Getting risk management and human resources professionals to put their heads together in the increasingly critical area of integrated disability management (IDM) is a state-of-the-art approach — though it’s still the exception to the rule, experts said.

Meanwhile, disability absences and expenses continue to grow, increasing the impetus for change.

Examining a U.S. workforce of over 132 million, the Integrated Benefits Institute (IBI) finds that workers’ comp costs, including medical payments on claims, are now roughly $58.4 billion. Short-term, nonoccupational disability costs are $26.3 billion, and long-term disability costs are $13 billion, not including medical treatment. Experience varies widely among employers.

While always a challenge, nonoccupational disability costs have continued to rise in recent years due to factors like an aging workforce and a tendency for older employees to be higher wage earners. Then too, employers are more frequently self-insuring both their workers’ comp costs, including medical payments on claims, are now roughly $58.4 billion. Short-term, nonoccupational disability costs are $26.3 billion, and long-term disability costs are $13 billion, not including medical treatment. Experience varies widely among employers.

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HR teams in terms of employee wellness, preventing nonoccupational absences and implementing effective return-to-work practices with nonoccupational injuries, and any resulting disability that might impact an employee’s ability to return to work,” she added.

Interestingly enough, this is not a new innovation. “The concept and discussion around integrated disability and absence management have been going on for at least 20 years,” said Wood.

In the last five to 10 years, there has been more focused attention, partly because of the Family Medical and Leave Act’s impact on workforce absence, changes to the Americans with Disabilities Act, and more recently the passage of the Affordable Care Act, Wood said.

Moreover, said Teri Zanders, EPIC vice president of client advocacy, “risk managers tend to have a broader view of regulatory requirements and compliance. While HR teams have their own compliance issues and focus, risk managers typically track a broader range of issues and add an analytical perspective that provide a more holistic, enterprise-wide view.”

### Working With Vendors

Marlene Dines, national integrated disability management leader at Kaiser Permanente in Oakland, Calif., said that for the last several years, Kaiser has not only acted as a vendor providing integrated disability and health care services to other firms, but has built its own system combining integrated resources in disability management with resources in employee assistance programs, workforce wellness, and workforce safety, among others.

“Our nonoccupational vendor MetLife also partners frequently with our workers’ compensation vendor Sedgwick for the benefit of our 175,000 employees,” said Dines.

Dines added, however, that “comprehensive integration between IDM and risk management is key to the success of the program.”

Kaiser Permanente’s IDM program has existed since 2001 and has become more robust and better connected with risk management for the past two years.

“Shared strategies between IDM, workplace safety and risk management are predicted to show a positive impact on the prevention of new injuries and illnesses, and an increase in return-to-work outcomes,” Dines said.

Kim Passini-Akhtar, senior director of global benefits and HR operations at semiconductor firm IDT in San Jose, Calif. is another longtime fan of integration.

“I’ve worked with EPIC’s Teri Zanders for about 20 years,” said Passini-Akhtar. As a result, she said, for two decades, “we’ve had a fully integrated Leave Of Absence (LOA) program which includes workers’ compensation, as well as long- and short-term disability.”

Is risk management involved? To a small extent only — for now, she said.

Clearly, in some organizations, risk management continues to focus on workers’ compensation insurance, even where integration has been put in place otherwise.

“We partner with risk management as far as what type of insurance we are going to put into place on workers’ compensation,” said Passini-Akhtar.

But it is the benefits team that handles all claims management for long-term disability at IDT — which self-insures its short-term disability risks — in partnership with an LOA TPA.

### Results of IDM

So, what sort of results are employers getting?

A 2014 Sedgwick white paper on the subject explained that over three years, employers that implemented IDM programs reduced their internal administration costs by an estimated 10 percent to 20 percent. They also decreased days away from work by 10 percent to 25 percent, depending on past administrative practices.

And, despite some slowness in getting risk management and HR professionals on the same page, Sedgwick wrote in the white paper that, “Today, we are already helping employers create emerging vision programs that bring together their employee benefits and risk management programs.”

It’s not a slam dunk, just yet. Whereas very few of the Sedgwick clients represented in the report have reorganized to bring risk management and employee benefits professionals together, some do collaborate, said Shawn Johnson, senior vice president of disability services with Sedgwick in Memphis, Tenn.

“Those who are getting the best results are collaborating,” she said.

Moreover, some companies have known the upsides of IDM longer than others, apparently. When Pitney Bowes embarked on an integrated disability management program in the 1990s, for instance, the firm reported it was able to reduce lost time by 42 percent in the first two years and sustain the lower rates. The company was also able to “reduce medical cost by 25 percent in the first two years and limit medical cost inflation [and] achieve these gains with virtually zero impact on employee deductibles, co-pays or other costs,” according to a Pitney Bowes case study published by IBI.

### Productivity Increase is Key Benefit

Among integration’s primary benefits, said EPIC’s Sears, are reduced costs due to increased productivity. He noted that three-quarters of the return on investment from wellness programs comes from productivity gains, and only one-quarter from reduced claims costs, for instance.

Of late, Sears added, “The shift has been from us trying to explain a brand new concept to exploring a concept people are beginning to understand — one they are now seeing documented by research organizations, or hearing about at conferences.

“This exploration takes the form of detailed analysis of each client’s individual situation — this can vary widely, depending on the depth of data maintained by each client. The shift has gone from our teaching an idea to evaluating possibilities.”

The biggest mistake Sears has seen clients make is following the historic pattern of keeping management of workers’ comp, benefits, safety and wellness in silos. At the same time, he said, employers should not be too eager to jump on the integration bandwagon, particularly if they are missing key data on things like employee productivity, which needs to be measured before it can be improved on.

“Setting the foundation by gathering data is a critical place to start, and one we often have to help individual employers secure,” Sears said.

“You’d be surprised at how many employers know how many dollars they’re spending in compensation claims but not their experience with disability and workdays lost. We could realistically spend nine months just gathering that sort of data.”

### Challenges Include Carrier Collaboration

Finally, as promising as all of this may sound, not every employer finds it so easy to make the integration work in a seamless fashion, and some say good vendors serving the IDM arena are hard to find.

Paulette Wright, director of benefits, corporate wellness and HR operations with the Hackensack University Medical Center (Hackensack UMC), knows the space well. In fact, with her help, Hackensack UMC launched a new employer-sponsored temporary disability program, which eliminated a state-imposed cap of $604 per week.

“As it stands today,” said Wright, “the medical center’s workers’ compensation is handled through New Jersey Manufacturers Insurance, while The Hartford handles its absence management program.

Although there is some integration between the two — N.J. Manufacturers shares workers’ compensation absence management data for Hackensack UMC’s 7,600 employees with Hartford, for instance — there are still separate contracts and policies.

“I think that integration is a direction we will eventually move in,” said Wright.

“But the process is very involved for us, and not a lot of carriers out there are positioned to actually do this.”

“Despite IDM’s current popularity, not all insurers have the bandwidth to handle both workers’ compensation and disability. The industry has reported a data system that integrated the two, but it is a rarity. Once more vendors learn the value of IDM, Hackensack UMC will most likely consider the move,” Wright said.

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