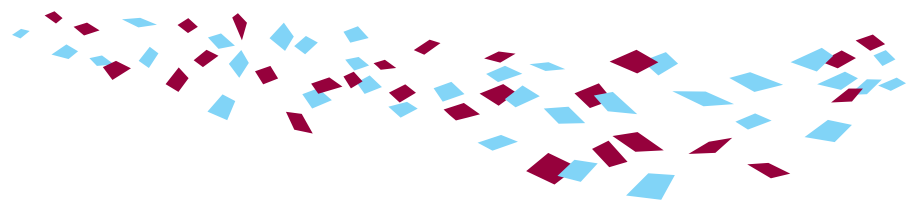




ABSENCE MANAGEMENT AND NEXT STEPS FOR PROGRAM INTEGRATION.



SUMMARY

When an employee is out of work due to an illness, injury and/or leave of absence, that absence can impact the organization's productivity. Integrating absence-related programs can be a great strategy for helping employers to combat the potentially negative effects of employee absence. Many employers who have integrated programs have been able to achieve significant savings in lost time, direct costs and RTW rates.¹ Our experience has been that more and more employers are looking at the following:²

- The cost of absence and its impact on productivity.
- The trend toward integrating absence-related programs.
- Benefits from implementing integrated programs.
- Determining if integrating programs is a good choice for their organization.
- Taking steps to integrate programs.

The following research and resources can help an employer explore and develop an effective Absence Management program.

MARKET TRENDS AND STATISTICS.

- There has been an evolution of job-protected leaves and leave legislation:
 - The Family Medical Leave Act.
 - State, county and city leaves.
 - Employer-specific leaves.²
- Risk and benefit managers realize the potential of legal exposure from mismanagement of absence.²
- Risk and benefit silos are breaking down within organizations.¹
- Fifty-six percent of U.S. companies plan to incorporate Absence Management within three to five years.³
- The full cost of employee absences is significant, amounting to an equivalent of 35 percent of payroll.⁴
- Daily worker absence (for all reasons) is 25 to 30 percent of an employer's workforce.⁵
- In response to the survey question that asked, "Which federal employment-related law gives you the biggest headache?" almost 50 percent of responding human relations professionals chose FMLA.⁶

EVOLUTION OF JOB-PROTECTED STATE LEAVE LAWS.

A wide variety of state leave laws adds challenges to managing absence events. Currently, The Hartford administers more than 140 state leave laws on behalf of our clients. As of May 1, 2011, almost all states have had leave laws with which employers are required to comply. Here are some general facts about state leave laws:

- FMLA and state leaves may run concurrently.
- Separate tracking is required for FMLA and state leave.
- State Family Medical Leave laws can differ from the federal FMLA in their allowable absence types, leave duration, eligibility requirements and definition of family member.
- Examples of job-protected state leave laws for other than family or medical reasons include court witness leave, volunteer firefighter leave, civil air patrol leave, victims of domestic violence leave, employee blood donation leave and crime victims leave.
- Some leave laws have eligibility requirements and some don't.
- States may have different leave laws that may run concurrently while other laws may run consecutively.
- Some leave laws are paid, some are not.
- Each year there may be amendments to existing laws and/or the passage of new laws.

ABSENCE MANAGEMENT.

Absence Management is the management of lost work time, whether disability or non-disability related. It applies a timely, accurate and consistent approach to managing, administering and tracking employee lost time when appropriate. Absence Management often focuses on absence associated with workers' compensation, short- and long-term disability, and leaves (FMLA, State and other), but can include other absences like sick and vacation time and can be connected with other programs such as group health. The individual program components can be implemented simultaneously or added and integrated over time to enhance the overall program.

Why Absence Management?

- Streamlined benefit, claims and leave administration.
- Helps reduce redundancies in benefits.
- Helps ensure consistent administration of absence between multiple locations/divisions and programs, and consistent treatment of employees when appropriate.
- Protocols and processes to effectively integrate programs.
- Can provide an opportunity for more effective and consistent return-to-work programs.
- Track and measure absence events.
- Reports and metrics to understand program performance, outcomes and trends.
- Can help improve productivity.
- Can improve employee and employer experience.



ROI on Absence Management.

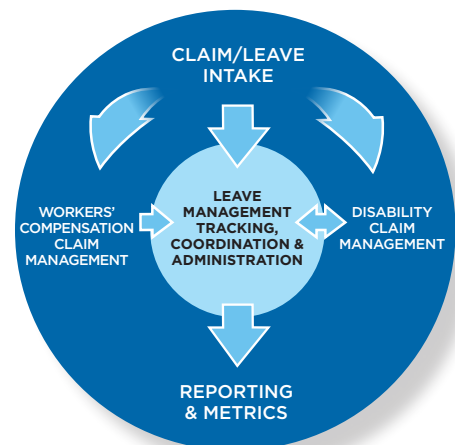
- Employers who combine programs generally experience savings of 10 to 15 percent of direct program costs.⁷
- Employers who combine programs are able to reduce disability days between 10 and 35 percent.⁷
- Employers who combine programs are able to improve return-to-work rates by at least six percent.⁷
- Treating all employee absence consistently has the potential to improve the employee's experience.
- May help to improve productivity and reduce absence.

Program integration.

Program integration refers to bringing Absence Management programs together at key points within the claims, leave and absence processes. The specific components of programs that are integrated can vary significantly between employers and depend on a number of factors. However, as an example, an employer could develop an integrated Workers' Compensation, Group Disability and Leave Management (FMLA leaves, state leaves, and employer-specific leaves) program around the following key points:

- **Single intake.** A single phone number to report a Workers' Compensation claim, a disability claim, or to request a leave of absence.
- **Claims and leave data integration.** If claims and leave systems are connected, those absence events can be tracked through a single platform.
- **Claims/leave process integration.**
- **Simplicity.**
 - Simpler initiation of qualifying job-protected leaves associated with Short-term Disability (STD) and Workers' Compensation claims.
 - Simpler initiation of the STD process when a Workers' Compensation lost-time claim is denied.
 - Simpler transition of Workers' Compensation lost-time claims to Long-term Disability (LTD) when applicable.
- **Reporting.** Integrated reporting provides a holistic view of program performance, trends and outcomes.

The diagram to the right illustrates the example. Integration occurs throughout the process and allows for the capture of key data for reporting and analysis. The process helps avoid duplication of effort and multiple leave and claim filings.



EMPLOYER EXPERIENCE.

When employers who integrate programs were asked, “What have been the biggest advantages to your organization in implementing an integrated program?” the top responses were:¹

- Consistent administration.
- Better tracking or reporting.
- Easier or better experience for employees.
- Easier administration for the company.
- Reduced costs.
- Increased control.
- Improved compliance.

Critical elements of an effective integrated Absence Management program.

When looking at an integrated Absence Management program, consider the following key essentials:

- Senior leadership buy-in and support.
- Single cross-functional team with clear objectives.
- Coordinated claims management process.

Step-by-step Process:

Step 1:

- Assess existing programs and effectiveness.
 - Contract/policy/program design.
 - FMLA and other regulated job-protected leaves.
 - Internal policies and procedures.
 - Current management philosophy and effectiveness.
 - Current roles and responsibilities and resource allocation.

Step 2:

- Define drivers of employee absence. Some data elements that can help:
Employer industry, number of FTEs, number of days worked by an FTE per year, labor replacement and time sensitivity, and how absence is currently managed (internally or outsourced), number of states in which the employer has employees and whether the employer has additional leaves of absence within their own leave policy that also require management.

Step 3:

- Benchmark the productivity impact of absence:
Lost productivity expressed as work days and FTEs based on industry averages for the employer's industry.

Step 4:

- Devise a business case and potentially outsource components:
Include anticipated results such as potential savings, risk mitigation, etc.

Step 5:

- Develop a best practice absence model.⁷
 - Articulate goals and expected outcomes for your company's integrated programs.
 - Clearly communicate benefit policies and procedures to your employees and vendors.
 - Designate an internal team to manage your program and monitor vendors.
 - Promote accountability among employees, individual departments and business units.
 - Request regular feedback from key stakeholders.
 - Challenge your vendor to customize its product and process to best meet your needs.
 - Leverage technology to gain efficiencies, but understand its limitations.
 - Compare and make the most of your data.
 - Integration is a dynamic process – continue to monitor your program and be ready to recommend enhancements.

Step 6:

- Implement an integrated absence program.

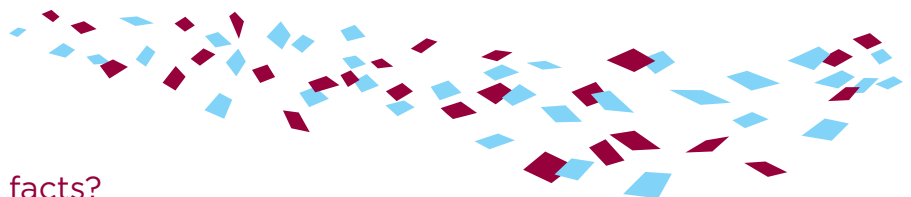
DEVELOPING AN INTEGRATED ABSENCE MANAGEMENT PROGRAM.

Employers interested in developing an integrated Absence Management program can use the following checklist of key considerations in the process.

Key Questions	Yes/No	Comments
Potential Components of Absence Management Program		
Short-term Disability		ASO or Insured
Salary Continuance		
Statutory		NY, NJ, RI, HI, CA, PR
Long-term Disability		
Workers' Compensation		
Family Medical Leave		Federal and State
Military		
Employer Leaves of Absence		
Jury Duty/Bereavement		
EAP/Behavioral Health		
Disease Management		
Wellness		
Other		
Analyze/Review/Document		
Plan Design:		
• Definitions		
• Return-to-work policies		
• Case management parameters		
• Compliance practices		
• Program referrals		
Process:		
• Intake		
• Notification & communication		
• Automatic triggers		
• Common case management		

Key Questions	Yes/No	Comments
• Return-to-work programs		
• Program interaction		
Funding:		
• Insured		
• Self-insured		
• Loss Sensitive WC		
• Other		
Technology:		
• Tracking & management		
• Integrated reporting		
• Data access by managers & employees		
• Electronic data exchange		
• Metrics		
• Benchmarking		
Who are the key internal stakeholders at your organization? How can they be aligned?		
• Project team leadership		
• Senior management		
• Subject matter experts		
• Stakeholder participants		
• Service organizations/vendors		
Anticipated Outcomes		
• Financial savings and ROI		
• Process improvement		
• Improved employee experience		
• Workforce attraction & retention		

Note: This checklist is not intended to serve as legal advice and was created for illustrative purposes only. This checklist may not be a complete list of all the issues relevant to any individual employer's Absence Management services needs.



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- ¹ Spring Consulting Group, LLC, 2009/2010 Employer Survey of Integrated Disability, Absence & Health Management Survey, 8/10/2010.
- ² The Hartford's Group Benefits business unit has provided Leave Management services to customers since 2001. These statements are based on that experience, which includes interactions with employers and responses to requests for proposals and information related to Absence Management.
- ³ Hewitt's 2010 Road Ahead – Emerging Health Trends survey, Hewitt Associates, March 2010.
- ⁴ Survey on the Total Financial Impact of Employee Absences, Mercer, June 2010 .
- ⁵ www.dorlandhealth.com, *Taming Disability*, by Deborah Dibenedetto, February 1, 2009.
- ⁶ Human Resources Business & Legal Reports, www.hr.blr.com, April, 2009.
- ⁷ Tools of the Trade, Disability Management Employer Coalition, 2009.

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