THE 2015 GUARDIAN ABSENCE MANAGEMENT ACTIVITY INDEX^{SM} AND STUDY

AN EMPLOYER PATH TO SUCCESS

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Market Insights

INTRODUCTION

Amidst a challenging benefits environment where employers are reacting to new health care reform laws, tight budgets, and heightened pressure on productivity, the importance of absence management remains strong.

Over the past few years, the Patient Protection and Affordable Care Act (PPACA) reforms have taken effect, the Department of Labor has released additional federal Family Medical Leave Act (FMLA) regulations, the Supreme Court ruled on the Defense of Marriage Act (DOMA), the Americans with Disabilities Act Amendments Act (ADAAA) final regulations released by the Equal Employment Opportunity Commission (EEOC) have come to fruition, and numerous states have updated existing, or enacted new, state leave laws.

> WHAT DOES IT TAKE TO BE SUCCESSFUL WITH YOUR ABSENCE MANAGEMENT PROGRAM?

As a result of these changes, employers have had to focus greater attention on their absence tracking and reporting practices. Meanwhile, service providers have enhanced their capabilities and offerings, and the absence management market overall has matured.

Within this dynamic environment, Guardian continues to support employer efforts for managing absence and we updated our 2012 market study, which explored market trends in application of absence management practices.

We validated the relevance of the **Guardian Absence Management Activity Index**[SM], and documented the activities and outcomes that help lead to success. Through the research, we identified a series of steps employers can take to get started or to make further progress on their absence management journey, and build a long-standing and advanced program over time.

We hope you find this study to be a valuable and prescriptive resource, regardless of whether you are in the early stages of implementing an absence management strategy at your company or are more advanced in your efforts.

DONG AHN
Executive Vice President, Group and Worksite Markets
The Guardian Life Insurance Company

BACKGROUND

Guardian commissioned Spring Consulting Group to conduct a follow-up to a 2012 study in order to monitor changes in employer engagement and activity related to absence management.

Our research objectives included:

- Understanding current employer challenges and philosophies for managing absenteeism
- Documenting how employer absence management activities progressed since 2012
- Updating the Guardian Absence Management Activity Index^{SM}*, particularly determining how specific absence management activities correlate with outcomes
- Translating the characteristics of successful programs into actions employers can take
- Reviewing any differences in the results by employer size

In 2014, Guardian surveyed 932 individuals working for employers ranging in size from 50 employees to 5,000 or more, spanning various industries and geographic regions. Participants met the following screening criteria:

- Work for companies with at least 50 full-time/benefits-eligible employees
- Work for companies offering medical insurance and some form of disability benefits
- Are involved in handling disability and FMLA leave
- Are familiar with their company processes and philosophies for handling employee absences

* The Guardian Absence Management Activity Index^{SM} is a survey-based metric that gauges the degree to which an employer is implementing absence management activities within their company. The Index was introduced by Guardian in 2012.

KEY FINDINGS

Three key findings were uncovered in the 2014 survey that we feel are particularly noteworthy.

1. Despite a challenging benefits environment, employers have continued with their absence management efforts; **the Guardian Absence Management Activity Index℠ held steady and is still predictive of outcomes.**

2. With greater absence resources and third-party expertise available in the marketplace, **more employers feel they can overcome former obstacles** to their absence management efforts, such as applying ADA/ADAAA regulations and coordinating a variety of absence types.

3. Finally, the success employers have achieved to date clearly translates into **a proven path to follow.** More experienced employers can use it to hone their existing programs, while those just beginning can take a step-by-step approach. In essence, employers that are just getting started with their absence management efforts can focus on **four major areas**, namely:

   1. Setting a solid philosophy;
   2. Taking key foundational steps;
   3. Developing an effective model; and
   4. Carefully measuring success.

CHAPTER 1

EMPLOYERS MAINTAIN FOCUS ON WORKFORCE PRODUCTIVITY

Despite a challenging benefits environment, employers have continued with their absence management efforts. The Guardian Absence Management Activity Index℠ has held steady since 2012, and the five activities that most strongly predict achieving absenteeism reduction outcomes have remained constant.

The Guardian Absence Management Activity Index[SM] has held steady in a challenging employee benefits environment.

The Guardian Absence Management Activity Index[SM] is a tool that measures the degree to which an employer is implementing absence management activities within their company. Designed in 2012, the index reflects the level of employer activity on 10 elements of a potential absence management program, with employers earning up to one point for fully implementing each program component.

Based on their index scores, employers are divided into three categories on the absence management spectrum: not advanced, moderately advanced, or highly advanced. The average index score across all plan sponsors surveyed in 2014 is 3.7 out of a maximum of 10 possible points. The scores for the "not advanced" category range from 0 to less than 3.28; "moderately advanced" companies score 3.28 to less than 5.15; and "highly advanced" employers score 5.15 or higher. The 2014 average score and the corresponding range of scores have remained stable since 2012.

THE ABSENCE MANAGEMENT SPECTRUM

AVERAGE = 3.7

Not Advanced
0 to less than 3.28

Moderately
Advanced 3.28
to less than 5.15

Highly Advanced
5.15 to 10

0 1 2 3 4 5 6 7 8 9 10

% of Total Employers Surveyed   49%   29%   22%
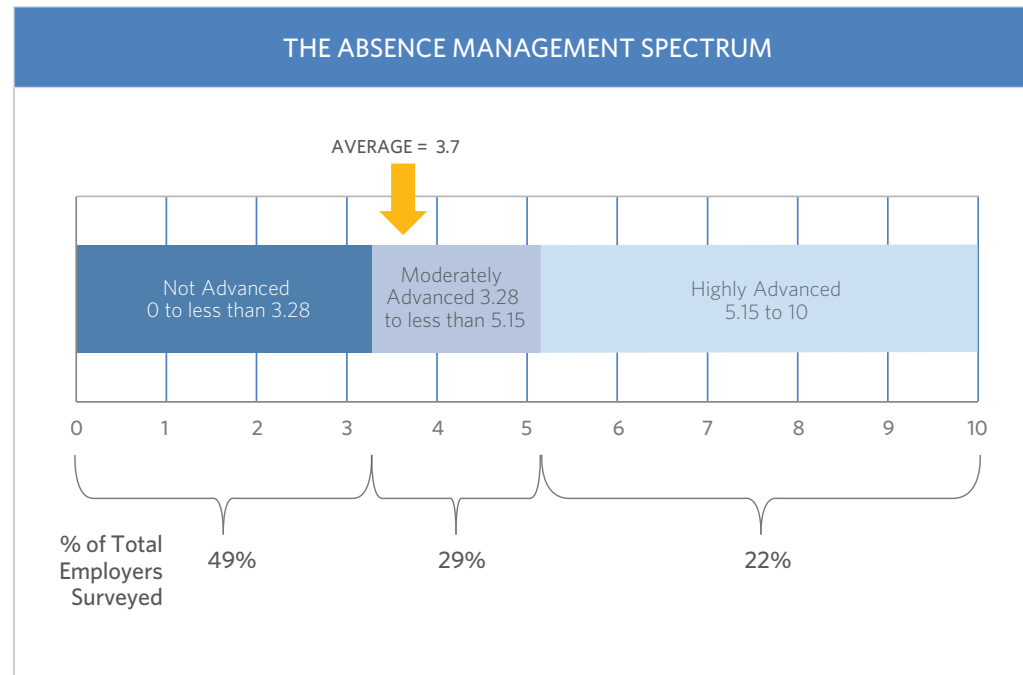
Certain activities performed by employers continue to positively affect absence management outcomes.

The current research validates our earlier findings around the five activities (see Tier 1) that are the strongest predictors for achieving these positive outcomes: enhancing productivity; improving employee experience; reducing lost time; decreasing overall absenteeism; increasing return-to-work rates; and reducing direct costs.

In addition, there are three more activities (see Tier 2) that correlate to improved outcomes, and two other activities (see Tier 3) that on their own are not directly associated with outcomes, but often enrich an absence management program.

5 BEST PRACTICES

Make sure your program includes the following activities:
1. A full return-to-work program
2. Access to usage/claims reports
3. Referrals to health management programs
4. A central portal for reporting
5. Use of the same resource for short term disability (STD) and FMLA

Tier 1 Activities: The 5 best practices with greatest impact on absence outcomes	1. A full return-to-work program	2. Access to usage/claims reports	3. Referrals to health management programs	4. A central portal for reporting	5. Same resource for STD and FMLA
Tier 2 Activities: Also contribute to positive outcomes	Wellness programs		Incentives or discounts for employees who participate in wellness programs		Reporting that integrates disability and FMLA information
Tier 3 Activities: Indirectly help to enrich absence management programs	Disease management program			Centralized adminstration of STD, FMLA or both	

Tier 1 Activities

#1: A full return-to-work (RTW) program, including the highest number of the following:

- Written RTW policy
- An interactive process (where the employee, HR, manager, case manager and/or physician talk about possibilities)
- Transitional RTW plans
- Guidelines for the duration of disability based on diagnosis
- Nurse case management
- Offering accommodations to facilitate return to work

On the index, $1/6$ point is given for each of the six components of the employer's return-to-work program.

- 62% of employers report actively seeking ways to return employees to work

#2: The ability to produce or obtain reports that include the highest number of the following:

- Disability usage patterns
- Disability claimant status
- Disability cost
- FMLA usage patterns
- FMLA claimant status

On the index, $1/5$ point is given for each of the five reports that the employer can produce or obtain.

- The percentage of employers who can produce or obtain any given report ranges from 40% to 50%

#3: A disability and/or FMLA process that includes giving employees referrals to health management programs

Health management programs may include employee assistance programs (EAP), disease management or wellness.

On the index, 1 point is given if referrals are made, while 0 points are given if no referrals are made.

- 44% make health management referrals

#4: A central portal (phone or online) for reporting

A central portal should include reporting for at least STD and FMLA and possibly include other leaves of absence such as sick/vacation leave or paid time off (PTO).

On the index, 0 points are given if no central portal exists; $1/2$ point is given if STD and FMLA absence reporting are through a common portal; 1 point is given if STD, FMLA and PTO are all reported through the same portal.

- 23% of employers use a common portal for STD and FMLA
- 12% overall have a central portal for STD and FMLA, and other leaves of absence

#5: Using the same STD resource for FMLA and additional benefit programs

On the index, $1/13$ point is given for each of 13 benefits [e.g., FMLA, long term disability (LTD), EAP], which are administered by the same department or vendor that administers STD.

- 28% of employers report using the same department or vendor to administer both STD and FMLA

Tier 2 Activities

Offering wellness programs that include a high number of program components	Offering incentives or discounts for employees to participate in wellness activities	Reporting that integrates both disability and FMLA information
On the index, $\frac{1}{15}$ point is given for each of 15 possible components (e.g., biometric screenings, flu shots) of the employer's wellness program.	On the index, 1 point is given if any incentives or discounts are offered, while 0 points are given if not.	On the index, 1 point is given if integrated STD/FMLA reports can be produced, 0 points are given if not.

Tier 3 Activities

Offering a disease management program	Centralizing administration of STD, FMLA or both within an organization
On the index, 1 point is given if a disease management program is offered, 0 points are given if not.	On the index, ½ point is given if administration of STD is completely centralized within the organization, ½ point is given if administration of FMLA is centralized within the organization, 1 full point is given if both STD and FMLA are centralized, while 0 points are given if neither is.

Employers of all sizes persist in striving to reduce absenteeism.

As in 2012, large employers are more likely to be "highly advanced" in their efforts compared to smaller firms.

Despite the numerous challenges employers are facing, most companies are still trying to reduce absenteeism or its effects. Specifically, 81% of respondents say that they exert major (22%) or minor (59%) effort to proactively take steps to reduce absenteeism at their organizations (see Figure 1).

Further, survey data from 2012 and 2014 show that the likelihood of an employer being highly advanced in its absence management efforts increases with company size. Specifically, 47% of large employers in 2014 are highly advanced, compared to only 19% of small employers (see Figure 2). Still, small businesses are making strides with nearly one in five being highly advanced.

FIGURE 1: DEGREE OF ABSENCE MANAGEMENT EFFORT (n=932)

Major effort 22%	Minor effort 59%	No effort 19%

0 10 20 30 40 50 60 70 80 90 100
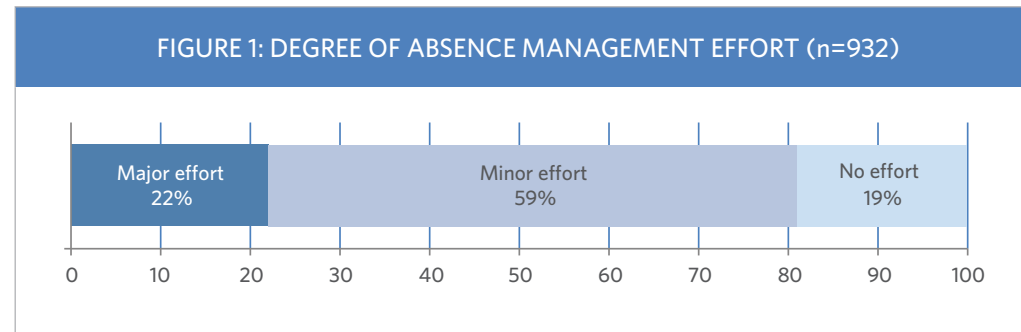
FIGURE 2: ABSENCE MANAGEMENT ADVANCEMENT BY EMPLOYER SIZE

	Small Employers 50-249 Employees n=386	Medium Employers 250-999 Employees n=272	Large Employers 1,000+ Employees n=274
Not Advanced	53%	35%	23%
Moderately Advanced	28%	32%	30%
Highly Advanced	19%	33%	47%
Average Index Score	*3.5*	*4.3*	*4.9*

Further, the level of effort employers make to reduce absenteeism is highly correlated to their degree of program advancement. Specifically, an organization's increased effort in absenteeism reduction is associated with a greater likelihood of being highly advanced (41%) on the index (see Figure 3).

Lastly, and even more pronounced in the results, is that highly advanced employers are able to achieve a greater number of outcomes in their absence management programs compared to those that are moderately or not advanced. For example, highly advanced companies are more than twice as likely as those that are not advanced to say they have achieved at least five of six outcomes (50% vs. 20%, see Figure 4).

FIGURE 3: ABSENCE MANAGEMENT ADVANCEMENT BY LEVEL OF EFFORT PUT INTO ABSENTEEISM REDUCTION			
	No Absenteeism Reduction Effort n=133	Minor Absenteeism Reduction Effort n=526	Major Absenteeism Reduction Effort n=261
Not Advanced	64%	51%	32%
Moderately Advanced	27%	30%	27%
Highly Advanced	9%	19%	41%
Average Index Score	*2.8*	*3.5*	*4.8*

FIGURE 4: NUMBER OF OUTCOMES ACHIEVED BY ABSENCE MANAGEMENT PROGRAM ADVANCEMENT (AMONG EMPLOYERS WHO MADE AN EFFORT TO REDUCE ABSENTEEISM AND/OR ITS EFFECTS ON THEIR ORGANIZATION)			
	Not Advanced n=271	Moderately Advanced n=232	Highly Advanced n=284
No outcomes	40%	24%	12%
1 to 2 outcomes	19%	18%	15%
3 to 4 outcomes	21%	28%	23%
5 to 6 outcomes	20%	30%	50%

CHAPTER 2

BETTER RESOURCES HELP EMPLOYERS OVERCOME ABSENCE CHALLENGES

Employers are better able to manage absences today as more industry information, vendor assistance and technology tools have become available. Some of the regulatory, decision making and reporting challenges of the past are now less prevalent. Employers are making incremental improvements to their absence tracking and reporting processes.

Employers report fewer challenges with absence management processes and procedures, particularly when applying ADA/ADAAA regulations and coordinating a variety of absence types.

All employers continue to grapple with managing absenteeism, but certain tasks have become less burdensome in recent years, mainly because of increased access to expert advice, third-party technology and tools, and more outsourcing options. Wider availability of third-party resources to support in-house activities, as well as outsourcing certain functions is making it easier for employers to get started on the path to more effective absence management.

Focusing first on disability management, employers identify their top challenges as coordinating different types of absences (e.g., disability and FMLA, disability and vacation time), ensuring fitness for duty before returning employees to work, and applying the Americans with Disabilities Act (ADA) and Americans with Disabilities Act Amendments Act (ADAAA). All have slightly decreased since 2012, with the ADA/ADAAA and approving/denying time being most notable (see Figure 5). These can be equally challenging for companies regardless of size — but particularly for larger companies (250+ employees) and to a greater extent for those with 1,000 or more employees (see Figure 6).

FIGURE 5: CHALLENGES EXPERIENCED BY ORGANIZATIONS DUE TO EMPLOYEE DISABILITY BASE = ALL (n=932)

■ 2014 ■ 2012

Challenge	2014	2012
Coordinating different types of absences	59%	63%
Ensuring fitness for duty before returning employee to work	54%	55%
Applying ADA/ADAAA	53%	60%
Keeping attendance records accurate	47%	51%
Making decisions to approve or deny time	40%	48%
Knowing an employee is absent in first place	37%	42%

FIGURE 6: CHALLENGES EXPERIENCED BY ORGANIZATIONS DUE TO EMPLOYEE DISABILITY (BY EMPLOYER SIZE)

	Small Employers 50-249 Employees n=386	Medium Employers 250-999 Employees n=272	Large Employers 1,000+ Employees n=274
Coordinating different types of absences	57%	66%	71%
Applying ADA/ADAAA	51%	59%	69%
Keeping attendance records accurate	45%	55%	61%
Knowing an employee is absent in the first place	35%	47%	51%

Specific to FMLA, keeping track of intermittent FMLA and interpreting federal and state leave laws continue to be most challenging, and both are followed by applying the ADA/ADAAA. The larger the employer, the greater the reported level of difficulty across all activities evaluated, particularly intermittent FMLA and transferring employees to alternative positions. These findings are similar to the 2013 Disability Management Employer Coalition/Spring Employer Leave Management survey that notes intermittent time, alternative position transfer and ADA/ADAAA interaction as being the most difficult. These results are not surprising, as these activities generally depend upon regulatory interpretation, and limited information and/or a lack of understanding often exists among the parties involved (see Figure 7).

Keeping track of intermittent FMLA and transferring employees to alternative positions is particularly challenging for companies with 250+ employees (see Figure 8).

FIGURE 7: CHALLENGES EXPERIENCED BY ORGANIZATIONS DUE TO FMLA BASE = ALL (n=932)

■ 2014 ■ 2012

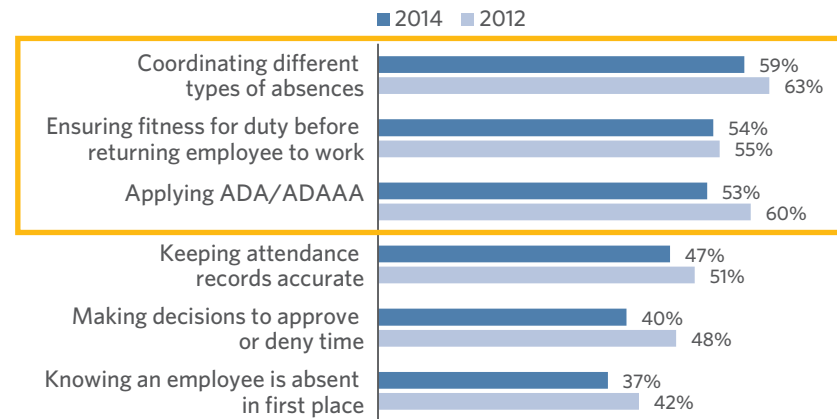| Challenge	2014	2012
Keeping track of intermittent FMLA	61%	66%
Interpreting federal and state leave laws	58%	65%
Applying ADA/ADAAA	54%	58%
Determining qualified serious health conditions	53%	56%
Transferring employees to alternative positions	52%	58%
Obtaining second and third medical opinions	50%	52%
Ensuring fitness for duty before returning employee to work	49%	52%
Handling exceptions for key employees	43%	45%
Determining appropriate absences for military leave	31%	34%

FIGURE 8: CHALLENGES EXPERIENCED BY ORGANIZATIONS DUE TO FMLA (BY EMPLOYER SIZE)

	Small Employers 50-249 Employees n=386	Medium Employers 250-999 Employees n=272	Large Employers 1,000+ Employees n=274
Keeping track of intermittent FMLA	59%	69%	72%
Transferring employees to alternative positions	49%	61%	66%

In addition, the percentage of employers reporting organizational challenges in reducing absenteeism decreased considerably since 2012, particularly organizational culture, organizational leadership and lack of staff knowledge (see Figure 9). Though organizational culture is still the greatest challenge to reducing absenteeism, survey results suggest that employers are becoming more supportive of absence management and internal staff is more capable of its administration.

FIGURE 9: CAUSES CONTRIBUTING TO ABSENTEEISM REDUCTION CHALLENGES BASE = ALL (n=932)

■ 2014 ■ 2012

Cause	2014	2012
Organizational culture	48%	60%
Current organization leadership	42%	53%
Lack of staff resources	42%	49%
Lack of staff knowledge	40%	50%
Budgetary constraints	35%	42%
Lack of internal technology	26%	32%
Lack of affordable health care (new 2014)	23%	
Lack of vendor technology	17%	19%
Lack of vendor capability	15%	19%

Employers of all sizes have been making incremental improvements to their absence processes, policies and approaches.

Beyond the key predictors identified by the Guardian Absence Management Activity Index℠, employers also have made strides to enhance the overall structure of their absence programs.

More employers (69%) report they are managing their STD or salary continuance programs compared to 2012 (59%) — with "managing" defined as the absence type is acknowledged, a policy exists, the claim has to be substantiated and there is a formal approval or denial. Also, fewer employers say they are simply "tracking" their STD or salary continuance programs (28% vs. 35% in 2012) — with "tracking" defined as the absence is acknowledged, but only documented (see Figure 10).

Little to no progress was made since 2012 with regard to "managing" FMLA or sick/vacation leave or paid time off (PTO) absences.

RETHINKING ABSENCE MANAGEMENT

- Don't just track absences — manage them
- Be consistent in your practices
- Centralize your efforts across the company
- Make sure your return-to-work program is based on the interactive process
- Outsource to reduce administrative burden
- Leverage the technology/tools available for better efficiency, if managing/tracking internally

FIGURE 10: DEGREE OF MANAGING VS. TRACKING ABSENCE TYPES						
	Managing		Tracking		Neither	
	2014	2012	2014	2012	2014	2012
STD/Salary continuance	69%	59%	28%	35%	3%	6%
FMLA	71%	70%	23%	27%	6%	3%
Sick/Vacation leave or PTO	56%	61%	37%	37%	7%	2%

In addition, employers report greater consistency across their organizations in how they administer STD, FMLA and other leave types when compared to 2012. STD is the most consistent and sick/vacation leave or PTO is the least consistent across all size employers, especially among smaller firms (see Figure 11). Smaller employers are less likely to have consistent processes for managing and tracking absences within their firms.

Meanwhile, the degree of centralization being applied to the administration of STD, FMLA and other time off has remained strong, with the vast majority of small employers (70% to 82%) taking this approach, and FMLA being the most centralized of all absence types studied. The largest companies (1,000+ employees) are the least likely to centralize their absence management activities (see Figure 12).

The consistency and centralization patterns are similar to those cited in the 2013 Disability Management Employer Coalition/Spring Employer Leave Management survey, which also shows that larger, more geographically dispersed companies with union populations face greater challenges in achieving consistency and centralization.

FIGURE 11: DEGREE OF CONSISTENCY IN ADMINISTRATION BY PROGRAM TYPE BASE = ALL (n=932)

		Overall	Small Employers 50-249 Employees	Medium Employers 250-999 Employees	Large Employers 1,000+ Employees
STD/Salary continuance		70% (n=932)	70% (n=386)	70% (n=272)	63% (n=274)
FMLA		81% (n=932)	82% (n=386)	77% (n=272)	62% (n=274)
Other leave of absence		77% (n=916)	79% (n=375)	70% (n=267)	57% (n=274)
Sick/Vacation leave or PTO		77% (n=924)	80% (n=381)	64% (n=271)	47% (n=272)

FIGURE 12: DEGREE OF CENTRALIZATION OF ADMINISTRATION BY PROGRAM TYPE

Employers remain focused on effectively returning employees to work when they are out on disability, with 62% making major return-to-work (RTW) efforts (up slightly from 58% in 2012). RTW programs are even more important the larger the employer.

In addition, organizations that actively seek ways to return employees to work and use the same resource for STD and FMLA are more likely to have made progress in 2012; 60% say their RTW efforts have been "very effective" versus just 38% in 2012.

Most companies (85%, up from 80% in 2012) are using the interactive RTW process — where the employee, manager, human resources, case manager and/or physician talk about possibilities. A similar percentage is offering accommodations to help facilitate return to work. Many employers also include transitional RTW plans, and written RTW policies and guidelines during the disability period as components of their RTW programs. Nurse case management is the element least likely to be included in an employer's RTW efforts (see Figure 13).

FIGURE 13: COMPONENTS OF RTW PROGRAMS
BASE = ACTIVELY SEEK WAYS TO RETURN EMPLOYEES TO WORK FOLLOWING A DISABILITY LEAVE (n=598)

Component	Percentage
The interactive return-to-work process	85%
Offering accommodations to facilitate return to work	80%
Transitional return-to-work plans	72%
Written return-to-work policy	66%
Guidelines for the duration of disability based on diagnosis	64%
Nurse case management	31%

Advancements in technology/tools have been instrumental in helping employers more efficiently track and manage absenteeism, particularly among companies that rely on internal teams for administering these programs. Those managing the process in-house generally use internally developed systems to track absences, but more are purchasing or leasing externally developed systems. Many still rely on a paper-based process (see Figure 14).

More than half of employers use internally developed systems to manage their STD and FMLA absences (see Figure 15). These systems typically have only basic functionality, mostly in the form of Excel spreadsheets and database tracking tools. Externally purchased or leased systems often involve human resource information systems (HRIS) or software systems (e.g., SaaS).

FIGURE 14: METHOD OF TRACKING EMPLOYEE ABSENCES
BASE = OPERATION OF STD OR FMLA INCLUDES AN INTERNAL COMPONENT AND IS MANAGED/TRACKED (n=846)

Sick/Vacation or PTO
- Internally developed systems: 68%
- Externally developed, leased or purchased systems: 25%
- Carrier or vendor handles it: 2%
- No systems, paper files only: 15%

FMLA
- Internally developed systems: 63%
- Externally developed, leased or purchased systems: 15%
- Carrier or vendor handles it: 5%
- No systems, paper files only: 23%

STD/Salary continuance
- Internally developed systems: 51%
- Externally developed, leased or purchased systems: 17%
- Carrier or vendor handles it: 31%
- No systems, paper files only: 17%

Leave as an accommodation
- Internally developed systems: 61%
- Externally developed, leased or purchased systems: 13%
- Carrier or vendor handles it: 3%
- No systems, paper files only: 26%

FIGURE 15: TOOLS USED INTERNALLY CONTRIBUTING TO ABSENTEEISM REDUCTION EFFORTS

Internal Systems (n=655)

Major Effort ■ Minor Effort ■ No Effort

- Excel spreadsheet: 72% / 71% / 69%
- Database tracking: 60% / 45% / 47%
- Other: 8% / 14% / 17%

External Systems (n=304)

- Payroll system: 78% / 79% / 84%
- HRIS system: 66% / 43% / 44%
- SaaS software: 22% / 7% / 6%

Employers can find themselves exposed to increased liability with inadequate and/or outdated systems. The increasing availability of externally developed, leased or purchased systems along with higher usage for FMLA by more advanced employers (see Figure 16) suggest that further movement from internal to external systems is likely. This will be helpful to employers that, in the past, had to develop their own systems just so they had some tracking mechanism in place.

Employers of all sizes have made strides in effectively managing absences by having a clear set of objectives, organizational buy-in and a focus on continuous improvement. Once an absence management program is implemented, it is important that it be regularly monitored and adjusted as government regulations, practitioner experience and vendor products and services continue to evolve.

Eight in 10 employers continue to outsource the day-to-day administration of their STD program — either just their STD (64%) or in combination with FMLA (16%). There has been little change since 2012 in the level of STD/FMLA outsourcing (see Figure 17).

FIGURE 16: USE OF INTERNAL OR EXTERNAL SYSTEMS TO TRACK EMPLOYEE ABSENCE (AMONG EMPLOYERS WHO INSOURCE STD AND FMLA)			
	Not Advanced n=418	Moderately Advanced n=255	Highly Advanced n=173
STD: Internally developed systems	42%	61%	60%
STD: Externally developed, leased or purchased systems	17%	16%	21%
FMLA: Internally developed systems	59%	67%	66%
FMLA: Externally developed, leased or purchased systems	13%	12%	26%

FIGURE 17: INTERNAL VS. EXTERNAL STD AND FMLA ADMINISTRATION (2012 VS. 2014)		
	2014	2012
STD and FMLA both internal	18%	15%
STD is internal, FMLA is not	2%	3%
STD and FMLA both external	16%	20%
STD external, FMLA is not	64%	62%

CHAPTER **3**

INFLUENCE OF THE AFFORDABLE CARE ACT (ACA) ON ABSENCE MANAGEMENT EFFORTS

Most employers do not anticipate that health care reform will significantly impact their absence management efforts. However, employers already active in managing absenteeism and productivity are looking more closely at the implications of the ACA for their companies.

With many of the Affordable Care Act reforms taking effect in 2014, organizations of all sizes and industries are still reeling in its implementation.

When asked how, if at all, health care reform has changed their organization's approach to absence management, about three-fourths (73%) did not think it had any impact. Another 10% felt it negatively impacted their approach (particularly with respect to recordkeeping, compliance and/or cost); 3% felt the ACA had a positive impact and 14% just didn't know (see Figure 18).

Given the newness of the reforms, these findings are not surprising. However, this research points to potential shifts in employer priorities and buying behaviors, which may have future implications for the role of absence management.

ACA IMPACT
- Increased awareness/interest in other legal/regulatory issues affecting employee benefits
- More attention to FMLA and ADA/ADAAA compliance
- Greater efforts to manage absences and improve productivity

FIGURE 18: ACA IMPACT ON APPROACH TO ABSENCE MANAGEMENT

Positive impact
3%

Don't know
14%

Negative impact
10%

No impact on programs
73%
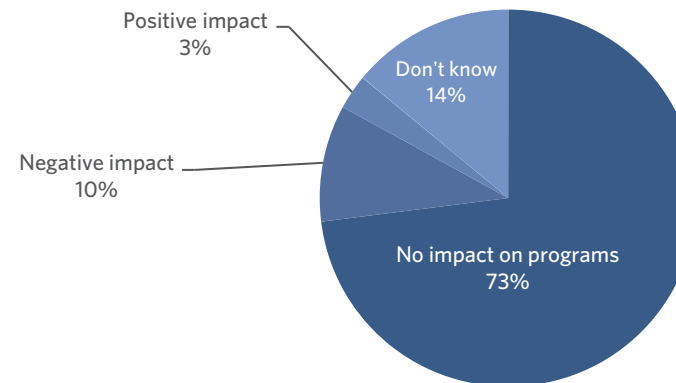
While employers, on average, feel that the ACA has had a limited impact on their absence management efforts, some companies see a relationship between the two. Those firms that are making a greater effort toward reducing absenteeism are more likely to say the ACA has influenced their absence activity (see Figure 19). Also, employers that are "highly advanced" are more likely to report that ACA has influenced their absence management approach.

Furthermore, employers who say the ACA has already had some effect on their absence management efforts are more active in return-to-work and wellness program activities (see Figure 20).

FIGURE 19: ACA IMPACT ON ABSENTEEISM REDUCTION EFFORTS
BASE = n=797 (EXCLUDES "DON'T KNOW")

■ ACA Impact   ■ No ACA Impact

	Major effort	Minor effort	No effort
ACA Impact	38%	53%	9%
No ACA Impact	20%	60%	20%

FIGURE 20: ACA INFLUENCED EMPLOYERS' RTW AND WELLNESS EFFORTS
BASE = n=797 (EXCLUDES "DON'T KNOW")

■ ACA Impact   ■ No ACA Impact

# of return-to-work components

	4-6	1-3	None
ACA Impact	52%	14%	35%
No ACA Impact	38%	20%	42%

# of wellness components

	10+	6-9	1-5	None
ACA Impact	37%	23%	13%	27%
No ACA Impact	12%	26%	17%	45%

When asked to describe their organization's medical plan, few employers surveyed (2%) reported moving their medical coverage to private exchanges, while 17% have shifted to consumer driven health plans. For disability, 29% of employers already offer STD on a voluntary basis, and 23% do so for LTD (see Figure 21).

Notably, employers that have migrated to a private exchange for their medical benefits, as well as those that offer consumer driven health plans, tend to be more highly advanced in their absence management efforts (see Figure 22).

Employers that use a private exchange tend to be smaller (fewer than 250 employees), while those using consumer driven health plans tend to be larger in size.

FIGURE 21: DESCRIPTION OF ORGANIZATION'S STD and LTD PROGRAMS
BASE = COMPANIES THAT OFFER STD (n=886) and LTD (n=834) PROGRAMS

Legend: ■ STD/Salary continuance ■ LTD

	STD/Salary continuance	LTD
It is a group benefit and is fully insured	49%	64%
It is a group benefit that is self-insured	19%	12%
It is offered only on a voluntary basis	29%	23%
It is an informal program where the company continues to pay the salary of some or all people who are disabled	4%	1%

FIGURE 22: LEVEL OF ADVANCEMENT IN ABSENCE MANAGEMENT BY MEDICAL AND DISABILITY PLAN TYPE

	Not Advanced n=352	Moderately Advanced n=275	Highly Advanced n=305
Medical is offered through private exchange (n=21)*	1%	1%	6%
Medical is a consumer driven health plan (n=156)	15%	15%	23%
STD is voluntary (n=253)	37%	28%	11%
LTD is voluntary (n=188)	26%	22%	15%

*Small sample size

Though a small segment today, firms using private exchanges are much more actively involved in managing absenteeism. They are more likely to be highly advanced, and are more actively involved in return-to-work efforts and wellness programs compared to other employers (see Figure 23).

FIGURE 23: ACTIVITY AND EFFORT OF ABSENTEEISM MANAGEMENT BY MEDICAL AND DISABILITY PLAN TYPE

	CDHP	Private Exchange	HMO/PPO/ Other	Voluntary STD	Voluntary LTD
Absenteeism reduction: Major effort	25%	57%	21%	23%	18%
Higher return-to-work activity	30%	52%	40%	40%	40%
Higher wellness activity	24%	43%	15%	15%	16%
Absence Management Index: Advanced	*31%*	*57%*	*22%*	*22%*	*22%*

CHAPTER 4

GETTING STARTED ON A PROVEN PATH

Given recent marketplace advances in technology, reporting and expertise, a path to absence management success is clearer than it has ever been. Employers that are just getting started can follow a series of prescriptive steps to establish their programs and continually improve them.

Setting a solid philosophy that includes return-to-work and employee health and wellness programs is key to getting started.

A large majority of companies (with more than 50 employees) offer disability benefits: 95% offer STD and 89% offer LTD. These companies are also subject to FMLA and ADA/ADAAA provisions. Lessons learned from more experienced and advanced employers are not only valuable to those with existing programs, but are also essential for those seeking a proven path.

An organization's underlying philosophy is often associated with its early decisions. For those launching absence management programs, their highest priority should be returning employees to safe and productive work (see Figure 24).

TIPS FOR GETTING STARTED

- Set your philosophy to include return-to-work and employee health and wellness programs
- Top two priorities should be returning employees to safe and productive work and encouraging overall health and wellness

**FIGURE 24: PHILOSOPHY TOWARD ABSENCE AND PRODUCTIVITY MANAGEMENT
BASE = ALL (n=932)**

Supporting employees in their return to safe and productive work	62%
Doing enough to be compliant	48%
Encouraging overall employee health and wellness	44%
Creating a culture of health and productivity	44%
Replacing employee income during a time of need	24%
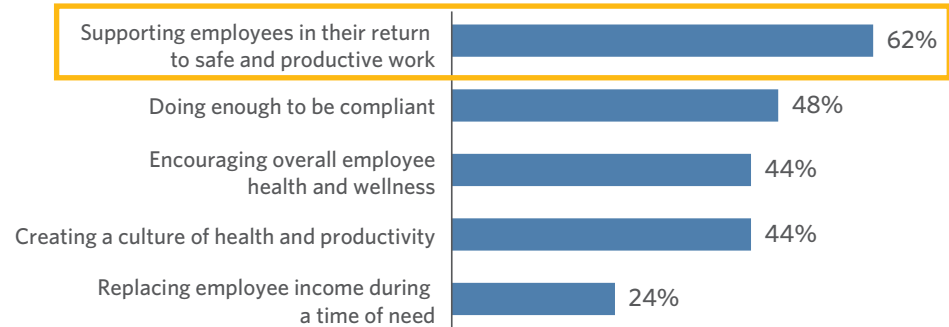
Encouraging overall employee health and wellness should be a second priority, as it highly correlates with an employer's level of absence management sophistication and advancement. Highly advanced employers place nearly equal importance on supporting return to work and encouraging overall employee health and wellness, while comparatively, those who are "not advanced" say their company's philosophy is to simply do enough to be compliant. By focusing on creating a healthy and productive culture, companies can help set a path for long-term success (see Figure 25).

FIGURE 25: PHILOSOPHY TOWARD ABSENCE AND PRODUCTIVITY MANAGEMENT BY LEVEL OF ADVANCEMENT
BASE = ALL (n=932)

■ Highly Advanced ■ Moderately Advanced ■ Not Advanced

	Supporting return to work	Encouraging overall employee health and wellness	Creating a culture of health and productivity	Doing enough to be compliant	Income replacement
Highly Advanced	75%	73%	62%	46%	31%
Moderately Advanced	67%	50%	47%	50%	30%
Not Advanced	54%	28%	33%	48%	17%

Getting senior management buy-in and following a strategic communications campaign are key foundational steps.

Several steps are deemed to be most crucial to the success of absence management programs. Employers surveyed believe that obtaining senior management buy-in and adhering to a clear communication strategy have the greatest impact on the effectiveness of their efforts to manage absenteeism (see Figure 26).

TIPS FOR GETTING STARTED

- Get senior management buy-in to your approach and follow a communications plan along the way
- If you are a large employer, implement in a phased manner and consider a pilot in order to demonstrate potential return on investment and gain support

**FIGURE 26: DEGREE OF EFFECTIVENESS IN MANAGING ABSENTEEISM (AMONG EMPLOYERS WHO MADE AN EFFORT TO REDUCE ABSENTEEISM AND/OR ITS EFFECTS ON THEIR ORGANIZATION)
BASE = n=757**

	Very Effective	Somewhat Effective
Getting senior management buy-in	27%	31%
Following a communication campaign	17%	34%
Incorporating change management	15%	30%
Establishing baseline metrics	15%	29%
Making a formal business case for change	12%	29%
Implementing in a phased manner	13%	26%
Starting with a pilot group	10%	18%
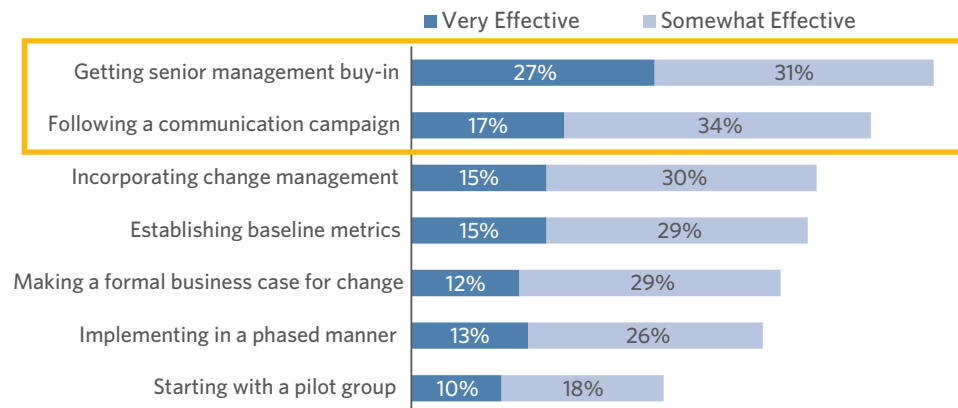
Implementing an absence management strategy using a phased approach is also important, especially among the most advanced employers (see Figure 27). Using a phased approach also tends to be more effective for larger companies with 1,000+ employees (see Figure 28).

While starting an absence management program with a pilot group was ranked as the least effective step overall, highly advanced employers and those with more than 250 employees place greater importance on it than other firms.

FIGURE 27: DEGREE OF EFFECTIVENESS IN MANAGING ABSENTEEISM (AMONG EMPLOYERS WHO MADE AN EFFORT TO REDUCE ABSENTEEISM AND/OR ITS EFFECTS ON THEIR ORGANIZATION)
BASE = n=757

Legend: ■ Highly Advanced ■ Moderately Advanced ■ Not Advanced

	Highly Advanced	Moderately Advanced	Not Advanced
Getting senior management buy-in	78%	62%	45%
Following a communication campaign	69%	54%	39%
Incorporating change management	64%	46%	33%
Establishing baseline metrics	62%	44%	34%
Making a formal business case for change	61%	43%	29%
Implementing in a phased manner	66%	37%	27%
Starting with a pilot group	48%	23%	19%

FIGURE 28: DEGREE OF EFFECTIVENESS IN MANAGING ABSENTEEISM BY EMPLOYER SIZE (AMONG EMPLOYERS WHO MADE AN EFFORT TO REDUCE ABSENTEEISM AND/OR ITS EFFECTS ON THEIR ORGANIZATION)
BASE = n=757

Legend: ■ 50-249 ■ 250-999 ■ 1,000+

	50-249	250-999	1,000+
Getting senior management buy-in	57%	66%	57%
Following a communication campaign	50%	56%	50%
Incorporating change management	44%	48%	47%
Establishing baseline metrics	43%	51%	47%
Making a formal business case for change	40%	48%	41%
Implementing in a phased manner	39%	39%	44%
Starting with a pilot group	26%	34%	34%

Optimal outsourcing arrangements include STD and FMLA, referrals to health management and incentives for wellness programs. Including LTD and Leave as an Accommodation also can contribute to success.

Once a philosophy is set and foundational steps are undertaken, the next consideration is the type of model to implement. The Guardian Absence Management Activity Index[SM] shows that using the same STD resource for FMLA is a key predictor of achieving positive outcomes and is one of the five "best practices." However, the majority of companies (72%) do not use the same resource for their STD and FMLA administration (see Figure 29). For those who do use the same resource, nearly five in 10 companies are highly advanced in their absence management (see Figure 30).

TIPS FOR GETTING STARTED
- Consider the five best practices
- Outsource STD and FMLA to an insurance company or third-party administrator
- Offer incentives for wellness
- Share data with your outsourced administrator

FIGURE 29: RESOURCES USED FOR ADMINISTRATION OF STD AND FMLA BASE = ALL (n=932)

	STD and FMLA both internal n=160	STD and FMLA both external n=199	STD external, FMLA not n=549	Overall n=932
Same resource manages both STD and FMLA	93%	75%	0%	28%
Not the same administration	7%	25%	100%	72%

FIGURE 30: DEGREE OF SAME ADMINISTRATION FOR STD AND FMLA BY ABSENCE MANAGEMENT PROGRAM ADVANCEMENT

	Not Advanced	Moderately Advanced	Highly Advanced
Same administration for STD and FMLA (n=149)	37%	18%	45%
Not the same administration (n=50)	33%	37%	31%

Employers that *outsource at least their FMLA and STD* not only report more positive outcomes, but are also more highly advanced.

Nearly half (46%) of those who use external resources for both STD and FMLA report achieving five to six positive outcomes — a much better result compared to those not outsourcing both or outsourcing only STD (see Figure 31).

Moreover, companies that outsource their STD and FMLA administration are the most likely to be "highly advanced" in their absence management approach (see Figure 32).

On average, four in 10 companies say their disability or FMLA process includes giving employees referrals to health management programs (e.g., EAP, disease management, wellness), which is also one of the five "best practices." The propensity to do so increases with employer size and is most evident among highly advanced firms (see Figure 33).

Notably, among companies that do have a referral process in place, 50% indicate the employee is informed about relevant programs; 44% provide employees with the program phone numbers; and less than 1% make a warm transfer (where the employee stays on the line until successfully connected to the relevant program administrator).

FIGURE 31: NUMBER OF OUTCOMES ACHIEVED BY TYPE OF ABSENCE MANAGEMENT RESOURCES USED			
	No External Resources for STD or FMLA n=133	External Resources for STD only n=473	External Resources for STD and FMLA n=123
No outcomes	26%	30%	21%
1 to 2 outcomes	22%	19%	10%
3 to 4 outcomes	33%	22%	22%
5 to 6 outcomes	19%	29%	46%

FIGURE 32: LEVEL OF ADVANCEMENT BASED ON RESOURCES USED FOR ADMINISTRATION OF STD AND FMLA BASE = ALL (n=932)			
	Not Advanced	Moderately Advanced	Highly Advanced
STD and FMLA both internal (n=162)	36%	35%	29%
STD and FMLA both external (n = 145)	36%	23%	41%
STD external, FMLA is not (n=593)	55%	29%	16%

FIGURE 33: LEVEL OF ADVANCEMENT BASED ON DISABILITY AND/OR FMLA PROCESS INCLUDES GIVING EMPLOYEES REFERRALS TO HEALTH MANAGEMENT PROGRAMS BASE = ALL (n=932)			
	Not Advanced n=459	Moderately Advanced n=269	Highly Advanced n=203
Referrals to health management programs	19%	49%	92%

Employers offering wellness programs are more likely than others to report improvements in overall absenteeism (see Figure 34); 64% offer incentives or discounts for employees to participate in any aspect of the program.

Using the same resource for additional benefit programs, mainly LTD and Leave as an Accommodation (ADA), also can contribute to successful outcomes (see Figure 35).

FIGURE 34: PERCENTAGE OF EMPLOYERS REPORTING A DECREASE IN OVERALL ABSENTEEISM BY PRESENCE OF A WELLNESS PROGRAM

53%	44%
Offers wellness (n=583)	Does not offer wellness (n=197)

FIGURE 35: OTHER BENEFITS ADMINISTERED BY SAME VENDOR/ DEPARTMENT AS STD AND FMLA
BASE = SAME EXTERNAL VENDOR OR INTERNAL DEPARTMENT ADMINISTERS BOTH STD AND FMLA AND OFFERS SUCH BENEFITS

(n = 282)	Long term disability	89%
(n = 157)	ADA	83%
(n = 283)	Group life insurance	78%
(n = 299)	Group medical benefits	75%
(n = 299)	Workers' compensation	74%
(n = 293)	Other leave	72%
(n = 293)	Dental	69%
(n= 264)	Sick leave (or PTO)	69%
(n = 230)	Wellness programs	68%
(n = 232)	Employee assistance program	66%
(n = 295)	Vacation leave (or PTO)	65%
(n = 159)	Health risk appraisals	55%
(n = 124)	Disease management	55%

Insurance carriers and third-party administrators are used equally among employers who outsource their STD and FMLA administration to the same external vendor (see Figure 36).

Sharing data with external vendors — either directly in a formatted file or through another external partner — increases an employer's level of absence management sophistication and outcomes (see Figure 37).

**FIGURE 36: TYPE OF COMPANY OPERATING STD/FMLA OR STD
BASE = SAME VENDOR ADMINISTERS STD AND FMLA (n = 149)**

Insurance company	43%
Third-party administrator	47%
Some other vendor	10%
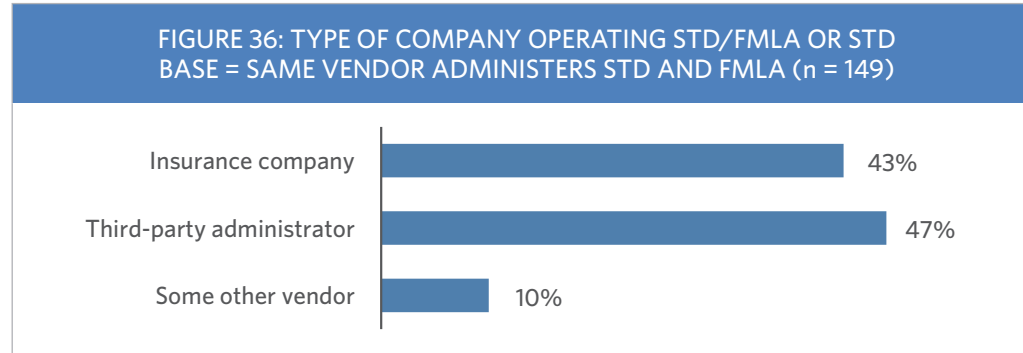
**FIGURE 37: SUBMIT DATA TO ANY OUTSOURCED PARTNERS
BASE = ALL (n=932)**

	Not Advanced	Moderately Advanced	Highly Advanced
Directly in a formatted file (e.g., Excel, flat file)	25%	45%	53%
Through another benefit partner (e.g., payroll provider, benefit administrator)	40%	43%	61%
Some other way	10%	11%	17%

CHAPTER 5

MEASURING FOR SUCCESS

Overwhelmingly, the most important measure of success is employee engagement. This aligns with other benefits of managing absenteeism, and ties to productivity and time loss outcomes that organizations strive to achieve.
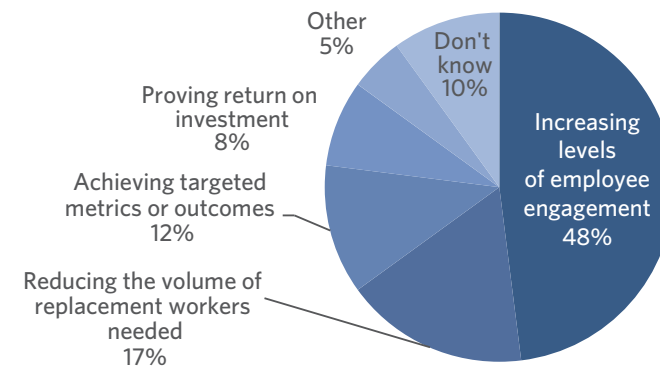
Employers utilize a variety of metrics to gauge the success of their absence management efforts, particularly employee engagement.

When asked to name the most critical measures of successful absence management programs, nearly half of employers surveyed say employee engagement — by far the top mention (see Figure 38). This finding is not surprising given the linkage between employee engagement and productivity, which has been documented in several studies showing that engaged employees miss fewer work days and are more productive. The importance of employee engagement as a success measure is consistent across company size, industry and level of absence management advancement. These findings suggest engagement may be a more important success measure than other, more commonly discussed marketplace metrics, such as reducing replacement workers or proving return on investment.

MEASURES THAT MATTER
- Include employee engagement as one of the factors you measure
- Have consistent administration and tracking or reporting methods

**FIGURE 38: MOST IMPORTANT MEASURE OF SUCCESS
BASE = ALL (n=932)**

Other 5%
Don't know 10%
Proving return on investment 8%
Achieving targeted metrics or outcomes 12%
Reducing the volume of replacement workers needed 17%
Increasing levels of employee engagement 48%

Among employers making efforts to improve absenteeism, 39% say they have seen improvement in employee experience/engagement. This applies even more to those that are highly advanced in their absence management effort (52%). Other benefits of absenteeism reduction efforts are:

- **Consistent administration (36%)**
- **Better tracking or reporting (33%)**
- **Reduced costs (32%)**

- **Easier administration for the organization (27%)**
- **Improved outcomes (26%)**
- **Improved compliance (26%)**

These results are consistent with Spring Consulting Group's 2012 Employer Survey of Integrated Trends which found that achieving an easier/better experience for employees (62%) and higher employee engagement (32%) were among the advantages of implementing an integrated benefits program. Employee engagement is increasingly making its way into the absence management conversation at many employers.

Additionally, 52% of those who make absenteeism reduction efforts are able to enhance productivity at their organizations, while 51% improve the employee experience (see Figure 39).

Nearly three-quarters (72%) of employers that make absenteeism reduction efforts say they have achieved at least one of the positive outcomes. Highly advanced employers are able to achieve a greater number of these outcomes in their absence management programs compared to those that are moderately or not advanced; 19% successfully achieved all six.

Just over half (54%) of companies with an absence management program have achieved more than two positive outcomes (see Figure 40) — virtually no change from 2012 (55%).

FIGURE 39: ACHIEVEMENTS AS A RESULT OF COMPANIES' EFFORTS TO REDUCE ABSENTEEISM
BASE = MADE MAJOR OR MINOR EFFORTS TO REDUCE ABSENTEEISM AND ITS EFFECTS (n=787)

■ Yes ■ No ■ Don't know

	Yes	No	Don't know
Enhancing productivity	52%	31%	17%
Improving employee experience	51%	31%	18%
Reducing lost time	50%	34%	16%
Decreasing overall absenteeism	50%	35%	15%
Increasing return-to-work rates	41%	37%	22%
Reducing direct costs	38%	41%	21%

FIGURE 40: NUMBER OF OUTCOMES ACHIEVED AS A RESULT OF ABSENTEEISM EFFORTS
BASE = EMPLOYERS WHO MADE AN EFFORT TO REDUCE ABSENTEEISM AND/OR ITS EFFECTS ON THEIR ORGANIZATION (n=757)

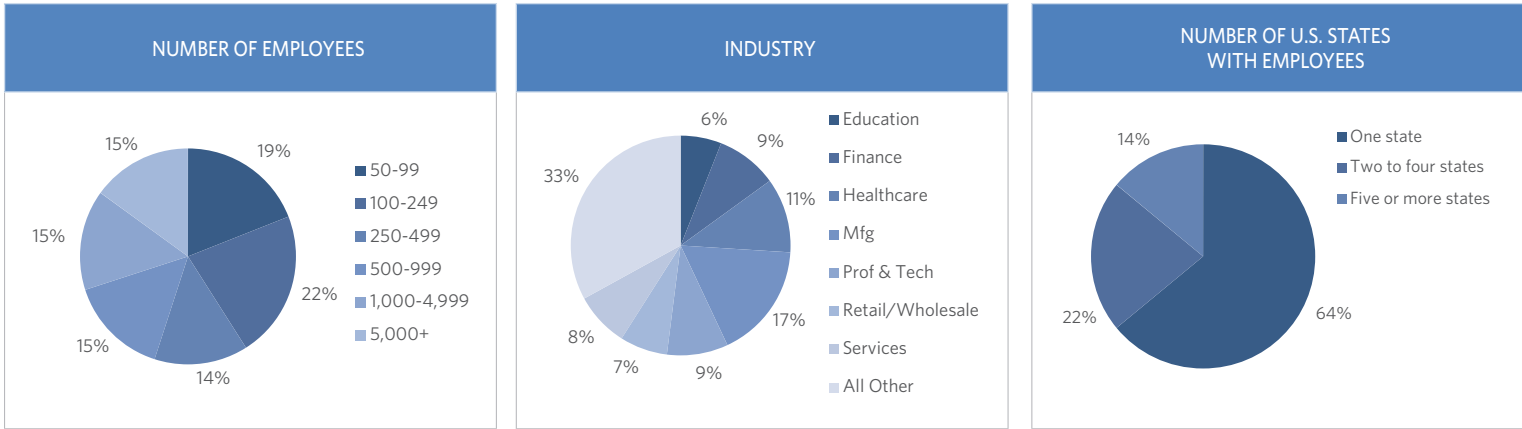|	
6 outcomes	19%
5 outcomes	11%
4 outcomes	12%
3 outcomes	12%
2 outcomes	10%
1 outcomes	8%
No outcomes	28%

SUMMARY

Through our research, we gained a clear understanding of how absence management programs have progressed and how employers that organize themselves along the following path can achieve absence management success and experience positive outcomes in an expedient manner:

Set a Philosophy:
Place equal priority on returning employees to work, and encouraging employee health and wellness.

Take Foundational Steps:
Make sure to get senior management buy-in and follow a communications campaign.

Determine the Model:
Outsource STD and FMLA, make referrals to health management programs, incent wellness and incorporate the 5 best practices.

5 Best Practices:
▸ A full RTW program
▸ Access to reports
▸ Referrals to health management programs
▸ A central portal for reporting
▸ Use the same resource for STD and FMLA

Measure for Success:
Focus on employee engagement as the most important measure.

Whether you are just getting started, or already have an absence program in place, use of the **Guardian Absence Management Activity Index**SM can help companies get a sense of where they stand today and set an action plan for continual improvement.

METHODOLOGY

All surveys were conducted online and a threshold number of respondents were included in each employee size category to allow analysis of the results by organization size. Below is a breakdown of survey respondents by size of their employer, industry and the number of states where their company has benefits-eligible employees.

NUMBER OF EMPLOYEES

- 50-99: 19%
- 100-249: 22%
- 250-499: 14%
- 500-999: 15%
- 1,000-4,999: 15%
- 5,000+: 15%

INDUSTRY

- Education: 6%
- Finance: 9%
- Healthcare: 11%
- Mfg: 17%
- Prof & Tech: 9%
- Retail/Wholesale: 7%
- Services: 8%
- All Other: 33%

NUMBER OF U.S. STATES WITH EMPLOYEES

- One state: 64%
- Two to four states: 22%
- Five or more states: 14%

Note: Not all charts and/or graphs total 100% due to certain questions allowing for multiple responses.