

# Absence Management: Controlling Costs and Improving Your Bottom Line



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CFOs of both privately-held and nonprofit organizations are spending sleepless nights as they try to find ways to increase their bottom line in today's business environment. Human Resources are being saturated with the requirements of Healthcare Reform and employer costs are increasing due to new federal benefits mandates, higher utilization, and medical trends. At the same time, stockholders of public companies are demanding tighter expense controls and higher dividends and investment returns.

One area that organizations often overlook in their efforts to control costs is absenteeism, which can be a substantial expense. According to the Integrated Benefits Institute, 75% of CFOs indicated that absenteeism has the same business impact, including costs, as their employee health plan. The primary reason that these costs go unnoticed is that employers' tracking of absenteeism is often incomplete or decentralized. According to the Department of Labor, only 40% of employers comply with FMLA reporting requirements. Organizations that do report FMLA absences do not necessarily track any other types of employee absence. In fact, statistics show that only 50% of employers compile reports beyond FMLA and of those, only 25% include financial impact reports. Typically, employers fail to track intermittent absences because the task is difficult and cumbersome. Obviously, without a comprehensive tracking process, employers are losing important data, including trend patterns, which are a key component of cost management improvement. For those organizations that do have a tracking process in place, it is important to keep current with newer tracking systems that provide the most comprehensive and accurate tracking available.

## The Healthcare Industry

Absenteeism management is vital in the healthcare industry. Most facilities operate on a small margin and unexpected absences result in additional costs, such as the use of "on call" employees to fill in at the last moment and the unavoidable overtime expenses. In addition, most hospitals have a diverse work population and may have a variety of benefit

structures for full-time versus part-time employees. This complicates both the oversight of benefit eligibility levels and the tracking process for paid and unpaid leaves of absence, which typically range from STD, LTD, and FMLA to bereavement, military, jury duty, statutory paid, sick, and vacation time. While this can be somewhat problematic for healthcare organizations that do not offer a PTO program, a tracking program is vital - whether or not you offer a PTO program -for gathering and analyzing detailed absence data to help with saving cost.

## Administration & Claims Management

There are different methods in administering absence management programs. Companies have the option of capturing absence notification either telephonically, on paper, a combination of both, or via the web. The most streamlined and efficient single intake system is a web-based portal that has 24/7 access capabilities. This centralized system receives the employee notification of absence and automatically notifies the manager for approval or denial. It confirms federal and state requirements, and company leave eligibility; calculates tiered benefit structure (auto plan calculations); and verifies paid time off balance. Additionally, the system can track concurrent or intermittent leave, verify time off balances, and provide eligibility feeds that can be sent to other vendors or interface back to the employer for payroll purposes. More importantly, this system can provide valuable reporting that will ultimately help management with developing a strategic plan design or program changes in order to reduce cost. It can also be used to implement safety programs to assist with potential cost avoidance.



The web portal system has benefits for both employees and employers. Employees can access the system at any time to check on their absence claim status, available time balance, and history. Data reports can also help with targeted communication campaigns to help educate and inform employees of future plan or program changes and administration process. Employers have access to specific reports that can assist management in numerous ways, from monitoring of potential employee abuse to assistance in development of short and long term benefit strategy. Reports can be utilized in conjunction with an employer's STD/LTD coverage for early assistance back-to-work programs, potential worksite accommodations, and vocational rehabilitation programs.

### **Getting Started in Absenteeism Management**

Absence management is a specialized, extremely technical field that can be performed in-house, outsourced, or via a hybrid approach. Regardless of the method chosen, employers should rely upon experts who can help mitigate potential pitfalls, such as ensuring that the company is compliant on both federal and state levels, or that there are no coverage gaps when changing disability carriers. An integral part of the success of your absence management program is to ensure that your leave administrator will be able to work in partnership with your disability carrier(s) and interface with your payroll vendor as well. Your technical expert should be well acquainted with viable, quality administrators in the leave of absence marketplace and aware of financially stable insurance carriers in the disability field. If you do not have an in-house specialist and decide to seek assistance from the brokerage/consulting field, be sure that your consultant is qualified in both the disability and leave of absence fields, and can demonstrate expertise by providing a list of past projects for clients in this subject area.