

The ViewsLetter

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IN THIS ISSUE

- Employee Absenteeism:
The Hidden Costs 1
- About the ViewsLetter 1
- Trend Tidbits 2
- Prepare Before You Travel 3
- Your Questions 3
- Household Hazards Affect
Employers' Bottom Line 4
- Did You Know 4
- Technical Corner 5
- Employee Listing 6

Employee Absenteeism: The Hidden Costs

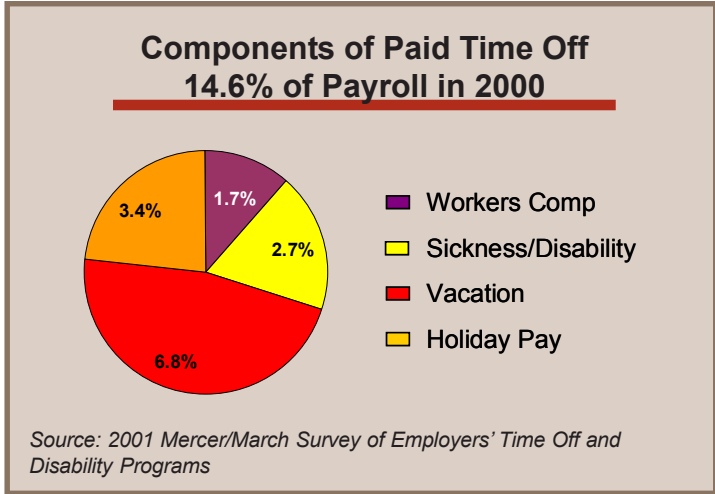
Many organizations sponsor or manage a variety of programs to help employees when they are unable to work because of illness or disability. These plans include:

- Short Term Disability
- Long Term Disability
- Workers' Compensation
- Family Medical Leave Act
- Sick Leave
- Salary Continuation

These programs are a major cost driver in many organizations. Most organizations consider the only cost of these programs is annual premiums or benefits paid. However, organizations rarely measure the unseen productivity and workplace costs incurred in compensating for the absent employee (hiring a temp, overtime pay for those who assist with workload, and other hidden expenses). The true cost of these programs includes all of these elements.

Organizations are now reviewing or implementing new programs that address absence

management globally. Many organizations split management of the various absence programs across many divisions and have different vendors managing different aspects of



their programs. This decentralization leads to a lack of understanding of absence management cost and allows employees to abuse the system. If your organization was required to identify the true cost of your absence policy, would you be able to pull together the data necessary to make this assessment?

Continued on page 2

About the ViewsLetter

We welcome you to the third quarterly issue in Volume Six of the McGraw Wentworth ViewsLetter. It is our mission to be the leader in the employee group benefits brokerage and consulting industry to mid-sized organizations.

We have established the ViewsLetter as an integral part of our commitment to keep you

informed of benefit trends, legislative and marketplace developments that may affect your group benefit programs.

We welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGraw Wentworth Account Director or Account Manager, or you can reach us at www.mcgrawwentworth.com.

Reach us on the web at the McGraw Wentworth web site. Check it out at www.mcgrawwentworth.com. Additional copies of the ViewsLetter are available in the MW Xchange on our website.

Employee Absenteeism: The Hidden Costs, cont.

Many organizations have poor tools for tracking time off. Your organization needs to track time off in order to draw a complete picture of your absence policy and how the policy affects your bottom line.

Employers are beginning to understand the effect of absence on their bottom line, and many are investigating an absence management approach to time off. Absence management involves managing all lost work time, whether it is for a disability or family issues. Many organizations have taken the initial steps toward adopting an absence management philosophy by integrating some levels of their disability programs. Of 476 respondents to the *Survey of Employers, Time-Off and Disability Programs* released in March 2002, 45% of employers had integrated their short- and long-term disability programs with the same carrier; 50% of employers with 10,000 employees have adopted an integrated approach to disability management (combined claim management for workers' compensation, short- and long-term disability).

Typical goals for an absence management program include:

- Enhancing productivity
- Improving return-to-work results
- Reducing benefit costs
- Increasing employee satisfaction
- Lowering replacement labor costs

Organizations should set their own pace in developing an absence management strategy. They can begin by creating a task force to develop a plan. The programs affected by an absence management approach come from different areas of most organizations. Organizations will need help from these resources to develop a comprehensive strategy.

First, the task force will need to assess the current absence management plans and the vendors who manage them. The task force should also survey employees about their perception of current benefits and which benefits may interest them, such as work/life, wellness, and any other programs. If possible, the task force should identify the types of absences affecting your organization. The 2001 *CCH Un-*

scheduled Absence Survey asked 234 human resource executives about the primary reasons for unscheduled absences:

- 32% were due to personal illness
- 21% were due to family-related issues
- 19% were due to stress (a dramatic increase from 5% in the 2000 survey)
- 11% were due to personal needs
- 14% were viewed as self-justified entitlement

Next, the task force should design a plan that will work in your organization. The plan should be determined by your company's specific needs; in other words, your organization's ability to balance various absence management aspects with any corporate culture or union contract issues. In some organizations, the first step may be to simply replace a salary continuation program managed through payroll with a short-term disability plan managed by your long-term disability carrier.

Other organizations may take their programs a step further and create a centralized location for reporting absences. The centralized approach eliminates some of the abuses found in decentralized programs. A centralized approach creates one contact for any absence. Employees call one number to report workers' compensations claims, to call in sick, to request FMLA, to document vacation time, and so on. The centralized contact handles the entire claim process. In addition, your organization should create a centralized database to track absences by type (FMLA leave, short term disability, vacation, sick day, and so on.). The database you create will give you important data to analyze if your or-

TREND TIDBITS

Employment Policy Foundation data show employers continue to pay most of the cost for health benefits even though costs have increased substantially:

- \$ The study indicates that since 1980, health plan cost increases have significantly outpaced inflation annually, even though the percentage of cost employers pay has remained relatively constant.
- \$ Employers have absorbed 77% of the health cost increases since 1992.
- \$ In 2003, the cost for providing health benefits to employees averaged \$4,200 for each employee and employers paid approximately \$3,254 of this amount.
- \$ Private sector employees with health coverage through their employers dropped from 79% in 1980 to 65.5% in 2002.

Continued on page 3

Employee Absenteeism: The Hidden Costs, cont.

ganization considers changing any part of your disability management program. The centralized approach also creates a level of individual accountability that may not be present in a decentralized plan.

Once you determine your approach, inform your employees. Communication is a key consideration at both the managerial and the employee levels. Obtain managerial buy-in on your action plan to ensure your managers back any changes. Let your employees know of these changes. Focus on the positives your new approach will produce for employees. For example, the centralized approach to reporting time off simplifies the process by creating one location to contact. This advantage should reduce your employees' anxiety if they need to report any time off.

In conclusion, your organization may begin with small steps as you move toward an absence management philosophy. However, improving absence management is an important area your organization should re-examine. **MW**

Prepare Before You Travel

Before you travel throughout the country or across the globe for rest and relaxation, consider taking the following preventive steps to ensure a healthy getaway:

- Check with your insurance carrier to see what level of coverage you have when you travel out of state or out of the country.

If you have a PPO type plan, you may need to use specific providers to gain maximum

benefits under your plan. You should know which providers to use before you leave. If you have an HMO, you may need to contact your primary care physician or your carrier's customer service area to find out how to seek emergency and urgent care outside your service area.

If you are traveling out of the country, check to see how your plan covers expenses incurred outside the United States. Many plans offer coverage for emergency treatment overseas but are not equipped to pay benefits directly to foreign health care providers. Often, you will be expected to pay up front for services received overseas and submit your receipts for reimbursement. If this is the case,

expect it will take a while for your claim to be processed. Providers outside the country do not use the same coding system we use and it often takes time to determine how to process the claim. Also, at the time of service, ask for an itemized bill written in English if possible. Otherwise, it will take extra time to get the bill translated when you return home.

- Check with your physician to see if he or she recommends vaccines or inoculations before your trip, especially if you are traveling overseas.
- Include natural dietary supplements when you pack. For example, ginger has been known to combat motion sickness and nausea. Valerian root and

Continued on page 4

YOUR QUESTIONS

- Q.** One of our employees will return from active duty in the Marines within the next two weeks. Our employee was enrolled in our medical and dental plan before being called to active duty fourteen months ago. How should I handle the employee's re-enrollment in our medical and dental plans?
- A.** The Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA) requires employers to provide certain re-employment and benefit rights to employees who take a leave of absence to serve in the military. If employees return to work within the time frames designated in USERRA and they are honorably discharged from service, they (as well as any eligible dependents) are entitled to be reinstated in medical and dental plans. Moreover, you cannot apply any new pre-existing condition limitations to these returning employees. The employees must be reinstated in the benefit plans exactly as they were before the leave. Also, any time spent not covered while on leave counts toward satisfying the pre-existing condition limitation, except for conditions that were incurred in or aggravated by military service (these would be covered by the Veteran's Administration).

USERRA covers re-employment as well as benefit-related issues. The Department of Labor recently published Frequently Asked Questions regarding re-employment of military personnel; you can find the FAQs at http://www.dol.gov/pwba/FAQs/faq_911_2.html.

Prepare Before You Travel, cont.

melatonin can help you get a good night's sleep. A multivitamin will ensure your body is getting its proper nutrients. Antioxidants such as Echinacea, and Vitamins C, A and E can help boost your immune system. Ask your doctor or pharmacist for suggestions. If you are pregnant, suffer from allergies or have a severe medical condition, always ask your doctor before you take any supplements.

- Avoid jet lag by adjusting your body clock before your trip. You can adjust your body by getting plenty of rest before your trip, trying to nap on your trip, stretching your muscles and drinking plenty of water. Jet lag causes travelers to feel tired and irritable. It also reduces immunity to colds and stomach ailments. Recovery from jet lag is not quick. It is estimated it takes one day to adjust for each time zone you cross in your travels.
- Watch what you eat and drink; it is estimated that 30-50% of travelers will experience

digestive difficulties because of something they eat or drink.

Taking a few precautionary steps before your trip can ensure safe, healthy and happy travels.**MW**

Household Hazards Affect Employers' Bottom Line

According to the Home Safety Council, employers on average are spending \$280 per employee annually to cover injuries incurred by employees or their dependents at home. The three leading causes of home injuries are:

- Slips and falls
- Fires and burns
- Accidental poisonings

The Home Safety Council offers the following tips to employees to help reduce the incidence of at home injuries:

- Install smoke alarms on every level of the home and test the batteries at least once a month.

- Plan a home fire drill and practice it at least twice a year.
- Use safety covers in electrical outlets and anti-scald devices in faucets if you have young children.
- Make sure all porches, hallways and stairwells are well lit. Use the maximum safe wattage in light fixtures.
- Use a non-slip mat or install strips or decals in bathtubs and showers. Also install grab bars.
- Keep medicines and household chemicals and cleaners up high, out of the reach of children, preferably in a locked cabinet.
- Install a carbon monoxide detector near the sleeping areas in your home.
- Keep the poison control center number near every phone.

When employees are injured at home, their medical expenses are typically not covered under their home insurance coverage. Employers' medical plans pick-up the cost of treatments and disability plans often provide income replacement for disabling injuries.

Employers can affect cost by reminding employees to be "safe" at home.**MW**

DID YOU KNOW?

Health care ranks high among employees' worries:

- 36% of employees are very worried about health care or potential increases in health care insurance costs.
- 35% of employees are worried about income keeping up with rising costs.
- 17% worry about whether they can pay both the insurance premiums and their mortgages.
- 16% worry about losing money in the stock market.
- 14% worry about being a victim of a terrorist attack
- 13% worry about losing their jobs.

Source: Kaiser Family Foundation, 2003

Continued on page 5

Health Information On The Internet

Most Americans turn to the Internet to research many of the important decisions in their lives; however, far fewer use the Internet to investigate issues related to their health. A recent CIGNA survey found consumers are twice as likely to use the Internet to research a new car purchase or a family vacation than to prepare for a visit to a doctor.

The issue is not fear of the technology, rather it is the struggle to sort through the wealth of information and what to do with the findings. Nearly 75% of CIGNA survey respondents indicate they want to use the Internet to research health issues and 59% believe the research will help them have more informed discussions with their doctors. However, only 28% of respondents currently use the Internet before a visit to the doctor.

When survey respondents were asked to rate which statement best reflects their attitude for using the Internet to research health issues:

- 74% said knowledge of health issues is important and the Internet is a valuable tool; however, they need help in navigating through the sea of information.
- 16% said the Internet saves them time.
- 4% said the Internet saves them money
- 2% said they use the Internet when they are too embarrassed to ask their doctor directly.

The survey respondents did have concerns about using the Internet to research health issues:

- 33% said they would rather discuss their health issues with a person.
- 17% said there was too much data to sort through.
- 15% were concerned with the credibility of the data found on the Internet.
- 5% said they did not know the health information was available.
- 4% said the information they found did not meet their needs.

Consumers do want the online research tools to help them better manage their health, but the online tools alone aren't sufficient. Interestingly, 79% of adults said it would be helpful to have trained nurses available to answer questions over the telephone. A trained nurse could help them interpret the results of their research and validate the information they found online. Often, consumers do not need to visit a physician, they simply need reliable, clear information.

When asked about what web services they would find helpful, survey respondents indicated:

- 91% would value an online service that would allow them to learn more about a disease or condition affecting them or their family.

- 81% would value a tool that would allow them to compare quality ratings of a hospital before being admitted for a medical procedure.
- 82% would value a service that would let them compare prescription drug treatment effectiveness, cost and alternatives.
- 80% would value an online tool that would allow them to research their chances for developing a certain disease or condition.

The Internet has become an important tool that most people use to gather information. If their concerns regarding Internet use for health information can be resolved, the Internet will become a key tool in managing health.

MW

