Health Care Reform’s Impact on Disability Management: The Next Generation

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Objectives for Today’s Session

- The importance of integrated disability management in a post-health care reform environment
- An understanding of the cost savings and the overarching value achievable through wellness, leave and disability integration
- The top ten key industry trends in integrated disability management
- The path forward and audience questions
Integrated Disability Management Defined
Integrated Program Spectrum

Integrated Disability Management

“IDM”
- Disability, WC and FML as a baseline
- Single intake process
- Common case management and RTW
- Integrated
  - Data
  - Tracking
  - Reporting

Total Absence Management

“TAM”
- All IDM components plus...
  - Expands to other time-off programs
  - Supports workforce planning and budget activities

Health and Productivity Management

“HPM”
- All IDM and TAM components plus...
  - Links prevention, health, wellness, disease, behavioral and other health management
  - Allows for strategic planning and HR as business partner
Most Common Approach is Phased

**IDM**

**HPM**

**TAM**

**TRACK 1**
- STD
- FML
- LTD
- LOA
- State/Municipal Leaves / PFL

**TRACK 2**
- Group Health
- EAP/ BH
- DM
- Wellness
- Nurse Care Lines
- Onsite Clinics
- EE Advocate
- Health Coach
- HRA

**Source:** Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014

6A-5
Both Tracks Continue to be Very Broad

- Absence management regularly incorporates LOA, state/municipal leaves and PFL
- Health management is heavily focused on EAP, disease management and wellness, and includes onsite clinics more than in the past
- Sick, Vacation, PTO, and Attendance are gaining ground for all company types
- ADA Support Services are becoming as prevalent as paid time off and WC
- WC integration is still most common for TPAs, with insurance companies involved in WC intake and case management

Source: Spring Consulting Group, LLC, Integrated Vendor Survey 2012/2013
Group Health is Integrated for Some

Is group health integrated specifically with any disability or absence management benefits?

<table>
<thead>
<tr>
<th>Integrated Health &amp; Disability/Absence Management by Company Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 to 99</td>
</tr>
<tr>
<td>100 to 999</td>
</tr>
<tr>
<td>1,000 to 4,999</td>
</tr>
<tr>
<td>5,000 to 9,999</td>
</tr>
<tr>
<td>10,000 or more</td>
</tr>
</tbody>
</table>

Similar to 2012, nearly a third of employers state that their health insurance is integrated specifically with an disability or absence management benefits.

In 2014, there were no significant differences by company size, while in 2012 it was most prevalent for the under 1,000.

Base: Integrators who offers group health. 50-99 (n=74), 100-999 (n=153), 1,000-4,999 (n=33), 5,000-9,999 (n=34), 10k+ (n=47)

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Importance in a Post Reform Environment
Impact of Healthcare Reform

How, if at all, do you expect your strategy or approach to integration to change due to healthcare reform?

<table>
<thead>
<tr>
<th>Impact Type</th>
<th>1,000+</th>
<th>100-999</th>
<th>50-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>No change</td>
<td>37%</td>
<td>42%</td>
<td>45%</td>
</tr>
<tr>
<td>Negative impact</td>
<td>10%</td>
<td>15%</td>
<td>19%</td>
</tr>
<tr>
<td>More integration</td>
<td>9%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Positive impact</td>
<td>6%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>33%</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>Not applicable</td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Base: Integrators. 1,000+ (n=115), 100-999 (n=162), 50-99 (n=75). Multiple responses accepted.

Companies with 10,000 or more employees are particularly likely to feel healthcare reform will lead to greater integration (15%)

Many anticipate that healthcare reform will have no impact on their approach to benefits integration, though a third aren’t sure what the impact will be.

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Group Health Plan Design is Changing

Which of the following best describes your company’s group health plans?

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Percent Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMO, PPO or other similar plans</td>
<td>85%</td>
</tr>
<tr>
<td>Consumer driven health plan</td>
<td>38%</td>
</tr>
<tr>
<td>Accountable Care Organization (ACO)</td>
<td>5%</td>
</tr>
<tr>
<td>Private exchange option(s)</td>
<td>2%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>2%</td>
</tr>
</tbody>
</table>

By Company Size
Percent Offering Plan Type

<table>
<thead>
<tr>
<th>By Company Size</th>
<th>Percent Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-99</td>
<td>91%</td>
</tr>
<tr>
<td>100-999</td>
<td>92%</td>
</tr>
<tr>
<td>1,000-4,999</td>
<td>91%</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>82%</td>
</tr>
<tr>
<td>10,000+</td>
<td>77%</td>
</tr>
</tbody>
</table>

For HMO, PPO or other similar plans

<table>
<thead>
<tr>
<th>By Company Size</th>
<th>Percent Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>50-99</td>
<td>14%</td>
</tr>
<tr>
<td>100-999</td>
<td>16%</td>
</tr>
<tr>
<td>1,000-4,999</td>
<td>33%</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>41%</td>
</tr>
<tr>
<td>10,000+</td>
<td>45%</td>
</tr>
</tbody>
</table>

For Consumer driven health plan

A majority of large employers report offering an HMO, PPO or other similar group health plan. Nearly 4 in 10 offer a CDHP, though incidence of CDHPs increases significantly by company size.

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Voluntary Benefits Are Growing

Does your organization offer any benefits on a voluntary and 100% employee paid basis, where you as the employer are making them available to employees to purchase, but not contributing to their cost?

Yes 78%
No 15%
Don't know 7%

Which of the following benefits does your organization offer on a voluntary and individual basis?

Percent Saying Yes

- Voluntary life insurance: 68%
- Voluntary vision insurance: 55%
- Voluntary accident: 53%
- Voluntary long term disability: 47%
- Voluntary dental insurance: 44%
- Voluntary short term disability: 40%
- Voluntary long term care insurance: 37%
- Voluntary critical illness coverage: 28%
- Voluntary hospital indemnity insurance: 19%
- Voluntary executive disability: 18%

About four out of five employers offer voluntary benefits.

Shown: Integrators 1,000+ (n=115)
Asked: 50-99 (n=75), 100-999 (n=162)

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Wellness is Playing an Increasing Role

Which of the following are components of your integrated program's early intervention activities?

- Return to work: 71%
- ADA and ADAAA support: 68% (2012: 35%)
- Wellness program referrals: 68% (2012: 42%)
- Clinical reviews: 32%
- Stay at work vocational programs: 23%
- Pre-disability outreach: 20%
- Other outreach: 24%
- Don’t know: 4%

Seven in ten employers report RTW, ADA/ADAAA support, and wellness program referrals as components of their integrated program’s early intervention activities.

Base: 1,000+ integrated program includes early intervention activities (n=67); Multiple responses accepted. Also asked: 100-999 (n=61), 50-99 (n=27)

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Absence Management As “The Glue”

**HEALTHCARE**
- Decreased benefits?
- Defined contribution approach?
- Level of employee choice?
- Purchasing through an exchange?
- Increased demand for supplemental cover (CI, AI)

**DISABILITY**
- Decreased benefits?
- How voluntary will disability be?
- Will employees purchase it?
- How will RTW be supported?

**EMPLOYEE/EMPLOYER RELATIONSHIP**
- Will it be harder for employees to get care?
- How will this affect costs? Our process? Our experience?
- How will we know where EEs are?
- How will we help them RTW?
- How will we plan for replacements?

**WORKERS’ COMP**

**REGULATED LEAVES**
Cost Savings and Value Achievable
Complexity Increases Demand for Management

Health and Productivity Management (HPM)

Group Health
Disease Management
Wellness/Complementary Medicine
Health Management & Tools
EAP/Behavioral Health

Total Absence Management (TAM)

Sick
PTO
Leave of Absence
Intermittent

Integrated Disability Management (IDM)

Short-Term Disability
Workers’ Comp
Long-Term Disability
FMLA and State Leave Laws
Cost Savings Obtained

- Reduced costs and lost time
  - Average aggregate savings from 0.25% to 1.00% of payroll
  - Reported savings from 5% to 25% of integrated program cost, depending on types of programs involved
  - Reduction in disability days between 10% and 35%
  - Improved return to work rates by at least 6%
  - Return on investment (ROI) ranging anywhere from 3:1 to 15:1

- An increase in employee satisfaction

- Decreases in workers’ compensation, disability and absence rates

- An improvement in productivity

Funding efficiencies can provide an additional 10% to 15% of benefit premium savings.
The Real Value is in Application

High

PRODUCTIVITY

Low

Health Promotion
  - Improve Fitness
  - Create a H&P Culture

Risk Reduction
  - Reduce Onset of Disease
  - Reduce Onset of Workplace Injuries

Condition Management
  - Reduce Med and Rx Costs
  - Preserve Productivity

Leave Management
  - Administer, Track and Monitor
  - Improve Compliance

Disability Management
  - Reduce STD, WC and LTD Incidence
  - Manage Durations

$  HEALTHCARE SPEND PER EMPLOYEE  $$$

6A-17
Top Ten Industry Trends
#1—Continue to Integrate

- Integration continues to progress, with its application more and more evident across employers of all sizes.
- Programs are becoming more mature and sophisticated (particularly for mid and large size companies), and are generally running smoothly.
- The competitive landscape continues to blur.

- Roughly 80% of employers with more than 100 employees have an integrated program.
- Servicing options include insurance companies and TPAs, with payroll and software providers playing a role for small (<1000) employer leave programs.
#2—Expand Health Management

- Health management programs are becoming increasingly fundamental
- The number of programs is broadening, making the measurement of participation important
- How incentives can drive behaviors is a primary focus
- The ability to illustrate outcomes is still lacking, however inroads are being made

- EAP
- Wellness
- Health risk appraisals
- Disease management
- Nurse care hotlines
- Health coaching
- Onsite fitness center
- Employee advocacy

More needs to be done to effectively tie referrals to outcomes
#3—Prioritize ADA as Much as FMLA

- Insurance companies and TPAs that historically viewed ADA as the employer’s responsibility are developing specific offerings.
- They are moving beyond just tracking ADA as a “policy” or “company specific leave” to also managing and supporting the process.
  - 54% of employer are tracking ADA leave as an accommodation
  - 61% see ADA/AA support as an integral part of their integrated process
  - 68% consider ADA/AA part of its early intervention activities
- ADA is becoming the new FMLA!

- Tracking
- Management
- Accommodation review
- Hotlines for managers/supervisors
- Reporting Outcomes
- Technology only options/modules

• Tracking
• Management
• Accommodation review
• Hotlines for managers/supervisors
• Reporting Outcomes
• Technology only options/modules
#4—Fill the “Gaps” With Voluntary

- Consumer driven health plans require employees to fund certain aspects of care
- H.S.A. funding doesn’t go very far
- Employees on leave to care for family members may go unpaid
- The market has come a long way to fill these “gaps”
- Understanding how each line of coverage is triggered will be key

- Critical illness
- Accident
- Hospital Indemnity
- Short term disability
- Long term disability

Packaging these coverages in a meaningful is the challenge
#5—Consider Self Insurance

- 82% of employers have a growing level of interest in self-funding their group health plans\(^1\)
- Groups between 51 and 100 are more likely to self-fund when they become subject to the small group market reform rules in 2016\(^2\)

![Growth of Self-funded Plans (All Employers)](image)


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\(^1\) Munich RE: Business Wire, April 15, 2013

\(^2\) RWJ - Factors Affecting Self-Funding by Small Employers; April 2013
#6—Centralize Management

- A growing number of employers centralize their absence management efforts
- Policies are becoming more uniform
- Processes are becoming more consistent
- Providing resources and tools for front line staff is key
- A single source of intake is preferred

Common portals include phone and online, and are going mobile

- Short term disability
- Long term disability
- FMLA
- Other leave of absence
- Sick time
- Personal time
- Vacation
- PTO banks
Employers cite one of the key advantages of absence management as an easier or better employee experience.

This is closely tied to employee engagement rates, as well as employer efficiencies, cost savings and keeping in compliance.

Employers want a single resource that manages STD and FMLA, as well as other benefits:

- Long term disability
- Other leave of absence
- Sick, vacation, personal time
- Health management
- Medical benefits
- Workers’ compensation
- Life insurance
- Dental benefits

Using the same resource for STD and FMLA is a predictor for absence management success.
#8—Formalize RTW/SAW

- An increasing number of employers actively seek ways to return employees to work.
- Historically large organizations are more sophisticated than smaller organizations.
- The ADA has increased awareness and triggered a sense of urgency for all employers.
- Best practice programs apply equally across both occupational and non-occupational plans.

- Written RTW policy
- The interactive process
- Transitional RTW plans
- Duration guidelines
- Nurse case management
- Ergonomic assessment
- Accommodations to facilitate RTW/SAW

Transitional RTW is considered most effective.
Data and information is critical to a program’s success.

Employers routinely struggle to collect credible information at program onset.

Industry has been working hard to set benchmarks and improve capabilities.

Key priorities are real-time data, self-service capability, and tools for analyzing data.

- Claimant status
- Usage patterns
- Incidence and duration trends
- Engagement in health programs
- RTW rates
- Cost implications
- ROI achievements
- Benchmarking results

The importance of data continues to increase.
#10—Communicate Early and Often

- The most important process for integrated programs is communication.
- This starts with messaging about the program and includes clarification of roles and responsibilities.
- It continues through the life of the claim/absence, until the employee has returned to work.
- A focus on stay at work is also important.

Manager/HR notification
Policy and Process documentation
Employee Rights and Responsibilities, Eligibility, Approval/Denial, Certification, RTW
APS and HCPC Forms
Health Management Brochures
Regulatory Updates

Balancing hard copy and electronic documentation is important.
The Path Forward
Advantages of Implementing Integrated Programs

What have been the biggest advantages to your organization in implementing an integrated program?

- Better tracking or reporting: 58%
- Consistent administration: 57%
- Improved compliance: 50%
- Easier or better experience for employees: 49%
- Easier administration for the company, one source: 49%
- Reduced costs: 45%
- Increased control: 38%
- Higher employee engagement: 37%
- Provides expertise: 36%
- Improved illness/absence outcomes: 29%
- Clarifies who has fiduciary responsibility: 10%
- Addresses presenteeism: 7%
- Other (Please specify): 4%
- No advantages: 1%

About six in ten report that better tracking or reporting and consistent administration is the biggest advantage of an integrated program.

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Overall, what are the constraints, if any, to furthering your integrated program?

- Lack of internal bandwidth/resources
- Uncertainty of healthcare reform
- Lack of integrated goal achievement
- Internal departments within our organization do not work together
- Decreased department budget
- Unsure of what next steps are
- Dissatisfaction with integrated vendor
- Broker/consultant not familiar enough with integration
- None
- Other
- Don’t know

Constraints to expanding integrated programs include limited internal bandwidth, uncertainty of healthcare reform, and lack of integrated goals. More than a quarter report that they have no constraints to expanding their integrated program.

Base: Integrators. 1,000+ (n=115), 100-999 (n=162), 50-99 (n=75). Multiple responses accepted.

Source: Spring Consulting Group, LLC, Integrated Employer Survey 2013/2014
Aligning Business Decisions Will Be Key

- Consider philosophy for all lines of coverage
- Recognize that contribution strategy impacts involvement
- Appreciate that incentives drive behavior
- Realize how purchase mechanism(s) impact participation
- A business leader to “champion” all efforts is key

Goal: Reduce overall costs, enhance employee engagement, and increase the health & productivity of workforce