

Managing the guy who isn't there

How well you manage absence and integrate benefits will have a visible impact on productivity.

Here's an update on fresh thinking and best practices.

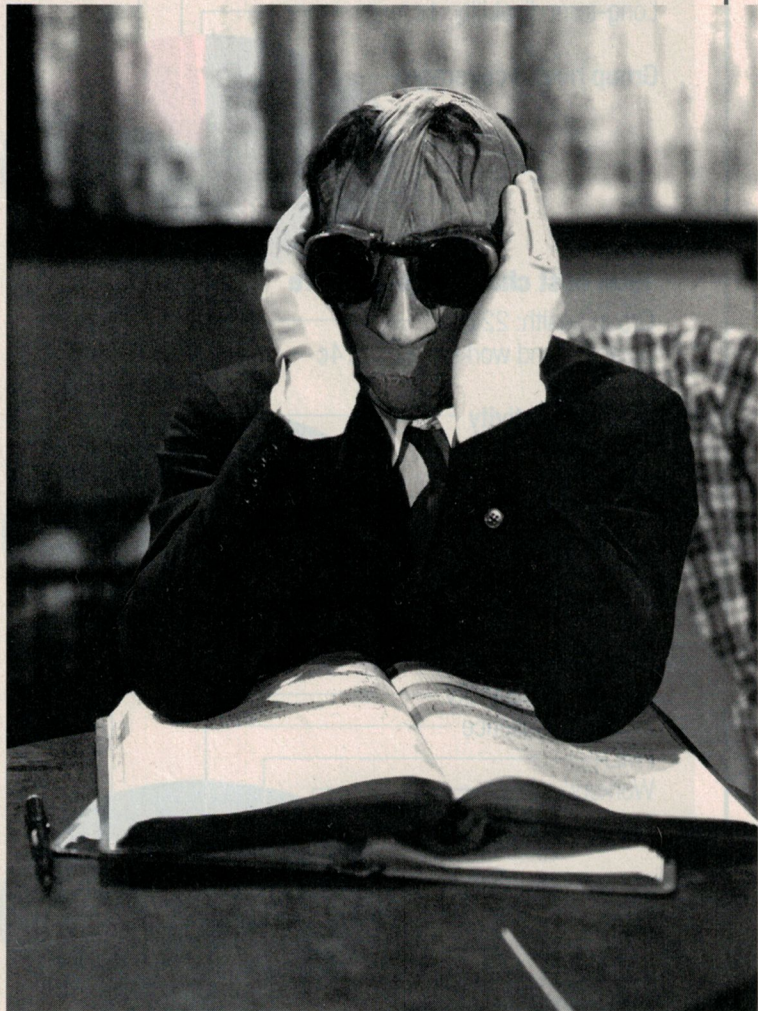
BY ANNMARIE GEDDES LIPOLD

When one of the 30,000 employees at Nationwide, the insurance and financial services company, is too sick to show up for work, he doesn't call the boss. Instead, he dials a toll-free number and follows a series of prompts to report his name, employee number, expected return-to-work date and other details. Computer generated e-mails notify the employee's supervisor and alert the payroll department of the need for sick pay, short-term disability, long-term disability or workers' compensation. A Nationwide nurse is prepared to facilitate medical case management and return to work when necessary.

The process is all part of integrating benefits in order to actively manage absence, and the concerted effort has paid off for Nationwide, a company that posted \$2.8 billion in sales in 1999. Stephanie Welsh Ramsey, director of comprehensive disability management for the Columbus, Ohio-based firm, says the average length of absence has decreased by 14 percent since the program was launched in 1997.

Results like that are one reason integrated benefit programs are gaining momentum the way managed care did in the early 1980s, reports Jim Curcio, vice president and national practice leader of integrated disability management for Sedgwick Claims Management Services Inc., a Memphis-based third-party administrator for 4.5 million covered lives. In fact, a survey conducted last year by the San Francisco-based Integrated Benefits Institute found that four out of five employers with 10,000 or more employees were investigating or implementing such programs.

Precisely what are they considering? Currently, there are a number of terms used to describe



CLAUDE RAINS AS DR. JACK GRIFFIN IN THE 1933 UNIVERSAL FILM 'THE INVISIBLE MAN' ARCHIVE PHOTOS

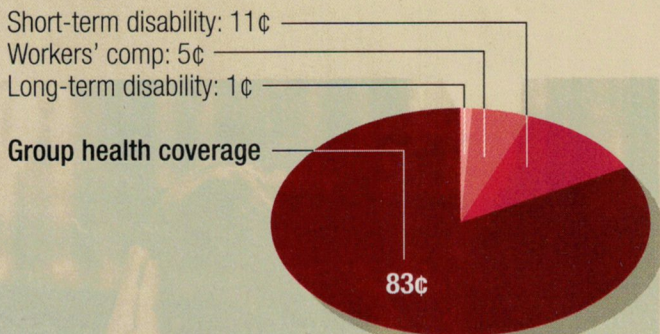
Annamarie Geddes Lipold, a freelance writer based in Arlington, Va., has spent nearly a decade covering workers' compensation and other human resource issues.

Clarifying the cost of absence

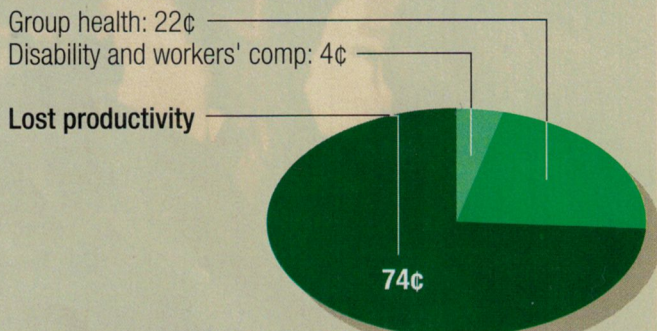
A study by the Integrated Benefits Institute (IBI) found that the productivity lost when employees are away from work is a far greater financial burden than out-of-pocket benefit costs in the telecommunications industry. IBI estimated that lost work time cost the participating companies, which employ over 700,000 people, as much as \$11.5 billion in 1999—the equivalent of 8 percent of their total revenue.

In a traditional view of benefit program experience, group health coverage accounts for the lion's share of direct costs (premiums and claims payments) compared with disability and workers' compensation. Still, that's only a quarter of total costs when the value of lost productivity is added in. Of the time away from work, incidental absence and time off under the Family and Medical Leave Act (FMLA) account for nearly half the total.

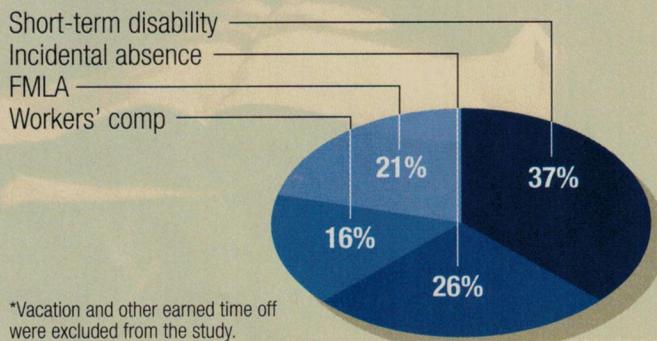
Dividing the benefits dollar



Total cost changes the picture



Why workers are away*



*Vacation and other earned time off were excluded from the study.

Source: The Integrated Benefits Institute report on health and productivity benefits, June 2000.

programs that combine benefits and services across traditional lines to foster better employee health and productivity.

Variations on a theme

Integrated disability management, Curcio says, often uses case management when combining workers' compensation, short-term disability and long-term disability claims to encourage return to work, no matter how the injury occurred. *Integrated benefit programs* go a step further to include benefits such as group health and Family and Medical Leave Act administration. *Absence management programs* also monitor vacation and sick time. Curcio notes that these programs vary as much as individual companies do and can include any combination of benefits.

Nationwide, for example, combines group health, wellness, workers' comp, long-term disability, short-term disability and FMLA administration. The company currently tracks health-related absences, says Ramsey, but plans to add vacation and personal time this winter.

Employers that integrate benefits are seeing healthier and more productive workers, greater employee commitment, easier administration and lower benefit costs, contends Kathy Muedder, vice president of employment risk practice for the Charlotte, N.C.-based Royal & SunAlliance, which collected \$1.8 billion in net premium in 1999. These firms, she adds, "are looking beyond the cost of insurance and services and are more focused on overall productivity."

They have good reason to do so: Companies lose much more than benefit costs when an employee is off from work. A recent study of 11 telecommunications companies by the IBI, for example, concluded the potential revenue loss from employee absence was about three times the cost of direct benefits. (See chart at left.)

Because there are fewer absences when employees are taken care of, Pitney Bowes Inc. integrated its benefit programs to have healthier employees, according to Corporate Medical Director Jack Mahoney, MD. The Stamford, Conn.-based company, which provides mail and message management services, has 30,000 employees worldwide and posted \$4.4 billion in sales in 1999.

"The philosophy here is how do we elimi-

nate the barriers for someone to get appropriate, timely care," Mahoney adds, and it's making a difference. He says that on any given day, there could be 100 full-time employees off work if it were not for the integrated programs. Pitney Bowes started out in 1994 by integrating group health, workers' compensation, short-term disability and long-term disability benefits. The company later added wellness, an employee assistance, safety and FMLA programs to its integrated benefits repertoire. By 1999, the cost of disability claims had decreased by 15 percent and the number of days lost to disability by 42 percent.

Beside managing medical treatment and return to work, nurse case managers help employees who want to use FMLA to take time off to care for a family member. By helping to ensure the family member gets the best treatment, the employee could return to work sooner, Mahoney said. This approach also helps the company monitor its managed care program, he added. Pitney Bowes integrated its employee assistance program into the benefits mix to help employees with both physical and mental health issues, he said. If a worker expresses a need for counseling, for example, the nurse case manager makes a "soft transfer" to the EAP. "It's a purely voluntary referral," Mahoney says, because "you have to respect the individual and you have to respect confidentiality."

It is not necessary to combine many benefits to see positive results. For example, Steelcase Inc. has saved money and lightened its administrative load just by integrating workers' comp and disability, says Libby Child, manager of integrated disability management. The Grand Rapids, Mich.-based maker of office environment products has 14,000 U.S. employees and posted \$3.2 billion in sales for fiscal year 2000. Since Steelcase moved to integration in 1997, the overall cost of disability has dropped from \$1.55 per \$100 of payroll to \$1.40 in 1999, Child reports. Workers' comp litigation also dropped from 25 cases in 1997 to six in 1999.

Pitney Bowes, Steelcase and Nationwide have approached integration differently for a variety of reasons, including corporate practice, according to Bill Molmen, IBI's general counsel.

At Steelcase, for example, a stronger workers' comp program attracted workers with nonoccupational injuries, says Molmen. Merging comp and disability helped solve this problem. At Nationwide, directors wanted to manage all absences as much as possible so they instituted a one-day reporting scheme for medically related leave. Steelcase wanted to review only the absences that need medical case

What to ask the vendors

Most employers that integrate benefits get help from vendors such as third-party administrators and insurance companies. The consulting firm William M. Mercer Inc. suggests that you ask the following:

1. Describe the integrated products you offer and how they differ.
2. How long have you been offering these products? What measurable results, by product line, can you show?
3. How many clients and contracts do you have? How many employees are covered?
4. Are your integrated products available on both an insured and self-insured basis?
6. Describe your experience in working with other vendors such as third-party administrators, insurance companies, employee assistance programs and data warehousing firms.
7. Describe the claim management process your organization offers, including the claim determination process.
8. How will your organization facilitate return to work for my employees? What type of cooperation do you need from your clients?
9. What were your top developmental priorities for your integrated programs last year? What are they for this year and next year?
10. Please demonstrate that your claims operation has the capacity to absorb new clients.

management, Molmen says, and is well served by a longer waiting period.

Company organization also makes a difference. Firms that isolate risk management from human resources will integrate benefits differently because the departments do not work in tandem, Molmen says. Steelcase has one department handle all of its integrated functions. At Pitney Bowes, Mahoney manages many pieces of the integrated program—group health, short-term disability, long-term disability, wellness and EAP—and works with those who oversee workers' comp and safety. Nationwide

uses an administrative overlay to orchestrate the work of departments that carry out its program.

Tuning up

Most employers, especially large, multistate firms, have to build their own integrated programs, says George Faulkner, a principal with the consulting firm William M. Mercer Inc., because "nobody has an integrated package that has a national scope." Pitney Bowes, for example, combines vendors and self-administration of different programs, according to Mahoney.

Finding the right vendors for the integrated program at Steelcase wasn't easy in 1996, recalls Child, but nowadays "they are recognizing what their customers want and they are rushing to put a product out to market." Consider that IBI had identified only 36 vendors in 1997, compared with some 96 programs offering services that range from consulting to integrated insurance packages as of last February.

A third-party administrator did the job for LSI Logic Corp., a computer chip maker based in Milpitas, Calif., with 5,700 U.S. employees and \$2 billion in sales last year. Pam Porter, manager of integrated disability, says the TPA had been managing LSI's workers' comp program and agreed to take on short-term disability in 1993. The long-term disability program was added in 1996. When that proved successful, adding administration of FMLA was the next critical piece.

LSI employees call a toll-free number where a customer service representative collects claims information and sends the completed form to the employee for approval and signature. Like other integrated programs, a nurse case manager communicates with the injured employee's doctor to ensure proper treatment.

Adding the FMLA piece was critical, says Porter. When an employee reports an injury, the TPA tracks time off for FMLA purposes to reduce potential redundancies in leave programs. The law itself is difficult to manage, and using a vendor assures proper compliance.

Porter emphasizes that maintaining performance standards and accountability is crucial to an outsourced program. Regular meetings and quarterly claims reviews help monitor the program, she says. Both the TPA and LSI survey employees regarding their satisfaction with the program.

Stellar performances

While integrated benefit and absence management programs are still relatively new, best practices are emerging from employers that have taken the plunge.

Many effective programs designate a single point for reporting absence, says Molmen, so workers don't have

to worry about calling the wrong vendor and losing in the process. "[Employees] know if they report on they are going to get paid on time," adds Child, noted that Steelcase requires workers to report an ir within 48 hours. Pitney Bowes once used an autom system to take phone calls, says Mahoney, but switc to customer service representatives because emplo felt better talking to a human being.

Curcio, the Sedgwick consultant, recommends a case be driven by medical management. A nurse does not have to answer every phone call—that can become expensive—but there should be points that trigger case manager involvement.

Tracking employee and management satisfaction is another crucial best practice, says Molmen, because "those are the two people who really determine productivity." Some examples: Steelcase measures employee satisfaction on a monthly basis. Those who went through the program in 1997 were mildly dissatisfied, with a 2.3 rating on a scale of 4.0, but by 1999 they were moderately satisfied at a rating of 3.3. Nationwide's most recent survey of managers showed that 80 percent were satisfied with the integrated benefits program and thought it superior to the previous way of handling absence.

Getting the "best in class" vendors for health care, prescription drugs, mental health, rehabilitation and other programs to work together also leads to a top-notch program, says Mercer's Faulkner. (See page 29 for some buying tips.) He notes that the more advanced employers are building data warehouses that link absence and benefit information to help employers track results and pinpoint causes of absence so they can be addressed. Nationwide and Pitney Bowes track the medical reasons for absence, for example, to shape their companies' wellness programs.

Vendor performance standards are still evolving, with IBI taking a leading role in development. Molmen suggests that good benchmarks include cost of benefits per employee, number of claims filed per 100 employees, number of lost workdays per employee and number of injured employees returning to full duty per 100 claimants. He adds that productivity can be measured by multiplying the number of lost days by a company's average revenue per employee per day.

Child encourages employers not to wait for the perfect assessment tool. After all, she says, "We were really data-poor in measurement, and we sold integration to our top management on process improvement and employee satisfaction." Equally important, says Faulkner, is a corporate culture that encourages return to work. □