

## Absence Management

### 2005 Spotlight on Employee Health, Productivity, and Beyond

## Today's Objectives

1. Identify current costs and disability trends contributing to absence
  - Overview of MARSH 2004 Survey of Employers' Time-Off and Disability Programs (5<sup>th</sup> Annual Survey) cost data and program management
1. Define the trends and similarities of absence management and managed care models
  - Absence Benefits and the Changing Workforce
3. Provide an understanding of occupational health strategies that support wellness, prevention and disease management
  - Employers' Absence Management Priorities and Current Activities

## Health and Productivity Management *Why?*

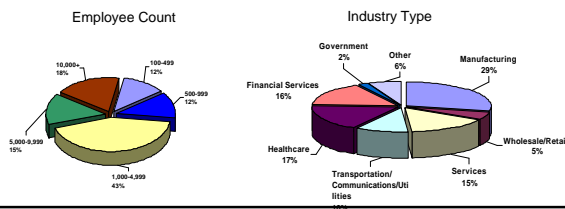
- ✓ 83% of employers increased the money employees contribute to their own health care coverage in 2004 with co-pays, deductibles and co-insurance
- ✓ 2004: Per one employee, health care costs grew by 8.2%, same as 2003, which outpaced the gross domestic product "growth" by 5.6%
- ✓ Hospital and pharmaceutical costs rose between 6.2 – 7.2%

2003: Number of Uninsured or Without Health Insurance = 15.6%  
2002: Number of Uninsured or Without Health Insurance = 15.2%

## Employer's Priorities and Current Activities

## MARSH Annual Survey

- ✓ Data collected during summer 2004
- ✓ 536 participants for 959 total plans
- ✓ Average number of employees = 6,914
- ✓ Total number of employees = 3.7 million



## Magnitude of Absence Benefit Costs

### Cost Related to Employers' Payroll

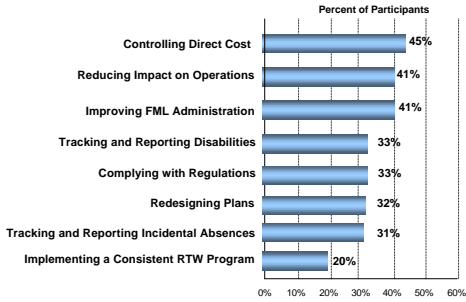


Wages Paid for Time at Work

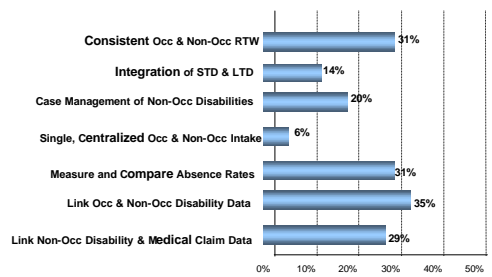
Wages Paid for Time-Off and Disability Days  
(Including Workers' Compensation (WC) Medical Expense)

Equivalent to:  
26.6 scheduled days off +  
10.4 unscheduled days off per year

## 2004 Employers' Absence Priorities Ranked Within the Top 3



## Strategies Employers' Are Planning or Considering



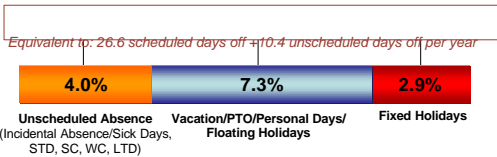
## The Cost of Absence Data and Information

## Health and Productivity Management Business Case

- Employee incidence rates and costs are on the rise (based on 2003 experience\*)
  - FML incidence: up for 53% of respondents (down for 2%)
  - LTD incidence: up for 32% of respondents (down for 6%)
  - WC costs fully developed & all industries up 7.3% (from 2002)
  - STD incidence: up for 32% of respondents (down for 8%)
- Total unscheduled absence costs potentially equal "3X" the benefit cost or 12% of payroll
  - Replacement Labor**
    - Overtime
    - Temporary employees
    - Overstaffing and "floaters"
    - Permanent replacements
  - Additional Business Impact**
    - Workflow disruption
    - Lost revenue
    - Lower consumer satisfaction
    - Quality loss

\* MARSH 2004 Casualty Cost of Risk

## Absence and Health Care Costs Comparable and Related

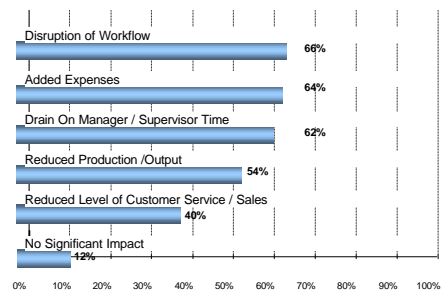


**Active employee health plan costs: 14.8% of payroll\***

Cost for employees' coverage is typically 50-60% of the total

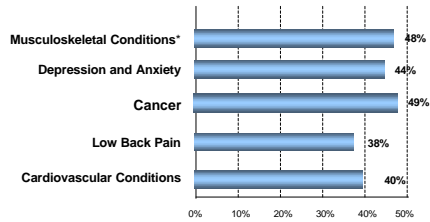
\* Active employee health care costs are for 2003 for employers with 500+ employees, from the 2004 Mercer *National Survey of Employer-Sponsored Health Plans*

## Unscheduled Absence Significantly Affects Business Operations



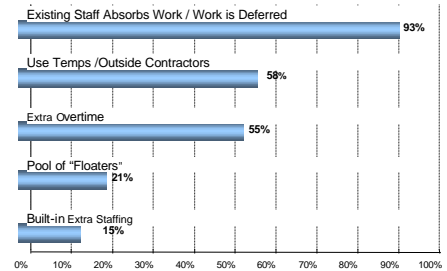
## Absence Cost Drivers

Most costly diagnoses, other than maternity, as among the "Top 3"



\*Other Than Lower Back Pain and Upper Extremity Repetitive Trauma Syndromes

## Source of Replacement Labor (All Industries) Unscheduled Incidental Absences



## Controlling Absence Costs

### Disability Management Strategies

## How Employers Are Adapting Absence Plans

- ✓ PTO bank plans, which provide more flexibility for employees, are replacing sick banks
- ✓ More vacation/PTO days for short service employees; less for very long tenured employees
- ✓ More options to buy or sell vacation/PTO days
- ✓ Increased cash out of unused vacation/PTO days
- ✓ Installation of new absence tracking software systems
- ✓ Considering different benefit structures for exempt and nonexempt employees

## #1 EMPLOYER OBJECTIVE

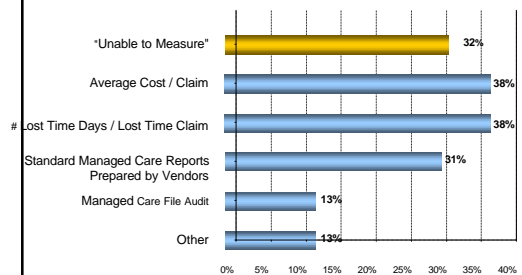
Reduce unnecessary absence durations and promote timely, high quality medical care

- ✓ Promote prompt reporting
- ✓ Use consistent absence duration guidelines
- ✓ Determine which claims could benefit from clinical management
- ✓ Apply clinical management to selected claims
- ✓ Verify that absences are qualified
- ✓ Apply FML concurrent with other applicable leaves
  - 8% of respondents outsource all FML leaves
  - 8% outsource just FML absences that are concurrent with other externally managed absences
  - 16% are planning or considering outsourcing FML administration

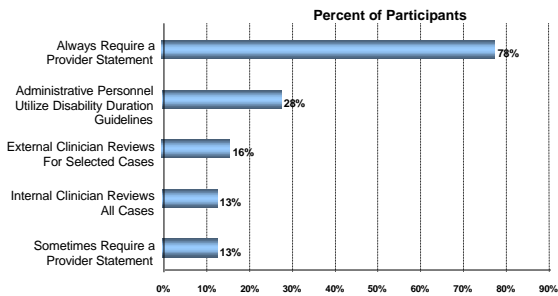


Manage consistently across the workforce to reduce litigation exposure

## Measuring the Impact of Medical / Disability Management Activities

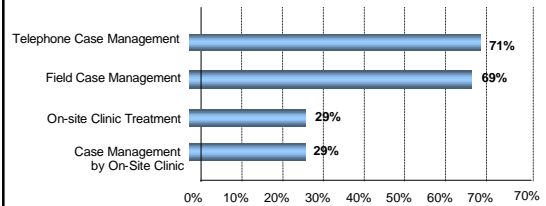


## Employer Disability (STD / SC) Management Techniques



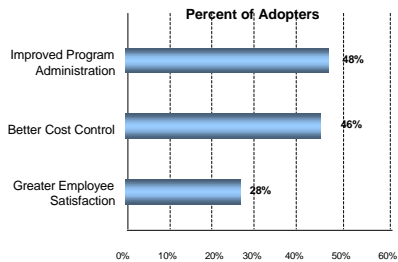
## Employer Disability Management Activities Occupational (WC) Injury / Illness

% of Respondents (2003) Whose Claims are Referred for Clinical Management



## Maximizing the Productivity of Recuperating Employees

Reported Improvements Due to Consistent RTW Approach



## Maximizing the Productivity of Recuperating Employees

**OBJECTIVE** → Bring recovering employees with residual work capacity back to productive work as soon as they are medically able

### APPROACHES

- ✓ Obtain specific work capacity information from treating providers
- ✓ Establish temporary, transitional task assignments
- ✓ Reduce work schedules to accommodate temporary inability to perform full-time work
- ✓ Adjust job requirements to match improving work capacity
- ✓ Align economic incentives

## Maximizing the Productivity of Recuperating Employees

Participants With a Consistent Occupational and Non-Occupational Return-to-Work (RTW) Approach

- ✓ 58% up from 39% four years ago
- ✓ 31% are planning to or considering
- ✓ 51% of respondents have a formal RTW program (69% of those with 10,000 + employees)

Program Characteristics	
Pay / regular wages	89%
Specified timeframes for temporary transitional duties	80%
Defined roles for program execution	58%
Accountability for declining to provide accommodation	43%
Pre-identified task bank	24%

## Employer Functions

### Disability Management Techniques

Identifying and Influencing Outlier Claims	Maximizing Productivity of Recuperating Employees	Minimizing Impact of Medical Conditions
<ul style="list-style-type: none"> <li>• Prompt reporting</li> <li>• Clear communications about process and benefits</li> <li>• Vendor performance management</li> </ul>	<ul style="list-style-type: none"> <li>• Transitional duty accommodations</li> <li>• Employer contact with employee</li> <li>• Plan language in support of return to work</li> <li>• Enforce accountability</li> <li>• Manager/supervisor training</li> </ul>	<ul style="list-style-type: none"> <li>• Plan language in support of optimal clinical management</li> <li>• Development of linkages among programs</li> <li>• Onsite prevention/risk reduction activities</li> </ul>

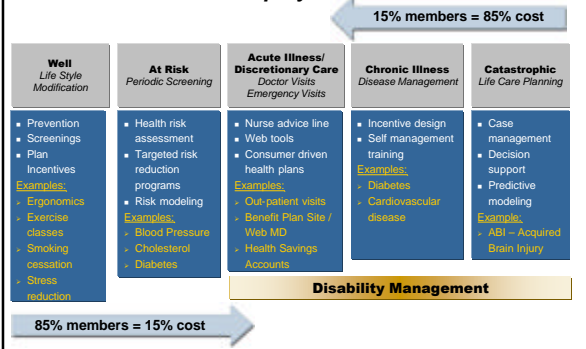
## Wellness

### Critical Steps in Managing Workplace Health and Productivity

### Workforce Changes

- ✓ Employees emphasize consistency in granting scheduled time off and in the coworkers' use of unscheduled time off
- ✓ Flexibility of benefits is highly desired by employees
- ✓ Flexible work arrangements and work-enabling benefits are highly prized
- ✓ Differences between "activity workers" and "knowledge workers" are more extreme
- ✓ Employment is more short-term and provisional
- ✓ Time off is more highly prioritized than in the past

### 2005 Total Health Continuum An Employer's Guide

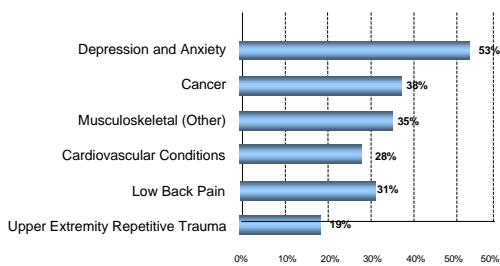


### Wellness Objectives, Impact and Value

- **Major Employer Wellness Objectives**
  - ✓ Attempt to control rising healthcare costs
  - ✓ Assist senior management in addressing employee health issues
- **Employer / Employee Wellness Impact**
  - ✓ Improve overall employee health and productivity
  - ✓ Reduce incidence of injury / illness and fatalities
  - ✓ Reduce sick days and unscheduled absences
- **Wellness Priorities and Value Proposition**
  - ✓ Employers offering employee incentives to participate in wellness programs for sustained, positive outcomes
  - ✓ Employee health is crucial to the overall business success

\*American Association of Occupational Health Nurses AAOHN News

### Absence Cost Drivers Disability Conditions Excluding Maternity, Increasing in Frequency or Cost



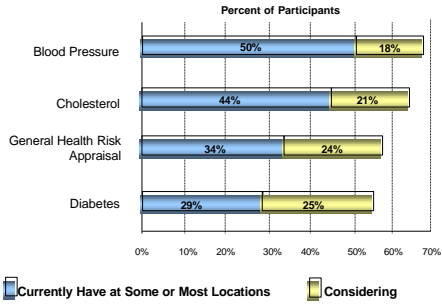
### Minimize the Impact of Medical Conditions and Health Risks

**OBJECTIVE** → Reduce disability incidence and duration by targeting chronic conditions, management of key disabling conditions and early detection resulting in health risk reduction

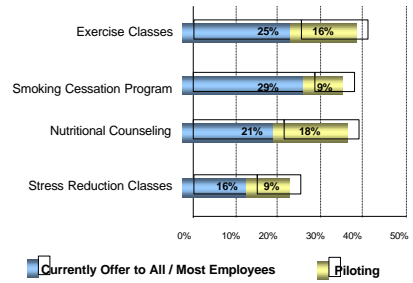
**APPROACHES**

- ✓ Targeted disease management
- ✓ Periodic medical screening
- ✓ Structured lifestyle risk modification programs

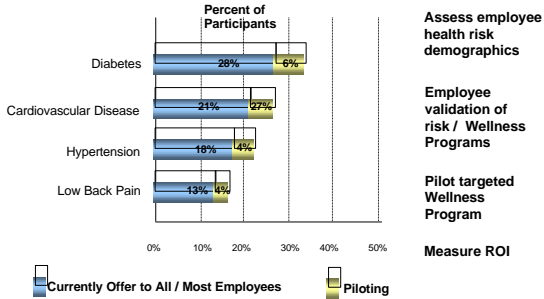
## Periodic Medical Screening



## Structured Lifestyle Risk Modification Programs



## Targeted Disease Management Programs



## References

- MARSH 2004 [Survey of Employers' Time-Off and Disability Programs](#)
- Healthcare Daily Byte, Volume I issue 122, June 24, 2005: [Employers Turn to Wellness Programs to Manage Costs](#) (Deloitte Center for Health Solutions)
- MARSH 2004 [Casualty Cost of Risk](#)
- American Association of Occupational Health Nurses AAOHN News (Vol., 25 – June 2005) Cover Story: [Employer Based Research Study: Wellness in the Workplace Crucial to Business Success](#)