

# Best Practices for Disability Management

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Occurrences of disability continue to grow and costs increase with experience, putting additional pressure on company benefit plan funding.

Over the past few years, the disability picture has changed significantly in response to:

- Rising benefit costs.
- Concerns for human rights.
- Compliance with Workplace Safety & Insurance Board (WSIB) legislation.
- New privacy and confidentiality legislation.
- An aging workforce.

The combination of cost pressure and the rapidly changing climate has made the job of managing disability more important and more difficult than ever before.

## Current Trends

According to the 2001 Watson Wyatt survey, *Staying at Work*, direct costs of absenteeism and disability (short-term disability, long-term disability, and WSIB) rose from 5.6% to 7.1% of payroll. Indirect costs including overtime, temporary staff and lost productivity add another 5% for a total cost of 12% of payroll.

On average, employee absence costs Canadian employers \$3,550 per employee, per year (Watson Wyatt, 2001).

	1997	2000
STD	2.0%	4.2%
LTD	1.2%	1.3%
WSIB	2.4%	1.6%
<b>Total</b>	<b>5.6%</b>	<b>7.1%</b>

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Employers who do not manage total absenteeism will find their plan costs much higher than average. The cost of Workers' Compensation has decreased primarily due to legislative controls and imposed employer penalties. As a result, employers have taken a proactive approach to WSIB issues and started to manage long-term disability more actively. Currently, the greatest employer opportunity is the still untouched area of short-term disability (STD) management.

These trends are consistent with Statistics Canada's findings and with most employers' experience.

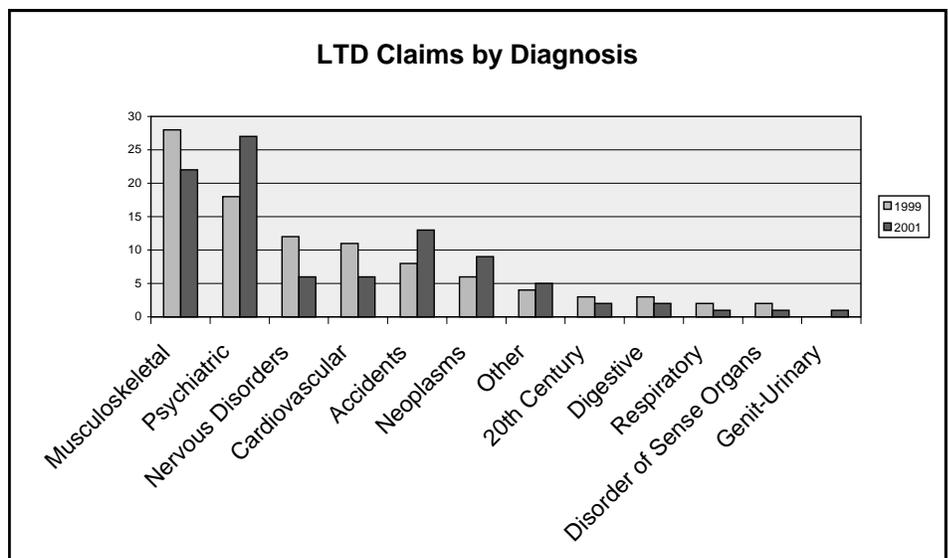
Current trends are also demonstrating changes in the

reasons for absence and the causes of disability. In 1994, mental-nervous (psychiatric) disorders ranked sixth overall for lost-time absences. Five years later, in 1999, mental-nervous claims had vaulted to second. By 2001, psychiatric disorders surpassed musculoskeletal disorders to be first in most insurers' client portfolios. In addition, while on the decrease, employers continue to be challenged by subjective disabilities such as fibromyalgia and chronic fatigue syndrome (Manulife Financial, 2001).

## Characteristics of a Strong Disability Management Program

Employers and insurers are taking a more active approach in handling disability. Traditionally, employers took the view that non-occupational illness and/or injuries fell outside of

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their sphere of control. Employers now have a heightened awareness that both occupational and non-occupational absences are within their control and should be managed. Moreover, timely interventions have been proven to minimize lost time - no matter what the root cause of absences were.

There are, however, companies able to achieve low absenteeism through effective disability management.

They have many of the same practices:

- work/life balance programs in the workplace
- preferred provider programs for physiotherapists and other paramedical practitioners
- employee assistance programs (EAPs) and early intervention.

Research shows an integrated disability management program — a program managing all types of absences — that facilitates early return-to-work for ill and disabled employees can generate a 16% reduction in overall disability costs.

## Issues for Employers to Consider

An employee off work for three months has approximately an 80% probability of returning to work.

probability of returning to work. After six months, the likelihood decreases to less than 50%. After twenty-four months, the chance of the individual successfully returning to work drops below 10%.

Research has also shown an integrated approach to absence management can improve plan experience significantly. This involves taking an active role in an employee's case before a claim is ever filed. Often, an employee's direct supervisor may be in the best position to take an active management role with an employee in the early intervention stages. For this approach to be successful, policies and procedures must be in place to direct and support the company's disability management program and to assist the front-line supervisor. Clear expectations and accountabilities must be articulated regularly to staff at all levels. Starting at orientation, employees need to understand disability management processes. They need to know how absences of any duration will be handled.

In addition, all levels of management must demonstrate support for intervention and accommodation from the earliest stages of an illness or disability.

Intervening to accommodate an employee before an absence period is ever required can work in both parties' best interests.

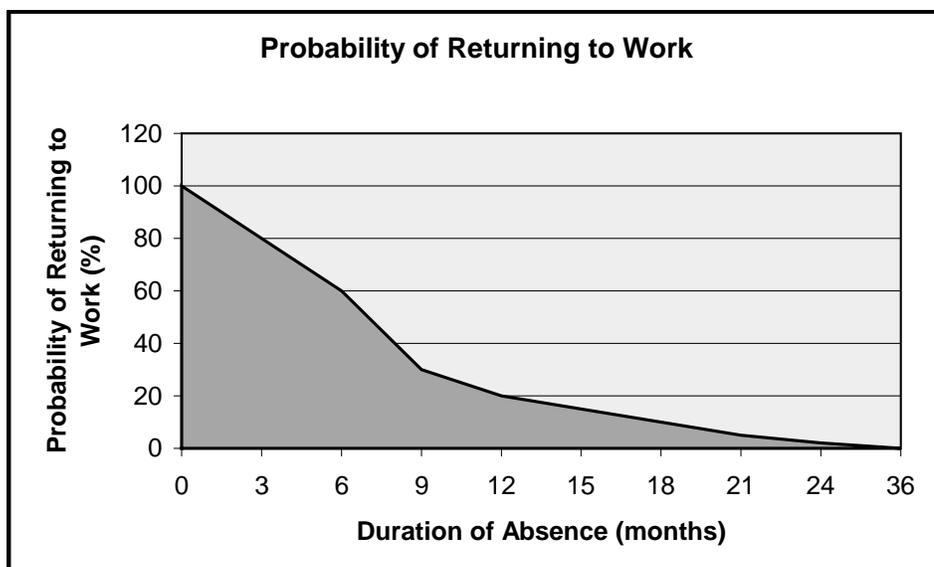
A written offer of workplace or work schedule modification (when necessary) can be one of the most effective tools for increasing the probability of staff returning to work after an absence period.

Delaying intervention creates obstacles in the process of helping employees return to work from short-term and long-term disabilities. When an employee is out of the workplace for any length of time, the stigma of the absence and fear of colleagues' reaction can prove to be barriers to reintegration.

For an active process to be effective, the employer and the insurer must ensure their practices and approach to disability management are aligned. This helps to make sure employees make a smooth transition when leaving or returning to the work place, and when moving between disability classifications.

Physicians have also been affected by the changing disability climate. In recent years, the Canadian and Ontario Medical Associations have more clearly defined the role a physician plays in helping patients return to work after an illness or injury. Traditionally, patients were not directed back to work unless they were one hundred percent fit to perform all job functions. Increasingly, physicians more often recommend return to work with specified accommodations, restrictions or limitations.

The focus of physicians responsible for certification of workplace absences has shifted. Doctors are becoming more comfortable encouraging cooperation between the employee and his/her employer.



Medical input (restrictions and limitations) and advice with the support of the physician and other health care professionals such as the physiotherapist or occupational health nurse, are important tools in helping to encourage timely return-to-work programs (Canadian Medical Association policy summary, 1997 and Ontario Medical Association position paper, 1994).

## Best Practices

Insurers have been rising to the challenge of managing disabilities effectively in the evolving environment. Many have developed a multi-pronged approach to the changing claims environment.

First and foremost, insurers must focus on the employees' abilities, intervening early whenever possible to preserve and to maximize individual abilities. Working with employers, carriers can build a customized disability management program encouraging wellness, improving productivity, and producing better financial results.

Ideally, the insurer assigns a dedicated disability team to the client. The team works closely with an employer's on-site disability manager to understand the unique aspects of the employee population and how best to handle workplace challenges.

Highlights of effective disability management programs include:

- Evidence-based adjudication and rehabilitation.
- Thorough analysis of objective clinical information to define medical restrictions and functional loss, compared with specific work requirements. This helps to determine the degree of disability and readiness for returning to work.
- Sophisticated tools to help assess and measure functional ability.
- Flexibility — support for the plan sponsor who provides a modified work arrangement to accommodate a disabled employee's medical restrictions during the qualifying period.
- Continuous learning of all key players. Employer disability coordinators as well as the insurer's disability staff should attend regular seminars and workshops focused on industry issues and trends. These sessions are specific to complex medical conditions, such as psychiatric disorders, to ensure disability professionals are up-to-date on the latest developments in assessing and treating these conditions.
- Disability management consulting. Leading insurers, brokers and consultants provide these services to help employers develop or enhance workplace absence management practices and develop an effective return-to-work process.
- Early intervention. Many employers and insurance carriers provide early intervention services for complex cases as well as salary continuation options, or short-term disability benefits.

Early intervention programs are key to successful disability management strategies.

Intervention services should include:

- Health-related absence assessment and recommendations.
- Assessing treatment and arranging consultations as required.
- Helping with return-to-work plans and employee integration.
- Protection of employee privacy and confidentiality. Employees

with concerns about the protection of their confidential medical information can send information directly to insurers' offices. Insurer communication is sent directly to the employee. The employer, however, receives a separate letter with the primary information minus protected medical details. Employers receive information concerning restrictions and limitations and are better equipped to make informed decisions as to whether the company is willing and able to accommodate restrictions. Medical information can be shared with an employer only with the expressed authorization of the employee.

## Benchmarking - Comparing to Determine Success

Many employers and insurers participate in industry surveys sponsored by benefits consulting firms, pharmaceutical companies and leading trade journals. Results of those measurements help to determine where their practices rank when compared across the industry.

Surveys also highlight trends in practices including a strong proactive rehabilitation component, availability of early intervention services and high level of staff mentorship and training.

How does your insurer rank among the leaders in the disability management field?

## Role of the Occupational Health Nurse

As occupational health nurses you have a key role to play as part of the team. There continues to be

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