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Many factors may drive the decision to outsource leave management.

They may include:

• Helping to improve compliance.
• Greater standardization and consistency.
• Increased efficiency and cost-effectiveness.
• Better coordination among multiple leaves.

The transition from in-house leave management to an outside vendor, however, can create challenges. There may be cultural issues, such as balancing high-touch advocacy with greater consistency in determining eligibility for leave. HR managers may resent a third party on their “turf,” and employees may resist changes in how leaves are approved and managed. Yet, as employer experiences reveal, the benefits of outsourcing outweigh the challenges, as companies pursue improved outcomes that can be verified by data.¹

To explore the decisions that may prompt outsourcing and the issues that can arise, The Hartford convened a think tank of customers who have outsourced all or some of their leaves including short-term disability, long-term disability, and Family & Medical Leave Act (FMLA) requests for leave.

In an intensive discussion, HR and benefits managers from employers representing several industries—including health care, biotechnology, technology, foodservice, and manufacturing—offered candid insights into the challenges and opportunities they have faced. In this white paper, the drivers of the outsourcing decision will be explored, along with specific issues that should be addressed to help achieve a successful transition to a vendor platform for leave management.

MAKING THE DECISION.

“Until we made the decision to outsource, we did not have clear guidelines around eligibility.”

This sentiment, offered by one of the think-tank employers, reflects one of the main drivers of the decision to outsource. Other common sentiments from the panel members:

• Relying on internal resources alone, employers often find it difficult to address eligibility.
• Uncertainty over federal and state job-protected leave requirements, and even the sheer amount of time consumed by the process, may prompt employers to grant all leave requests, even when eligibility is questionable.

The decision to outsource allows employers to tap into a vendor’s experience to evaluate requests and grant or deny leaves based on federal and/or state requirements. Thus, consistency and a standardized approach become major reasons to outsource.
“Today, through outsourcing, we have a blanket policy with regard to leaves,” commented Frankie Hagen of the University of Kansas Hospital. “We have one-stop shopping in leave management. When we really started enforcing it, we got some pushback from employees and some managers, but our message was, ‘This is the process.’”

OUTSOURCING IMPROVES CONSISTENCY, DOCUMENTATION, STANDARDIZATION AND EFFICIENCY.

Many employers reported that, prior to outsourcing, they found inconsistency in the way leave requests were managed. For some, there was a perception that approvals were made more frequently and easily when the employee was known to the HR or benefits department. In addition, many leaves were undocumented, which meant employers did not have complete data on the number of leaves and the duration of these absences. “We didn’t have reporting in place before, so when we outsourced it was eye-opening. We found, for example, that the smallest locations had the biggest leaves,” said Heather Dumas of Gates Corporation.

For smaller employers, outsourcing is also driven by the fact that managing multiple leaves presents a huge drain on human resources. “We find that 20 percent of the people consume 80 percent of our time. It is tremendously time-consuming,” observed Gail Gentile of Blue Coat Systems, Inc. In addition, experience in leave management at the company resided in one person. “We don’t have the resources for backup. What we gained with outsourcing was tremendous continuity of administration,” she added.

For employers large and small, the business case for outsourcing includes a more streamlined process of requesting, reviewing, and administering leaves, in addition to returning employees to work. Bernie Schleper of Andersen Corp. also observed that outsourcing benefits to a vendor was consistent with business practices elsewhere in the company. “The big selling point for outsourcing was we use vendors for everything else, so why wouldn’t we do the same for leave management, which is a big budget item? Plus, we get better consistency and it’s simpler,” he said.

Although many factors drive the decision to outsource, among the most common are greater consistency, standardization, efficiency and help with improving compliance. The ability to rely on the experience of a vendor appealed to small employers that lacked in-depth internal HR resources and to large employers with operations across several states where they are subject to a wide array of state leave laws.

Outsourcing leave management to a vendor can create cultural issues, particularly if a company has had a high-touch environment with a significant amount of “hand-holding” through the process. Suddenly, a procedure that requires employees to call a third party and be responsible for providing certain documentation within a specific timeframe can result in resistance. In addition, companies may wrestle with how leaves
should be handled across culturally different departments within the organization, such as manufacturing and sales.

“We struggled with how to ensure FMLA compliance across the company,” said Valerie Jones of Genzyme Corp. “We found it was better for employees, managers, and the business to have standardization in our approach. Employees are treated fairly, have better privacy, and are able to get the information they need.”

For employees, the desire to maintain the status quo can result in pushback. If a company has been overly lenient with granting leaves, there may be the perception that outsourcing means more denials. Education and communication about eligibility and procedure are essential. In addition, companies should consider that outsourcing may provide an opportunity for them to “get out of the business” of gathering personal and medical information. “People take leaves for very personal reasons, which they may not want to share with their employer, but are more comfortable telling a third party,” observed Lori Osborne of Red Hat, Inc.

Similarly, outsourcing can help managers to establish “good, healthy boundaries,” added Kari Olson Finnegan of Park Nicollet Health Services. “Managers can make sure that employees get what they need. They can send a get-well card and stay in touch. But when it comes to leave management, the employee needs to contact the vendor.”

Another cultural issue may reside within the HR department itself, where managers are reluctant to give up responsibility for leave management. Instead of feeling threatened, HR managers should see that outsourcing enables them to devote their time and energy to strategic issues in workforce management. “We had meetings with HR managers to explain that outsourcing was going to free up time to allow them to become better strategic partners with the business, rather than spending time doing day-to-day administration,” explained Sharee Chapman of Gerdau Long Steel North America.

COMMUNICATION AND EDUCATION.

To be successful, outsourcing to a vendor must be accompanied by communication and education efforts at every level of the organization, from senior management to individual employees. Training is needed to teach employees how and when to report a request for leave and the procedures that follow. Similarly, managers need to know where to direct employees.

A challenge, however, can be capturing employees’ attention before they are personally affected by the need to file a leave request. Useable, understandable information—e.g., the five things employees need to know about reporting a leave to the vendor—must be readily accessible. Messages should be delivered in multiple ways, such as through company newsletters, on the intranet, and in emails.
“The most important thing is to get the information to employees,” said Laura Erchul of Medtronic. “You have to make sure there are resources so that people can get what they need.”

Educating employees takes more than a “one-size-fits-all” approach. For some employees, English may be a second language, which requires bilingual or multi-lingual specialists to help explain procedures and policies. “Employers often have a variety of populations to address,” noted Jacqueline Mendoza of Farmer Brothers Co.

Segmentation in the population requires communication to be tailored in mode and content. “Within an organization, if you have a varied workforce, you will have varied communication needs,” added Robin Benoit of Genzyme.

In addition to demographic differences, employees may have specific preferences for how and when they want to receive information. “Some people are high-touch; others want less communication. The challenge is the segmentation,” said Shannon Bryant of DaVita.

Company culture may also impact how messages are delivered most effectively. For example, Oracle Corp. believes that posting information on its intranet with communiqués sent via email is consistent with being a technology company. “The information is out there online for employees to access. If we send out an email telling employees ‘this is where you need to go to file for leave,’ we document that,” explained Diana Chan.

Employers must determine how to communicate frequently enough without bombarding employees. Help desks, central reporting, and web portals are useful tools for disseminating information in an accessible and understandable way, rather than relying on a five-page written memo which few employees would be motivated to read.

A communication strategy may also include presenting the business case to senior management with emphasis on desired goals and outcomes. Another challenge, however, can be when an employer has not tracked leaves in the past or claims were underreported. With a lack of relevant comparisons, the first year of outsourcing may appear to result in large increases in incidence of claims. To counter that perception, expectations of senior managers need to be based on fact. Over time, however, results will likely show the benefit of greater consistency and improved standardization.

Segmentation of the employee population—by job type, demographics, and even communication preference—requires messages and information to be tailored. Multiple means of delivering information—by email, on the intranet, and via newsletter—should be used. Communication strategies must also address the concerns of HR and senior management.
CAPTURING COST SAVINGS AND PRODUCTIVITY GAINS.

Once outsourcing is in place, data collection and analysis are essential to quantifying and demonstrating potential cost savings and any improved efficiency. Savings may result from reductions in soft-dollar expenditures, such as hiring replacement workers, and improvements in how quickly people are returned to work. With an established baseline, data comparisons are possible, whether year-to-year or division-to-divisions. “Data analysis should be able to identify areas within the company or different locations around the country where there appears to be resistance returning people to work,” noted Christina Curtis of DaVita.

GREATER SATISFACTION FOR ALL CONCERNED.

Through outsourcing, vendor experience in managing leaves complements internal competencies in workforce management. Although there can be challenges that come with outsourcing, including initial resistance to changes in procedures among employees and even managers, the benefits outweigh the difficulties of making the transition. Factors such as greater consistency, improved standardization help make the case for outsourcing.

As outsourcing is put in place, in-depth training and communication and readily accessible information are needed to help clarify the process of reporting and managing leaves. Over time, successful outsourcing may lead to greater satisfaction for all involved: the employee, manager, and the company.
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1 Spring Consulting Group, LLC. Employer Survey of Integrated Disability, Absence & Health Management Survey, August 2010.