integration and efficiencies
  • Optimization of your workforce
Employer Concerns
Employers’ Top Priorities

- Reduce the impact of absences on business operations
  - Cost of absence
  - Indirect and direct costs

- Improve administration of employee absence programs

- Effectively track employee absence and disability

- Link health and disability management strategies

*Mercer, 2013 Survey On Absence Management and Disability Management*
Employer Priorities for Absence Management Programs

- Improving FML administration: 43%
- Measuring/reducing impact of absence on operations: 43%
- More effective tracking and reporting for disabilities: 31%
- Redesigning plans to reduce cost/absence: 30%
- Implementing a consistent RTW approach for occ and non-occ disabilities: 28%
- More effective tracking and reporting for incidental absences/sick days: 28%
- Managing ADAAA compliance: 27%
- Linking or integrating absence & disability programs with health management programs: 27%

*Mercer, 2013 Survey On Absence Management and Disability Management*
FMLA Administration Challenges

- Employers are experiencing an increase in FML utilization
- Employers are also experiencing an increase in intermittent leaves

**Administrative or Compliance Issues**

- None: 27%
- Other: 3%
- Obtaining experts/legal advice: 11%
- Evaluating clinical reasons for leave: 23%
- Managing and tracking ADAAA leave accommodations: 28%
- Managing and tracking intermittent leave: 45%
- Training staff: 54%

*Mercer, 2013 Survey On Absence Management and Disability Management*
Recent jury awards include one for \textit{approximately} $12\text{ million}, of which $450,000 was for fines against two supervisors held personally liable.

$80,000

Average cost to defend FMLA lawsuit (regardless of outcome)
Absence and Presenteeism

Costs per 1,000 FTEs

- Presenteeism
- Absenteeism
- Drug
- Medical

Towers Watson, Staying@Work Survey Report

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Have You Ever Thought…

- How many claimants in the STD and WC systems cross over from one system to the other?

- How often do claimants for sprains and back pain have a recurring claim for the same diagnosis in either system?

- How much of the observed claim costs are attributable to recurrent injuries and illnesses?

- What are the implications for coordinated strategies to identify high-risk claimants and to develop engagement, prevention RTW and remedial interventions across disability siloes?
**Integrated Benefit Institute (IBI) Study – Key Findings**

**Study of four large employers with over 20,000 claims:**

- Claimants with multiple claims over time are common
  - 33% of employees have at least one claim every two years
  - 9% of employees cross over into other benefit areas
- 13% of WC claimants had prior STD claims
- 8% of STD claimants had prior WC claims

- Recurrent episodes of back pain and strains often cross from one system to the other
  - 30% of WC back pain claimants and 22% of WC sprain claimants have a STD claim for the same diagnosis
  - 5% of WC back pain claims have a previous STD claim for same diagnosis

- Coordinated strategies to identify high risk claimants and prevent recurrences could produce large savings
  - STD claim costs were $4,200 for sprains; $7,000 for back pain
  - WC claim costs were $21,000 for sprains; $46,000 for back pain
Current and Emerging Trends

- Aging workforce
- Multigenerational workforce – differing needs
- Telemedicine
- Data warehousing and analytics
- Voluntary benefits
- Enhanced government regulations and programs (overlaps)
- Mobile and remote workforce
- International absence management
What is Absence Management?
Absence Management is the management of an employee who is losing time from work, regardless if it is disability or non-disability related. Absence Management applies a consistent approach to managing, administering and tracking employee lost time. Most Absence Management programs include workers’ compensation, short and long term disability, and state/federal leaves. It can also include sick and vacation time.
The Panoramic View

- Disability
- FMLA
- PTO
- Workers’ Compensation
- Health/Medical
- ADAAA
- Other Paid/Unpaid LOA
Measurement of Lost Time

Tracking and Measurement:
- Many companies do not track all lost time – whether it is sick, disability, FMLA, workers’ compensation or other leaves
- The larger the company the less likely they are to track exempt or salaried absences
- The smaller the company the less automated and accurate tracking
- Many companies have little understanding of the impact of lost time due to lack of tracking
- Multiple systems generally exist that create confusion and redundancies
- Those entering data do not always do so accurately
- Reporting of leaves is generally not timely and may not be conveyed to the right people

What are best practices?
- One system, decentralized tracking, with centralized checks and balances
- Unique to every company
- Clearly outlined responsibilities and ongoing training to ensure timely reporting and accurate data entry

You can’t measure what you don’t track.
Put time and effort into tracking!
It’s A Team Effort

An effective program to attack absenteeism includes many stakeholders. Stakeholders may include the following:

- Human Resources
- Risk Management
- Benefits
- Legal
- Supervisors/Managers
- Vendor Partners
  - Disability
  - Workers’ Compensation
    - Designated Treatment Clinics
    - Specialists
Employee Lifecycle Defined

Effective Absence Management Programs address all segments of the Employee Lifecycle:

- Employee Selection
- Onboarding
- Professional/Personal Development
- Retention/Reward/Recognition
- Separation
Effective Absence Management Programs address all segments of the Employee Lifecycle:

- Benefits / Total Rewards
  - Insurance, benefit programs
  - Career growth
  - Compensation
  - Financial security
  - Rewards/Recognition

- Pre-hire & Onboarding
  - Hiring the right employees
  - Training
  - Motivation and pathway to growth

- Support for Real Life
  - Prevention
  - Illness & injury
  - Leave management
  - Return to work
  - EAP / Advocacy

- Culture & Connection
  - Communications
  - Wellness
  - Performance / Productivity
  - Relationships
Prevention and Intervention Strategies
Employers of all types and sizes can use strategies based on the relationship between health and productivity to **lower health risks, reduce the burden of illness, improve wellness and human performance** and have a positive impact on the overall quality of work performance of the employee.

Companies with highly effective health and productivity programs (66%) report that they perform better than their top competitors.
Selection and Hiring

• There are many tools available to aid in selection and hiring
  • Job analysis/job description
  • Skill-based testing
  • Personality tests
  • IQ tests
  • Judgment capacity tests
  • Pre-employment physicals/drug testing
  • Background and reference checks

The best programs include a combination of the resources above!
Onboarding and Training

Research has shown specific benefits that a small business receives from training and developing its workers, including:

- Increased productivity
- Reduced employee turnover
- Increased efficiency, resulting in financial gains
- Decreased need for supervision

Employees frequently develop a greater sense of self-worth, dignity and well-being as they become more valuable to the company and to society. These factors give them a sense of satisfaction through the achievement of personal and company goals.
Wellness Programs

- Workplace wellness/well-being programs have become a critical benefit in retaining top talent.
- Companies can use wellness programs to lower absenteeism, attract talent, and save on healthcare costs.
- **Fewer than half** of American workers say their company supports employee well-being and helps maintain a healthy lifestyle.
Shift from wellness to overall employee care

Evolution to Employee Care

Behavior ▶ Risk

TOTAL EMPLOYEE

- Health
- Engagement
- Stress
- Finance
- Career
- Safety & Environment
Safety, Health & Environment

- Workplace safety program
- Bending, lifting, carrying
- Ergonomics
- Standing desks or conference tables
- Treadmill desks
- Filtered water
- Healthy option vending machines
- Disaster preparedness
- Natural lighting
- Flexible workspaces

- Lactation rooms
- Bike/walking paths
- Ping pong tables
- Break spaces
- Healthy catering policy
Safety Programs

Establish a Safety or a Health and Safety Committee

- Participate in the development and implementation of programs
- Consider and help resolve worker health and safety complaints
- Help train new workers
- Participate in identifying and controlling workplace hazards
- Participate in incident investigations
- Make health and safety recommendations to management
- Carry out regular workplace inspections
- Advise on personal protective equipment
- Post safety committee meeting minutes and keep them current
- Monitor the safety program for effectiveness
- Help develop safe work procedures
- Investigate work refusals

Effective safety committees help reduce workplace injuries!
Job Analysis / Job Descriptions

• Description of the job
• Detailed physical requirements
• Detailed description of all job duties
• Essential functions of the job
• Skills and competencies required
• Education and experience required
• ADA considerations
Return To Work

Return to work programs typically begin with HR setting a formal policy in writing.

Components of a typical back-to-work program might include:

- A return-to-work coordinator to facilitate communication between stakeholders – such as the employer, the employee, medical providers, workers’ compensation and disability insurers, and others.
- Letters and forms to document the actions taken to facilitate a return to work.
- Tools to track absences.
- A system for identifying alternative jobs and modified duties.
- Education for supervisors and co-workers.

When launching the program, clearly communicate how it benefits the employer and employees.
Return to Work Communications

• Communication of roles and responsibilities to both employees and managers is critical to the success of the program
• They offer guidance to the employee, management, and healthcare provider
• Communications can “make or break” return to work decisions
• A written return to work policy and a specific, individualized return to work place for each employee assists in facilitating successful re-entry to the work environment
Building Pathways to Productivity

- RTW Pathways defined prior to work disruption on an employee neutral basis
- Accommodated work loads for well defined periods of transition between 2 to 4 weeks, extended if medically necessary
- Assignment to include at least 50% of expected workloads with well defined increments to full productivity
- Accommodations can be related to work or shift time, lifting, job rotation, reduced work loads
- RTW Pathways integrated into treatment plan as part of the formal WorkRx
- No More Light Duty – Light duty is passive and open typically open ended
Blueprint for Developing Best Practice Strategies

**Benefit and Policy Design**
- Create a corporate culture of health
- Connect FML, STD, WC, LTD claims
- Incorporate SAW language/incentives
- Coordinate safety/RTW incentives

**Program Development**
- Isolate job performance from disability
- Develop solutions for patterns and trends
- Create clear SAW and RTW Pathways
- Integrate programs and messages

**H & P Vendor Coordination**
- Expect data to illustrate patterns
- Reward coordination
- Educate physicians
- Align needs with vendor capacities

**Create Partners not Adversaries**
- Senior management/SVPs
- HR and benefits managers
- Operations - line management
- Create employees’ expectations
- Clear roles and responsibilities
- Training for stakeholders
Thank you.

Questions?