Workforce Productivity: Investing in Absence Management

Presented By: Mingee Kim, CPDM, CLMS
Vice President
Workforce Productivity | Risk Services Division
Objective

To review current trends and best practices in Absence Management and provide a roadmap for the development of an Absence Management Program
The Premise

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 which benefits and programs are offered to employees
Impact to Your Business

What is the true cost of lost time and how much is it impacting your business?

• Employers spend approximately $13,000 per employee per year on 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.\(^5\)

Impact to Your Business

Exactly how much does absenteeism cost your business?

• It's no secret that missing employees cost companies millions of dollars in lost revenue each year. According to a recent survey by Mercer, the total cost of absence can equal as much as 36% of payroll (compared to 15.4% for health care coverage)

• Of that figure, 9% accounts for unplanned absences; planned absences, like vacations and holidays, average 26.6%

• On average, employees have 5.3 unplanned absence days per year

Employers must consider both direct and direct cost when an employee does not come on the work
Impact to Your Business

Absenteeism in the workplace is a multifaceted problem that costs companies billions of dollars yearly

- According to the National Safety Council, employers experienced 55 million lost days of production for on-the-job worker injuries in 2009, and a staggering 255 million days for injuries that occurred off the job; wage and productivity losses from unintentional injuries in 2010 totaled $374.1 billion

- The longer injured employees are away, the less likely they are to return to the workplace; ideally, return-to-work programs enable employees who have suffered illness or injury to resume work sooner, even while still recovering

Due to the complexity of reasons for absenteeism there is no one cure that will solve the problem - so, where is the problem?
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Review of Market Trends
The Market Environment

Employer Top Priorities

• Reduce the impact of absences on business operations
  • Cost of absences
    • Indirect and direct cost
• Improve administration of employee absence programs
• Effectively track employee absences and disability
• Linking heath and disability management strategies

*Mercer, 2013 Survey On Absence Management and Disability Management*
The Market Environment

Top Priorities for Absence Management Programs

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

*Mercer, 2013 Survey On Absence Management and Disability Management
Centralized management/oversight of absence and disability in one department 51%

Assigned staff to coordinate and manage return-to-work programs (in-house or outsourced) 34%

Established comprehensive program to manage FMLA, occupational and non-occupational absence and disability 32%

Established absence and disability management performance standards for leaders 8%

*Mercer, 2013 Survey On Absence Management and Disability Management
The Market Environment
Integration of Programs with One Carrier

67% Integrate STD and LTD

- 5% Integrate FML, STD, LTD, and WC
- 27% Integrate FML, STD, LTD
- 27% Integrate FML and STD
- 35% Integrate STD and LTD
- 6% All three plans are administered by different entities

*Mercer, 2013 Survey On Absence Management and Disability Management
Employers are experiencing an increase in FML utilization and are also experiencing an increase in intermittent leaves.

*Mercer, 2013 Survey On Absence Management and Disability Management*
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 silos?
Integrated Benefit Institute (IBI) Study

Key Findings

• Claimant with multiple claims over time are common
  • 1/3 of employees have at least one claim every two years
  • 9% of employees cross over into other area

• 13% of WC claimants had prior STD claims

• 8% of STD claimants with prior WC claims

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

• 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 cost were $21,000 for sprains; $46,000 for back pain

20,000 claims, four large employers

Understand the Problem

Design the Method

Conduct Research

Produce Report

Analyze the Findings
Why Absence Management Solutions

Too often organizations address chronic issues separately, such as:

- Absenteeism
- High turnover
- Accidents and Injuries (WC, STD, LTD)
- Increasing medical cost

This leads to “partial solutions” that fail to address the underlying causes behind many of these problems.
What is Absence Management?
Definition of Absence Management

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
What is the Magnitude of the Problem?
## Most Frequent Disabling Conditions

<table>
<thead>
<tr>
<th>Condition</th>
<th>Short-Term Disability</th>
<th>Long-Term Disability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Musculoskeletal/back</strong></td>
<td>80%</td>
<td>73%</td>
</tr>
<tr>
<td>Maternity</td>
<td>69%</td>
<td>5%</td>
</tr>
<tr>
<td>Cancer</td>
<td>34%</td>
<td>74%</td>
</tr>
<tr>
<td><strong>Mental/behavioral health</strong></td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>Accident</td>
<td>23%</td>
<td>14%</td>
</tr>
<tr>
<td>Cardiovascular</td>
<td>20%</td>
<td>42%</td>
</tr>
<tr>
<td>Gastrointestinal</td>
<td>12%</td>
<td>3%</td>
</tr>
<tr>
<td>Respiratory</td>
<td>9%</td>
<td>14%</td>
</tr>
<tr>
<td>Genitourinary or urogenital</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Towers Watson, 2011/2012 Staying@Work Survey Report*
Absence and Presenteeism

Costs per 1,000 FTEs

- Presenteeism
- Absenteeism
- Drug
- Medical
Assessing the Cost of Absence

Typical productivity financial modeling

- To show the current and projected impact of absence, calculate both direct and indirect cost measures as follows:

  - **Direct costs** = Premiums or admin fees + benefits paid. Most costs are looked at by calendar year vs. incurred year. Policy year is used as well. WC costs used are typically incurred costs vs. paid

  - **Indirect costs** = Lost productivity, replacement costs, training costs, overtime etc., calculated based on the number of lost days in the work year and average salary information

  - **Potential savings** = difference between current costs and benchmarks or designated percentage improvement. Benchmarks used are typically comparisons to Standard Industry Classifications (SIC) or general industry benchmarks

Currency of the Company
Full Cost of Employee Poor Health and Absences

Direct Costs 25%

Productivity Costs 75%

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

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

Productivity Costs
- Presenteeism
- Overtime and Turnover
- Temporary Staffing
- Administrative Costs
- Replacement Training
- Off-site Travel for Care
- Customer Dissatisfaction
- Inconsistent Quality of Services
Attacking Absence and Lost Productivity
It’s a Team Effort

An effective program to attack absenteeism includes many stakeholders

- Stakeholders may include the following:
  - Human Resources
  - 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/training
  • Prevention programs
  • Injury and illness management and RTW
  • Benefits
Onboarding and Training

• Studies have shown that the most successful, productive employees are those who have **received extensive training**. They’re the cream of the crop, often having the strongest stake in the company’s future.

• Training often is considered for new employees only. This is a mistake because ongoing training for current employees helps them adjust to rapidly changing job requirements.
Engagement - The Three A’s

- Affinity
- Affiliation
- Autonomy

Psychologists have suggested that **affinity** and **affiliation** are very basic human needs, and recent research suggests that **autonomy** is an element of effectively motivating cognitive tasks.
5

Prevention Strategies
Connecting the Dots

• Employers of all sizes and types 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 they perform better than their top competitors, versus 50% of companies with ineffective programs.
Five Areas of Health

- Physical
- Emotional
- Mental
- Social
- Spiritual
Wellness Programs

• An effective wellness program starts at the top with senior management on board, then filters down through management to the employees. Active participation and commitment is required.

Reminder: Senior leadership has the authority to give work time and money to support the program.
Safety Programs

Safety programs are designed to address the following:

• Was the event foreseeable?
  • Was the event so unlikely that you would never have expected it to occur?

• Is the event preventable?
  • Were the hazards identified?
  • Were the workers trained and supervised?
  • Were safe work procedures enforced?

• Did you have control over the circumstances?
  • If it is within your authority to control the hazard, did you do it?
Safety Programs

Create a Safety and Health Policy

• Express management’s commitment to protect the health and safety of employees
• Clearly identify the program objectives
• Communicate the organization’s basic health and safety philosophy
• Outline who is accountable for occupational health and safety programs
• Outline the general responsibilities of all employees
• Be absolutely clear that health and safety will not be sacrificed for anyone’s convenience or for production standards
• Be absolutely clear that unsafe behavior will not be tolerated from anyone

A good policy gives clear direction
Injury and Illness Management and Return to Work
Return to Work (RTW)

Components of a typical RTW program

- Typically, RTW programs begin with HR personnel setting a formal policy in writing, which might include:
  - A RTW 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 actions taken to facilitate a return to work
  - Tools to track absences
  - A liaison authorized to communicate between company managers and medical providers
  - A system for identifying alternative jobs and modified duties.
  - Education for supervisors and coworkers

When launching the program, clearly communicate how it benefits the employer and employees.
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 the healthcare provider. Communications can make or break RTW decisions.

Employee Responsibilities - Workers Compensation
- Seek appropriate medical treatment (your manager or HR will assist)
- Take your job description to your physician
- Complete forms that are required by company
- See your manager for WC contact information
- Adhere to drug and alcohol testing requirements
- Follow physician’s treatment plan and restrictions, if any
- Communicate with individuals involved in your rehabilitation process (claim adjuster, manager, etc.)
- Limit time away from work by scheduling appointments and therapy outside of work whenever possible
- Cooperate fully with return to work efforts and work with your physician and your employer to return to work on a transitional basis when you are released to do so
- Return to full duty when released by your physician, and provide this documentation to your employer and the insurance company
- Report any issues to corporate

All company policies are applicable to your employment.

Employee Responsibilities – Disability/FMLA*
- Inform your manager of the need for a leave 30 days in advance or within 1 day of needing to take a leave in the case of an unexpected leave
- Complete the Request for Leave form, if you are unable your manager can complete for you
- Call in your leave to
- Take your job description to your physician
- Stay in touch with your manager weekly while you are out and provide updates on your return to work
- Cooperate with the return to work program when your physician has released you
- Report any issues to corporate

Please note that if you are covered by FMLA*, this is an unpaid benefit and can provides job protection up to 12 weeks in a rolling calendar year. If you have Short Term Disability or are covered by Workers Compensation, these paid benefits are administered within the plan provisions and applicable state statutes. Should you refuse to return to work, this may impact your paid benefits.

Manager Responsibilities – Workers Compensation
- Seek immediate medical attention as necessary use approved clinics
- Report claim immediately to corporate
- Complete forms as required
- Train employees to report all injuries promptly.
- Maintain regular contact with the employee.
- Assist in accident investigation
- Facilitate return to work with other internal parties
- Provide transitional work assignments
- Follow-up and return employee to full duty when released.

Manager Responsibilities – Disability/FMLA
- Manager confirms employee has completed Request for Leave for, and if unable manager completes
- Send Request for Leave form to corporate
- Direct employees to call in their absence to Maintain contact with employee and HR - see sample script on portal
- Participate in return to work planning as appropriate
- Ensure employees return to work progresses as planned
- Report any issues to corporate
A written RTW policy and a specific individual RTW plan for each employee assists in facilitating successful work re-entry.

COMPANY X Transitional Work Policy

The COMPANY X transitional work policy may be used to enable an employee to continue work with an injury or illness or to resume work if lost time has occurred. The policy encompasses a series of steps that identify the uses and goals of the transition program at the work site while defining the criteria to be used for entering and exiting the program. This policy provides guidance to supervisors and employees regarding methods to be used that will achieve program goals.

Transitional work is intended to be temporary to enable an employee to return to his or her former position. Accommodations that may be considered in response to impairments that may permanently affect an employee’s ability to perform his or her job will be considered separate and apart from the Transitional Work policy presented here as a temporary response program. Such accommodations will be reviewed on a case-by-case basis as to ascertain the reasonable nature of the accommodation and whether it enables the individual to perform essential functions.

The Transitional Work Model presented here contains the following components:

- **Section 1**: Program Goals
- **Section 2**: Specified Length of Time for Program
- **Section 3**: Criteria for Entry into Transitional Work Program
- **Section 4**: Process for Offering Modified Work
- **Section 5**: Transitional Work Wages
- **Section 6**: Criteria for Exiting Transitional Work Program

**Section 1**

Program Goals

The primary goals for the transitional work program are:

- To protect the employability of the individual
- To safely increase an injured worker’s functional capability
- To prevent and reduce the number of lost days
- To increase productivity
- To establish uniform policies and procedures related to injury and illness in the workplace

**Section 2**

Program Length

Participation in a transitional work program will normally not exceed 90 days. The Human Resources manager and the employee’s manager may consider an extension after the 90 day period. An extension may be granted dependent upon the medical progress of the employee and the continued availability of transitional work. When extensions are granted, they will be reviewed every 30 days. If an individual is unable to return to full work resumption at that time, other treatment or placement options will be initiated if available. If none are available and the individual if eligible they will remain on a Family Medical Leave of Absence.
Incremental Success

- Develop incremental resumption of work tasks as part of current treatment program
- Define current and/or projected functional impairments
- Define extent of functional impairments duration
- Define worksite accommodations that are required, possible and for how long

- Identify any employee relation issues that may be a RTW barrier
- Identify any ambivalence and resistance to the RTW
- Outline transitional work options aligned with key benefit dates
- Communicate RTW to the respective supervisor and physician

- Review RTW plan bi-weekly or as appropriate in longer duration cases
- RTW plan is revised/reconfirmed as needed
- Clarify benefit options and critical timetables of benefit duration
- Assist in reintegration of the employee with manager and coworkers
Comprehensive Approach

Align with Company Strategy
• What is the strategy for your company?
• What are your company goals?

Link Available Health Metrics to Business Performance
• Chronic illness review
• Health risks
• Utilization of services
• Work outcomes

Develop and create evidence-based rationale for workforce health investments
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 of Partners Not Adversaries**
- Senior management/SVPs
- HR and benefits managers
- Operations - line management
- Creation of employee expectations
- Clear roles and responsibilities
- Training for stakeholders
Case Study
Case Study

Challenges

• WC costs well above where they needed to be at 50% over benchmark
• Many separate HR policies
• Selection and hiring of the right people and turnover
• Onboarding new employees as they grew through acquisition
• Focus on safety not consistent
• Lacked consistency on return-to-work (RTW) approach and employee relations
• Lacked integrated approach to absence management
Case Study

Initial Steps

- Staff reorganization to support an integrated approach
- Risk Management and Benefits, and HR Service Center report to HR
- IDM approach
- IDM department formation
- Business unit reporting and accountability
- Location accountability — transition costs to locations
- Hiring tool
- RTW program
- Vendor and establishment selection of accountable service instructions and performance guarantees
Case Study

Outcomes

• $4 million in direct and indirect savings across WC and STD
• More efficient and consistent processes for WC reporting, investigation and RTW
• Definition of roles and responsibilities leading to better location accountability