



## Integrating Your Health Program

by Karen Trumbull English & Kimberly Weiss Lopez

The least expensive workers compensation claim is the one that never happens. But many injuries occur in the workplace that could be prevented through early detection. The good news is that new methodologies exist for recognizing and addressing human capital risks that increase injury prevention and minimize the human and corporate costs of those injuries.

If hired into appropriate jobs, employees generally begin their employment in a healthy and relatively comfortable state. Sometimes, however, discomfort or aches and pains can occur. These conditions are often not reported, and continue to fester like an untreated wound. Over time, employees avoid reporting, employers continue to push for high productivity and eventually, an injury occurs. The system fails. In these cases, while prevention or inexpensive treatment of the injury might have been possible, the employer is now forced to move into the claims management process, which is certain to be more costly. Employers need a new strategy.

The opportunity to minimize costs is through prevention of injuries. As human and corporate costs of injuries rise, employers are less inclined to accept them as just a cost of doing business and they become more inclined to take action.

The costs of injuries to employers include those that directly and indirectly impact the bottom line. Within the workers compensation system, medical and wage replacement costs are direct costs. For disability claims, direct costs are wage replacement, with medical being covered by the health care system. Indirect costs for both workers compensation and disability claims include lost productivity, employee replacement costs, employee morale (of both the employees experiencing the workers compensation and/or disability management processes and the employees that are left to pick up the slack), recordkeeping costs and other administration costs.

Federal agencies and industry practitioners have estimated indirect costs to be at least three times that of direct costs. In addition, employers may be experiencing unrecognized costs associated with the unreported discomfort and pain experienced before an injury is reported. "Presenteeism" (the phenomena of employees being at work, but not functioning at their full capacity due to the effects of injury or illness) often contributes to decreases in productivity and morale. These costs are significant, but very difficult to measure. Various industry surveys estimate that employers are spending anywhere from 14% to 16% of payroll as direct costs of workers compensation, disability and sick leave. Assuming that indirect costs are indeed at least three times that of direct costs, employers are spending a minimum of 56% of payroll on these programs.

A 2006 survey by the Workplace Productivity Institute of middle managers, senior managers, and C-suite executives suggested that companies that poorly manage their injury prevention efforts, or fail to acknowledge injury prevention as an effective workers compensation cost reduction strategy, will unnecessarily expend resources on costly work-related injury claims. This contributes to nearly \$350 billion spent annually by employers on worker-injury costs. According to the survey, the majority of respondents believe injury prevention can reduce their direct incurred costs by greater than 20%.

Similarly a 2006 survey on disability, absence and health, conducted by Spring Consulting Group, points to prevention as one of their most important strategies, but acknowledges there is an opportunity to more adequately incorporate it into existing integrated workers compensation and/or disability programs. These findings suggest that employers are taking action by integrating injury prevention strategies and processes with workers compensation and disability programs and processes. The costs of not taking action are just too high.

### **Moving Toward Program Integration**

Macro-trends are driving changes to the traditional models. These forces include increasing health care costs, a growing reliance on technology as an enabler, increased pressures for more productivity and an increasing recognition that human capital is often a company's most valuable asset and one deserving ongoing investment. Employers have responded by creating integrated workers compensation, disability and benefits programs.

In the Spring Consulting Group survey, 86% of respondents indicated that they were integrating at least a few of their employee benefit programs. Integration often includes, but is not limited to, injury prevention, workers compensation and disability management. However, as the intent of integration is to decrease the costs of lost time, absenteeism and unhealthy events, stakeholders in the injury prevention, workers compensation and disability systems are advised to be aware of these trends.

Integrated benefits programs also tend to follow one of two models: Either they focus on prevention, or they focus on the management of time away from work. The first of these includes proactive implementation of health management initiatives such as targeted disease management programs, nurse care hotlines, risk assessments and health risk appraisals, and wellness programs. The second includes common claims management and return-to-work protocols across workers compensation and disability, as well as concurrent management of the Family and Medical Leave Act (FMLA) to effectively track and manage absence.

According to another survey, conducted jointly in 2004 by the National Business Group on Health and Watson Wyatt called "Staying at Work," the primary advantages of integration to date have been a 5% to 25% decrease in costs associated with running disparate programs, a decrease in claim duration of between 10% and 35%, and an aggregate savings between 0.25% and 1% of payroll, depending on the programs that are integrated.

### **Five Critical Elements to Integrated Programs**

Successful integrated benefits programs include five process elements:

1. Continuous communication of employee benefits programs beyond the new employee orientation lead to increased appropriate utilization and improved overall outcomes. Many employers invest in web portals that can be accessed outside of the corporate network, town hall presentations, newsletters and other more traditional methods of communication. Deliberate efforts to employ direct and consistent communication improve results.
2. A common case management and return-to-work philosophy allows for consistent and standardized treatment, identification of return-to-work opportunities, and possible involvement of vocational resources.
3. Positive supervisor interaction and the encouragement of early reporting create the perception that the organization values the employee. It drives emotional and psychological interest on the part of the employee to return to work quickly after an injury or illness. Aligning supervisor's incentives with this ideal for positive interaction creates increased success.
4. Meaningful data and measurement allows an organization to identify root causes of injuries (or illnesses), measure the impact of program changes, and make informed decisions about resource allocation and program strategy for the future.
5. Finally, the above elements of the program's infrastructure can only succeed if the employees can access the benefits easily. A common, user-friendly point of access encourages compliance, allows for timely communication and enables proactive involvement of all stakeholders.

### **Achieving Operational Efficiencies**

Each organization's integrated benefits program will be unique, depending on its cost drivers, structure and culture. The role of technology is also important to consider, as the availability of online tools, self-service tracking and analysis portals has dramatically increased.

The first step to ensuring operational efficiencies is to consider how the organization's current strategies, processes and employee behavior will influence each of the critical process elements noted above. In addition to establishing a baseline cost estimate of the current state, employers can also benefit from a careful consideration of what is working well with their current vendor partners and the challenges they are facing.

By mapping the services provided by each vendor partner, the organization can identify duplicate services, inefficiencies, and key points of communication that could be leveraged through a more integrated process.

Benefits integration is outsourced most of the time, primarily because employers believe that vendor partners bring needed expertise. However, before looking to the market for program solutions, senior leaders should envision exactly what they want their programs to do and then construct a plan for achieving their objectives first.

#### **Today's Trends, Tomorrow's Strategies**

The integration of injury prevention programs with workers compensation programs and of workers compensation with disability management is growing. Furthermore, integration of these health management initiatives is expanding to employers of all sizes.

Instead of focusing on either prevention or management of time away from work, employers are viewing the entire spectrum for opportunities. Spring Consulting Group's survey revealed that approximately 90% of the solutions available to employers are able to integrate both workers compensation and disability, and most employers are prepared to move beyond FMLA administration to full leave of absence outsourcing. 80% are able to incorporate employee assistance programs and behavioral health initiatives into the claims management process, while 60% can offer targeted disease management programs. Group health coordination is available in 40% of the models surveyed, and nurse care hotlines, health risk appraisals and wellness programs can be incorporated by 40% to 60% of programs.

As vendor capability and employer implementations have intensified, awareness of the integration concept, and the effects it can have both pre- and post-injury, is higher today than ever before. The mapping of processes for utmost efficiency and the use of technology to track, measure, and ultimately prevent injuries from occurring will only increase this trend. The fact that programs are now being offered to employers of all sizes begs the question as to how companies will effectively structure injury prevention, workers compensation, disability management and health management initiatives throughout their organizations. Although risk management and HR departments have historically managed separate processes, overlaying prevention and health management strategies on both are compelling reasons to work as a team, and view health and productivity as an enterprise strategy versus a specific departmental strategy.

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